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Cabinet

11 February 2019

Lewes District Council

Time and venue:

2.30 pm in the Ditchling Room at Southover House, Southover Road, Lewes, BN7 1AB

Membership:

Councillor Andy Smith (Chair); Councillors Elayne Merry (Deputy-Chair) Paul Franklin, Bill Giles, Tom Jones, Isabelle Linington, Ron Maskell and Tony Nicholson

Quorum: 2

Published: Friday, 1 February 2019

Agenda

1 **Minutes of the meeting held on 5 December 2018** (Pages 1 - 12)

2 **Apologies for absence**

3 **Declarations of interest**

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

4 **Urgent items**

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972. A supplementary report will be circulated at the meeting to update the main reports with any late information.

5 **Public question time**

To deal with any questions received from members of the public in accordance with Council Procedure Rule 11 (if any).

6 **Written question from councillors**

To deal with written questions which councillors may wish to put to the Chair of the Cabinet in accordance with Council Procedure Rule 12 (if any).

7 **General Fund Revenue Budget 2019/20, Capital Programme 2018/19-2021/22** (Pages 13 - 34)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Bill Giles

8 **Treasury Management and Prudential Indicators 2019/20, Capital Strategy & Investment Strategy** (Pages 35 - 74)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Bill Giles

9 **Housing revenue account budget 2019/2020** (Pages 75 - 88)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Ron Maskell

10 **Business Rate Retail Discount Policy** (Pages 89 - 102)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Bill Giles

11 **Disabled Facilities Grant Policy** (Pages 103 - 120)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Ron Maskell

12 **Council tax reduction exceptional hardship policy (To Follow)**

Report of Director of Service Delivery
Lead Cabinet member: Councillor Bill Giles

13 **Strategic implications for leaving the European Union** (Pages 121 - 166)

Report of Assistant Director for Legal and Democratic Services
Lead Cabinet member: Councillor Andy Smith

14 **Consideration of options to ban the release of sky lanterns and helium balloons** (Pages 167 - 174)

Report of Assistant Director for Legal and Democratic Services
Lead Cabinet member: Councillor Isabelle Linington

15 **East Sussex Business Rates Pilot 2019/20** (Pages 175 - 188)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Bill Giles

16 **Voluntary sector support** (Pages 189 - 200)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Tony Nicholson

17 Community Infrastructure Levy Spending Recommendations (Pages 201 - 224)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Tom Jones

18 Newhaven Enterprise Centre (Pages 225 - 232)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Andy Smith

(This report contains an exempt appendix. Any discussion of this must take place at item 22 following exclusion of the public.)

19 Exclusion of the public

The Chief Executive considers that discussion of the following items is likely to disclose exempt information as defined in Schedule 12A of the Local Government Act 1972 and may therefore need to take place in private session. The exempt information reasons are shown beneath the items listed below. Furthermore, in relation to paragraph 10 of Schedule 12A, it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. (The requisite notices having been given under regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.)

(Note: Exempt papers are printed on pink paper).

20 Newhaven Enterprise Centre - Appendix 1 (Pages 233 - 236)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Andy Smith

Exempt information reason 3 - information relating to the financial or business affairs of any particular person (including the authority holding that information).

21 Insurances and Indemnities (Pages 237 - 242)

Report of Assistant Director of Legal and Democratic Services
Lead Cabinet member: Councillor Giles

Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

22 Mobile app parking services (Pages 243 - 246)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Bill Giles

Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)

23 **Water and sewerage services** (Pages 247 - 250)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Bill Giles

Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Information for the public

Accessibility: Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

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Public participation: Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests: Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (DPI), if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address: A member of the Council may ask the Leader, a Cabinet Member or the Chair of a committee or sub-committee any question without notice upon an item of the report of the Cabinet or a committee or subcommittee when that item is being received or under consideration by the Council.

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that committee or subcommittee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

Democratic Services

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

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Lewes District Council

Cabinet

Minutes of meeting held in Ditchling Room at Southover House, Southover Road, Lewes, BN7 1AB on 5 December 2018 at 2.30 pm

Present:

Councillor Andy Smith (Chair)

Councillors Elayne Merry (Deputy-Chair), Paul Franklin, Bill Giles, Tom Jones, Isabelle Linington, Ron Maskell and Tony Nicholson

Officers in attendance:

Robert Cottrill (Chief Executive), Homira Javadi (Chief Finance Officer), Ian Fitzpatrick (Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery), Catherine Knight (Assistant Director of Legal and Democratic Services) and Simon Russell (Committee and Civic Services Manager)

Also in attendance:

Councillors Stephen Catlin (Leader of Independent Group), Mike Chartier (Chair of Audit and Standards Committee), Peter Gardiner (Chair of Scrutiny Committee) and Sarah Osborne (Leader of Liberal Democrat Group)

42 Minutes of the meeting held on 29 October 2018

The minutes of the meeting held on 29 October 2018 were submitted and approved, subject to an amendment to minute 40 (Joint transformation programme) to add in the following:

"In response to a question from visiting member, Councillor Chartier, Chair of Audit and Standards Committee, officers confirmed that the phase 3 proposals, outlined in the report would not compromise the integrity of the audit unit."

Subject to the amendment, the chair was authorised to sign them as a correct record.

43 Apologies for absence

None were reported.

44 Declarations of interest

Councillors Smith and Maskell declared a prejudicial interest in agenda item 16 (Housing delivery programme), as both were executive committee members of Aspiration Homes LLP and directors of Lewes Housing Investment Company Ltd. Councillors Smith and Maskell both withdrew from the room and Councillor Merry chaired the meeting whilst the item was considered. As an executive committee member on Aspiration Homes LLP and director of Lewes Housing Investment Company Ltd, visiting member, Councillor Osborne also withdrew from the room whilst the item was considered.

45 Urgent items

The Chair was of the opinion that the following matters should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

(1) Chinese lanterns and balloons

Visiting member, Councillor Osborne addressed the Cabinet on the issues arising from the release of Chinese lanterns and balloons, particularly around New Year celebrations. The Cabinet agreed to look urgently at the issue, with input from officers on the various options for enforcing a ban on the release of Chinese lanterns and balloons on Council owned land and further.

Resolved (Non-key decision):

That the Council look urgently, with input from officers on options for enforcing a ban on the release of Chinese lanterns and balloons on Council owned land and further.

Reason for decision:

To support the concerns raised by Councillor Osborne.

(2) Gatwick Airport proposed expansion and its potential effect on the District Council area

At the Full Council meeting on the 26 November the Council agreed the following motion:

“That members of the Council be invited to submit representations to Democratic Services (committees@lewes-eastbourne.gov.uk) by Friday 30 November in relation to the current Gatwick ‘Master Plan’. Cabinet, at its meeting on 5 December will then be tasked with taking account of the views submitted and making a submission accordingly.”

Democratic Services received 6 representations by the deadline and the Cabinet agreed to submit the representations as part of the consultation process.

Resolved (Non-key decision):

That the responses received from members be submitted as part of the consultation process.

Reason for decision:

In accordance with the motion that was carried at the Full Council meeting on the 26 November 2018.

(3) Recommendations from Audit and Standards Committee – 19 November 2018

The Cabinet received and noted the recommendations made by the Audit and Standards Committee at its meeting on the 19 November 2018 in relation to minute 35 (Treasury management).

Resolved (non-key decision):

The Cabinet notes the recommendation from Audit and Standards Committee at its meeting on the 19 November 2018 that the Council's Treasury Management activity between 1 September and 31 October 2018 had been in accordance with the approved Treasury Strategy for the period.

Reason for decision:

The Council's approved Treasury Strategy Statement required the Audit and Standards Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate. The observations to Cabinet were for information only.

(4) Recommendations from Scrutiny Committee – 29 November 2018

The Cabinet agreed to consider the recommendations made by the Scrutiny Committee at its meeting on the 29 November 2018 when the relevant agenda item was being discussed. The recommendations would be verbally reported by Councillor Gardiner, Chair of Scrutiny Committee.

Resolved (Non-key decision):

To consider the recommendations from Scrutiny Committee when the relevant agenda item was being reported.

Reason for decision:

Not applicable.

46 Finance update - performance quarter 2 - 2018-2019

The Cabinet considered the report of the Chief Finance Officer, updating members on the Council's financial performance in quarter two for 2018/19.

Resolved (Non-key decision):

(1) To agree the general fund, HRA and collection fund financial performance for the quarter ended September 2018.

(2) To agree the amended capital programme as set out at appendix 3 to the report.

(3) To agree the treasury management performance.

Reasons for decisions:

To enable Cabinet members to consider specific aspects of the Council's financial performance.

47 Draft budget proposals 2019/20

The Cabinet considered the report of the Chief Finance Officer, summarising the main elements of the emerging 2019/20 revenue budget that had arisen from the corporate and service financial planning process to date.

A final budget for 2019/20 and revised capital programme would be submitted to Council on 25 February 2019.

Visiting member, Councillor Gardiner commented on the projected reduction in general reserves going forward, detailed in the five year medium term financial plan. The Chief Finance Officer commented that the projections were indicative if the council did not take action and work beyond 2019/20 for any additional income or savings had not yet but would be undertaken.

Resolved (Key decision):

(1) To agree the draft budget proposals for consultation.

(2) To agree the approach to dealing with changes in the expected resources available for the 2019/20 budget as detailed in 3.3 of the report.

(3) To agree that subject to there being no material change in the government settlement that Cabinet is minded to propose a council tax rise of 1.99% for 2019/20 to make a Band D charge £187.08 for General Expenses, in line with the current cap.

(4) To agree the strategy to close the gap as shown in 3.2 of the report.

(5) To note the updated medium term financial strategy.

Reason for decisions:

The Council is required by legislation to set a balanced budget. The report forms part of the process that will culminate in the Council Tax setting by the Council in February.

48 Council tax base and non-domestic rates income for 2019/20

The Cabinet considered the report of the Chief Finance Officer, seeking approval to approve the council tax base and net yield from business rate income for 2019/20, in accordance with the Local Government Finance Act 1992.

Resolved (Key decision):

(1) To agree the provisional council tax base of 36,760.40 for 2019/20 for the whole area and that the council tax base for each of the Town and Parish areas of the District shall be as set out at appendix 2 of the report

(2) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the council tax base for 2019/20.

(3) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2019/20.

Reason for decisions:

Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2019/20 Council Tax.

49 Portfolio progress and performance report quarter 2 - 2018-2019

The Cabinet considered the report of the Director of Regeneration and Planning, considering the Council's progress and performance in respect of key projects and targets for the second quarter of the year (July to September 2018), as detailed at appendix 1 to the report.

Good news for the quarter included Newhaven Enterprise Zone, Vote 100, Sickness absence, Welfare reform and Waste kerbside collection. Issues and action implemented during the quarter were detailed at section 4 of the report.

The Cabinet commended staff for all their hard work in driving up performance during a period of massive organisational change.

Special thanks were expressed to Rosalind Irving, Projects and Performance Analyst for their continuous work in supporting the Vote 100 events.

Visiting member, Councillor Gardiner, Chair of Scrutiny Committee addressed the Cabinet and detailed discussions of the report at Scrutiny Committee on 29 November 2018. The Scrutiny Committee made a recommendation that the target for ‘The number of days taken to process new housing/council tax benefit claims’ be changed from 20 days to 23 days, in line with the national average. The recommendation was unanimously agreed by the Cabinet.

Councillor Merry welcomed any future recommendations from Scrutiny Committee or individual councillors regarding performance targets.

Although benefits processing was reported as an issue for quarter 2, visiting member, Councillor Chartier, Chair of Audit and Standards Committee commented that the Committee recognised the complexities and extensive pressure, staff in the area were under.

Resolved (Non-key decision):

(1) That the council’s progress and performance for quarter 2 be received and noted.

(2) That the target for ‘The number of days taken to process new housing/council tax benefit claims’ be changed from 20 days to 23 days, in line with the national average.

Reason for decision:

To enable Cabinet to consider specific aspects of the Council’s progress and performance.

50 Community safety partnership annual report

The Cabinet considered the report of the Director of Regeneration and Planning, considering the current performance of the Lewes Community Safety Partnership.

The report detailed that the number of crimes reported in the Lewes District had increased over the last few years with a number of crimes reported, rising from 3,817 in 2014/15 to 5,095 in 2017/18. Lewes District however continued to be a very low crime area and maintained a position of second lowest recorded crime compared with local authorities in its Most Similar Group during 2017/18.

Visiting member, Councillor Gardiner, Chair of Scrutiny Committee addressed the Cabinet and detailed discussions of the report at Scrutiny Committee on

29 November 2018. The Scrutiny Committee made a recommendation that a Road Safety Action Group be formulated. The recommendation was agreed by the Cabinet.

Visiting member, Councillor Osborne, addressed the Cabinet and raised the importance of growing awareness for identifying signs of domestic abuse, and coercive control. Officers responded that within the council this was covered through the approved safeguarding policy and staff were required to complete a mandatory training course. The topic would also form part of the member induction for 2019/20.

Officers advised Cabinet that future reports would contain a definition for some of the new terms detailed in the report.

Visiting member, Councillor Catlin requested data on whether there had been an increase in hate crime over the past year. Officers agreed to circulate the data following the meeting.

Resolved (Key decision):

(1) To note the achievements and activities of the Lewes Community Safety Partnership during 2017/18 and future risks/opportunities to performance.

(2) That a Road Safety Action Group be formulated, as recommended by Scrutiny Committee at its meeting on the 29 November 2018.

Reason for decision:

For Cabinet to consider progress on delivery of the current Community Safety Plan.

51 Sustainability policy

The Cabinet considered the report of the Director of Regeneration and Planning, introducing a sustainability policy for Lewes District Council.

In response to a question from visiting member, Councillor Gardiner, Chair of Scrutiny Committee it was confirmed that the policy would be reissued following the notices of motion that was carried at Full Council on the 26 November 2018.

Resolved (Key decision):

To approve the Sustainability Policy for adoption

Reasons for decision:

To provide a policy frame work for Lewes District Council.

52 Sustainable energy investment feasibility

The Cabinet considered the report of the Director of Regeneration and Planning, seeking approval for funding to commission Clear Sustainable Futures to determine if there is an investable business case for the deployment of sustainable energy generation technology on two projects at Sutton Road and Avis Way.

Resolved (Key decision):

(1) To delegate authority to the Chief Finance Officer and Director of Planning and Regeneration, in consultation with the Cabinet Member for Environmental Impact, to fund up to £25,000 for the commissioning of Clear Sustainable Futures to undertake the feasibility study of deploying sustainable energy generation at the Avis Way and Sutton Road development sites

(2) To note that a similar request is being made to Eastbourne Borough Council to progress viability analysis on their project at the Sovereign Leisure Centre and that the work is being conducted concurrently with knowledge being shared.

Reasons for decision:

To reduce the carbon emissions of council developments; to enable the sites to become a prosumer (a producer and consumer) of electricity and heat to reduce ongoing utility costs whilst also enabling income generation through provision of emerging grid flexibility services; to mitigate the impact of each development on the electrical grid and reduce utility costs.

53 Economic development

The Cabinet considered the report of the Director of Regeneration and Planning, providing an update on regeneration and economic development activity across the Lewes District and to seek approval to progress the matters identified in the report.

In response to a question from visiting member, Councillor Chartier, Chair of Audit and Standards Committee, it was agreed that an update on tourism activity across Lewes District would be considered by Cabinet at a future date.

Resolved (Non-key decision):

(1) To note the progress made in the provision of economic development across Lewes District, including the expanding range of business support offered by the Council, the success of existing initiatives and the range of funding submissions submitted on behalf of the Council.

(2) To note the response of Coast to Capital LEP and South East LEP to the Government's LEP review, and to delegate authority to the Director of

Regeneration & Planning, in consultation with the Chief Executive and the Leader of the Council to agree future LEP membership for the Council.

Reasons for decisions:

(1) To ensure that the provision of economic development and regeneration activity across the district is maintained.

(2) To ensure that the Council continues to be appropriately represented strategically at a regional level.

54 Housing delivery programme

The Cabinet considered the report of the Director of Regeneration and Planning, providing an update on the successful use of capital funds and sets out proposals for the Council's established housing investment vehicles to allow those vehicles to purchase residential accommodation to assist the Council meet its strategic housing agenda and to note an increase in the pipeline of new build affordable housing acquisitions from private developers.

In response to a question from visiting member, Councillor Gardiner, Chair of Scrutiny Committee, the Director of Regeneration and Planning confirmed that rented accommodation purchased through Aspiration Homes would not be subject to "Right to Buy".

(Note: Councillors Smith and Maskell declared a prejudicial interest in this item and withdrew from the room, along with visiting member Councillor Osborne, whilst the item was considered (see minute 44 above). Councillor Merry chaired the meeting for this item.

Resolved (Key decision):

(1) To agree that the Council makes a loan facility available of up to £10m on market terms to Lewes Housing Investment Company Ltd (LHICL) for the purpose of enabling the company to purchase residential accommodation for commercial purposes under a dedicated programme.

(2) To delegate authority to the Chief Finance Officer in consultation with the Lead Cabinet members for Housing and Finance to agree the whole scheme lending parameters (including overall programme(s), levels of development and individual loan tranches) for purchases by LHICL for the programme outlined at recommendation 1 of the report.

(3) To agree that the Council makes a loan facility available of up to £2.5m on market terms to Aspiration Homes LLP (AHLLP) for the purpose of enabling the company to purchase residential accommodation for affordable purposes under a dedicated programme.

(4) To delegate authority to the Chief Finance Officer, in consultation with the Lead Cabinet members for Housing and Finance to agree the whole scheme lending parameters (including overall programme(s), levels of development and individual loan tranches) for purchases by AHLLP for the programme outlined at recommendation 3 of the report.

(5) To authorise the Assistant Director for Legal and Democratic Services to ensure that a “Funding Agreement” pursuant to a “Deed of Entrustment” is entered into by AHLLP with the Council so that Right to Buy receipts are appropriated in accordance with legislative requirements and the retention agreement with Government in relation to “social housing”. To give delegated authority to the Director of Regeneration and Planning to determine the terms of such agreement(s).

(6) To note an increase in the planned pipeline of new build affordable housing acquisitions from private developers, as outlined in the April 2018 Cabinet Report entitled “Housing development update”.

(7) To approve as a Restricted Matter under the LLP Agreement, the making of a loan facility by Lewes District Council of up to £2.5m on market terms to Aspiration Homes LLP (AHLLP) for the purpose of enabling the company to purchase residential accommodation for affordable purposes under a dedicated programme.

Reasons for decisions:

(1) To provide residential accommodation to assist the Council meet its wider strategic housing agenda.

(2) To increase the variety, availability and accessibility of housing and home ownership.

(3) To generate additional income revenue streams to the Council through strategic property investment.

(4) For Aspiration Homes LLP to use Right to Buy receipts to fund new affordable housing the necessary legal agreements need to be in place to allow this and these must be used in accordance with the terms of our right to buy receipt retention agreement.

(5) To update on the successful use of approved funds and future capital requirements.

55 Fees and charges

The Cabinet considered the report of the Chief Finance Officer, proposing the schedule of fees and charges to apply from 1 April 2019.

Resolved (Key decision):

(1) To approve the scale of Fees and Charges proposed at appendix 2 of the report, to apply from 1 April 2019.

(2) To delegate authority to the Director of Service Delivery, in consultation with the Portfolio holder for Waste and Recycling, to vary commercial trade waste charges upwards or downwards by up to 10% in order to respond to developing market conditions.

(3) To implement changes to statutory fees and charges for services shown at appendix 2 to the report as and when notified by Government.

Reason for decisions:

The Council's Constitution requires that all fees and charges, including nil charges, be reviewed at least annually and agreed by Cabinet.

The meeting ended at 3.44 pm

Councillor Andy Smith (Chair)

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Body:	**Cabinet**
Date:	**11 February 2019**
Subject:	**General Fund Revenue Budget 2019/20 and Capital Programme 2018/19- 2021/22**
Report Of:	**Homira Javadi, Chief Finance Officer**
Cabinet member	**Councillor Bill Giles, Cabinet Member for Finance**
Ward(s)	**All**
Purpose	**To agree the detailed General Fund budget proposals for 2019/20 and Capital Programme 2018/22.**
Decision Type:	**Key Decisions requiring approval of Full Council.**
Recommendation:	**Members are asked to recommend the following proposals to Full Council:** **(i) The General Fund budget for 2018/19 (Revised) and 2019/20 (original) Appendix 1 including growth and savings proposals for 2019/20 as set out in Appendix 2.** **(ii) An increase in the Council Tax for Lewes District Council of 1.99% resulting in a Band D charge for general expenses of £187.08 for 2019/20.** **(iii) The revised General Fund capital programme 2018/22 as set out in Appendix 3.** **(iv) To note the section 151 Officer's sign off as outlined in paragraph 1.6.**
Reason for recommendations:	**The Cabinet has to recommend to Full Council the setting of a revenue budget and associated council tax for the forthcoming financial year by law.**
Contact:	**Homira Javadi, Chief Finance Officer** **E-mail address: Homira.Javadi@lewes-eastbourne.gov.uk**

1 Introduction

1.1 This report sets out the general fund revenue budget proposals for 2019/20 and a rolling medium term capital programme for 2018/22.

1.2 The Housing Revenue Account 2019/20 and associated capital programme, together with rent setting for 2019/20 is subject of a separate report elsewhere on this agenda.

1.3 The Council approved its Medium Term Financial Strategy (MTFS) in February 2018 and the Cabinet recommended a resulting draft 2019/20 budget proposal in December 2018 following the service and financial planning process in the autumn.

1.4 The MTFS and the draft budget have been subject to consultation as reported to Cabinet and Scrutiny since December.

1.5 The budget is the product of various plans and strategies as part of an integrated and corporate planning process and is linked principally to:
#
- The MTFS
- Asset Management Plans
- The Corporate Plan
- Workforce Strategy
- Treasury Management Strategy
- Service Plans
- HRA business plan
- Joint transformation programme with Eastbourne BC

1.6 The Chief Finance Officer has a specific legal responsibility to give positive assurances on:

- The robustness of the estimates used in the budget
- The level of reserves

1.7 If the recommendations of this report are agreed, then these assurances will prevail.

2 Summary of recommended budget proposals

2.1 The budget proposals include:

- An increase in the Council Tax in 2019/20 of 1.99%.
- Dealing with further reductions in Government funding of £0.190m.
- Overall savings/new income totalling £0.6m (4% of the net budget).
- Efficiency savings of £0.4m (3% of the net budget).
- New and increased income £0.2m (1% of the net budget).
- Inflation and unavoidable costs of £0.5m (3% of the net budget.
- Other recurring service growth of £0.5m.
- Non recurring service investments met from general reserves of £0.5m.
- General Working Balance £2.0m (in line with existing minimum recommended of £2m).

2.2 The budget represents continued management of financial risks by:

- Building on a balanced outturn position.
- Balancing the base budget requirement without needing to use reserves for recurring expenditure.
- Managing the new and increased demand on services, such as homelessness.
- Identifiable and deliverable savings with accountability and no general unidentified targets.

- Reserves above the minimum level.
- Providing the funding required for the Joint Transformation Programme to deliver the future savings required by the MTFS as well as capital investments in revenue generating assets.

3 2019/20 General Fund Resources

Government Funding

3.1 The underlying methods of Local Government financing have changed significantly in recent years including the wrapping up of grants in the base “Standard Funding Assessment” notably:

- The council tax freeze grants (2011-15)
- Some new burdens grants
- Homelessness grant
- Grant for Flood Defence Levy

3.2 For Lewes the Headline figures of the Government settlement are:

- No revenue support grant.
- Further reduction in new homes bonus of £0.192m from the 2018/19 level.
- A real reduction in resources from Government of over 72% since 2016-2020.

3.3 The NNDR business rate base has remained volatile largely as a result of the economic uncertainty, continued provision for appeals and resulting collection fund deficit, despite an inflationary increase which is linked to the September 2018 CPI and a potential overall increase yet to be confirmed in the gross rateable values. The Government will reassess the “needs formula” to reflect demand for services and adjust redistribution accordingly from 2020 onwards.

3.4 Following the Government’s invitation for authorities to submit an application for the 75% business rates retention pilot and success of East Sussex submission, the Council is likely to benefit from an additional £100k retained income.

3.5 The Government has announced that Lewes will receive just under £0.5m in total of new homes bonus due to the growth in housing in the area. The settlement reduced the period from 6 to 4 years that NHB is payable as well as a minimum threshold of 0.4% increase in Band D equivalents before qualifying.

3.6 The Government approved the Council’s joint efficiency statement and application for the 4-year settlement (to 2020). Over 97% of Councils have opted for the fixed settlement including all neighbouring authorities.

Council Tax

3.7 The aggregate Band D Council requirement comprises two elements:

- .Special Expenses in respect of the cost of managing and maintaining parks and open spaces. The cost of each site is charged to the council taxpayers of that part of the district area in which it is located.

- General Expenses, all other costs.

3.8 The Council has made a commitment to passing on changes in the cost of the upkeep of open spaces, reflecting the devolution of these assets to town and parish councils. Special Expenses amounts are shown in the table below:

Town/ Parish Area	Special Expense 2019/20 £	Band D 2019/20 £	Special Expense 2018/19 £	Band D 2018/19 £
Lewes	334,370	54.31	338,830	55.03
Newhaven	155,620	43.60	155,150	43.47
Telscombe	53,400	20.61	53,230	20.55
Seaford	54,760	5.64	54,590	5.62
Peacehaven	37,930	7.85	37,810	7.83
Chailey	1,070	0.82	1,060	0.81
Ringmer	4,180	2.19	4,170	2.18
Total	641,330	17.45	644,840	17.41

3.9 As and when site ownership of open spaces is devolved to parishes, the Special Expenses reduce accordingly to reflect that the town and parish Councils will pick up the costs of management and maintenance. Work to achieve the devolution of these sites is ongoing.

3.10 Applying a 1.99% increase to the General Expenses element of the Council Tax gives a Band D tax amount of £187.08 as shown in the table below:

	2018/19	2019/20	Change	Change
	£	£	£	%
Band D				
Special Expenses	17.41	17.45	0.04	0.23%
General Expenses	183.43	187.08	3.65	1.99%
Total	200.84	204.53	3.69	1.84%

3.11 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise in line by inflation 2% to 3% per annum for each of the next three years. This is within the Government's target for inflation (1-3%) and also the current ceiling on rises that would otherwise require a referendum.

3.12 Within this context, for 2019/20, the Council will raise £7.5m from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band D tax rate of £204.53 per annum.

3.13 In addition, there is a distribution of £0.059m payable to LDC from the collection fund due to a collection fund surplus.

Summary – 2019/20 Resources

3.14 A summary of the resources available is shown below:

Source:	**£'m**
Other Government Grants	(0.4)
Retained business rates	(3.1)*
New Homes Bonus	(0.5)
Contribution from East Sussex Business Rate Pool	(0.2)
Council tax	(7.5)
Total Resources Available	**(11.7)**

**To be finalised*

3.15 In order to achieve a balanced budget the Council needs to set a net recurring budget for 2019/20 of £11.2m, this includes an allowance of £700k to be set aside to meet any in year service demands. The contribution to reserves of £500k provides the opportunity to maintain reserves at a level to safe guard against adverse financial conditions and risks.

3.16 In addition, the Council will fund non-recurring investments of £0.5m from reserves.

4 Specific Grants

4.1 In addition to the general grant distributed through the new formula grant system, which is given towards financing the Council's net expenditure, the Government also provides some specific grants. These specific grants will fund in part or in full, service costs.

Grant	**2019/20 £'m**
Housing Benefit Subsidy	(33)*
H B Administration Grant	(0.4)

* *Approximate*

Housing Benefit Subsidy:

4.2 As part of a national scheme delivered locally, this grant is intended to reimburse the Council for the awards of benefit it makes to eligible tenants in both the private and public rented sector. Not only is this by far the largest single specific grant that the Council receives, but it is performance related. The Council has maintained its good performance in recent years.

4.3 The system of universal credit (UC) is due to be completed in this parliament which will see the caseload moved to the Department for Work and Pensions. Currently only new applicants are put on universal credit. In line with most of local authorities caseloads remain constant resulting in an increase in Housing Rent arrears, and the number of families presenting as homelessness with a reduction in the private sector rental market.

4.4 The Housing Benefit admin grant has been reduced by at least 5% per annum for the last 7 years from £0.8m to £0.4m. The caseload has reduced only marginally in that time, and additional complexity has been introduced as part of the welfare reform programme.

Homelessness:

4.5 This is intended to assist with prevention and to find alternative accommodation other than bed and breakfast. This grant has now been subsumed into the main grant system. The government did announce a special grant for homelessness prevention during 2018/19. The Council has adopted an affective homeless prevention model to reduce the cost of families put into temporary accommodation. Homelessness continues to present a significant financial risk to the Council as not all costs are funded by Housing Benefit.

New Homes Bonus:

4.6 This was introduced in 2011/12 (£0.519m) and grew to £1.592m in 2016/17 awards are currently guaranteed for four years which is a change from the original scheme which was 6 years. The Government has top-sliced an amount equivalent to 0.4% growth to divert resources to upper tier authorities for adult care services. Further reductions down to approximately £0.2m per annum are expected by 2020.

5 Budget movements 2018/19 to 2019/20

5.1 The detailed budget proposals are set out in **(Appendix 1)** show in detail the movement from the 2018/19 budget to the 2019/20 proposed budget. The movements are summarised below: -

5.2

Movement from 2018/19 Base Budget		**£m**
Change in resources:		
Government grants	0.2	
Business Rates	0.2	0.4
Cost increases:		
Inflation and unavoidable costs	0.5	
Other growth and changes	1.0	1.5
Savings:		
Efficiency savings	(0.3)	
Increased Income/other changes	(0.2)	(0.5)
Change in contribution to reserves		(1.4)
		0.0

5.3 If Cabinet approves the proposals set out in the report it will be able to recommend to

Council on 25 February a balanced budget in line with available resources without the need to use reserves for recurring expenditure.

5.4 The Council now follows a rolling three-year financial planning cycle and the service and financial plans have been set out in detail for 2019/20. The next MTFS update due in July will project forward a further three years and continue to provide the basis of service and financial planning for the medium term. It should be noted that at a significant level the savings required for the next MTFS have already been identified, further reports to Cabinet will detail the business plans under the Joint transformation programme and income generation initiatives.

5.5 The Government set out a revised four year programme of reductions in funding and the Council's current MTFS already takes account of this overall however the MTFS will be refreshed in July following the year-end outturn for 2018/19.

6 Setting the Council Tax

6.1 The calculation of the overall tax requirement will be presented to the Council on 25 February 2019, when all the precept details are will be known, including both the major preceptors (East Sussex County Council, East Sussex Fire Authority and Sussex Police, and all the Town and Parish Council precepts.

7 Risks, Contingencies and Reserves

7.1 All budgets contain an element of financial risk. The Council sets an operational budget with careful consideration of known risks, but accepts that this cannot cover every eventuality. As a consequence, the Council sets a contingency budget and holds a minimum level of general reserve as a hedge against additional and significant financial turbulence.

Principal Risks

7.2 The key areas of financial risk that the Council faces in the operation of its 2019/20 budget are: -

- Economic uncertainty
- Housing Benefit Performance
- Welfare reform and Homelessness
- Inflation on goods and services
- Income from services linked to customer choice
- Legal challenges
- Savings or new income streams being delayed
- Excessive demand for services
- Failure to realise capital receipts to finance the capital programme.

7.3 On an exception basis, information on each of the risk areas identified above, together with any new and significant risks that may emerge over the course of the year, will be included in each financial performance report to Cabinet and Scrutiny during 2019/20.

Contingencies

7.4 The 2019/20 budget includes appropriate levels of corporate contingency budget to allow for unexpected expenditure or reductions in income. This is in addition to the known inflation that has been built into the service budgets and reserves.

Reserves

7.5 Part 2 of the 2003 Local Government Act requires the Chief Finance Officer to report on the adequacy of the proposed financial reserves, and determine the minimum level required. There is no statutory minimum requirement, but reserves must be set at a prudent level given the activities of individual Councils and potential liabilities that they face or may face in the future i.e. a risk based approach. The Council's earmarked reserves are reviewed at least annually for adequacy. If at any time the adequacy is in doubt the Chief Finance Officer is required to report on the reasons, and the action, if any, that she considers appropriate.

7.6 The Council will always seek to contain any unforeseen additional costs within allocated annual budgets, including the contingency budget. However, it is proposed that in addition the minimum level of general reserves be set at £2m based on the following risk analysis :

Risks	Cost	Impact	Likelihood	Detail and possible mitigations
0.25% change in interest rates on our existing capital programme	£56m	£0.14m	High	The Bank of England has suggested 2 rise of 0.25% per year probably for the next 3 years. Therefore, the Council could look to borrow earlier then when it needs to – up to 2 years in the future. The main lesson learned is that all projects need to cover borrowing costs unless the Council chooses to increase its savings target.
1% change in pay	£8m	£0.08m	Low	This is set nationally and pay is growing slightly over 2% per year, except next year due to a review of pay scales. A possible mitigation is that all services would need to cover any inflation by holding vacancies
1% change in average price inflation	£10m	£0.1m	Medium	Current inflation and Brexit means there is a significant likelihood of above average rises However, the main contracts that are funded are only worth £30m so a £30k impact is possibly more likely
1% change in pensions	£8m	£0.08m	Low	It is expected that Lewes will continue to see its lump sum increase by £50k per year to clear the existing deficits but this is already included in our

				assumptions. The risk is that the actuaries will adjust their assumptions requiring a higher contribution rate due to a more negative view on our investment returns. This is difficult to predict at present.
Unfunded business rate discounts by Government	£m?	£m?	Medium	This is a common strategy of Central Government when it can offer tax cuts at no cost to itself. The impact is unknown but so far has been containable.
9% Reduction in retained NNDR	£2.8m	£0.25m annually	High	This reduction has already been modelled as the 9% reduction in reduced core funding (NNDR+RSG) was the original approach of the Coalition Government. Any over-provision could offset other costs in future years.

7.7 It is the view of the Chief Finance Officer that this level of reserves remains adequate to meet the current commitments and proposals detailed within this report and any unforeseen expenditure that cannot be met by external resources.

7.8 Should the budget recommendations be followed, the level of general fund reserves (the working balance and earmarked reserves) is projected at £6m by March 2019 **(Appendix 1)**. In addition to acting as a potential buffer against future risks, this should create further opportunities for one off investments in the future.

<u>Other earmarked revenue reserves:</u>

7.9 The Council has been following a process of consolidating its reserves into the corporate reserves above. This better facilitates corporate priority planning. The only further reserves that the Council holds have other obligations attached (e.g. Section 106/partnership contributions).

7.10 The Chief Finance Officer is satisfied that the integrated budget and corporate planning process provides a robust basis for identifying appropriate budget estimates and appropriate level of reserves.

8 Capital Programme 2018/2022

8.1 The principles for formulating the capital programme were set out in the draft budget report submitted to Cabinet on 5th December 2018. All schemes have been agreed by the Council previously. The proposed Capital Programme is attached at Appendix 3.

8.2 The Council has a policy of only using borrowing for schemes that are invest to save and can generate enough savings or additional income to service the financing costs.

The funding requirements are set out within appendix 3.

8.3 The 18/19 Budget has not yet been re-profiled to reflect any slippage in spending between years, this will be done for both quarter three and year end and reported to Cabinet in March and June respectively.

8.4 The Housing Revenue Account capital programme is set out in another report on the agenda and is financed entirely from HRA resources. Once approved it will be amalgamated with the general fund programme.

8.5 No future capital receipts have been factored into the available resource where there is not a significant chance of them materialising. There will be opportunities to supplement the programme as the three-year period progresses.

9 Consultation

9.1 The Council's medium term financial strategy and the resulting draft budget proposal for 2019/20 as reported to Cabinet in December have been subject to wide and varied consultation. The Scrutiny Committee has been invited to comment on the budget proposals at its meetings in February.

10 Financial appraisal

10.1 The financial implications of all budget proposals are set out throughout the report and/or within its Appendices.

11 Legal implications

11.1 Section 151 of the Local Government Act 1972 requires that every local authority make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. .

11.2 Sections 32 and 43 of the Local Government Act 1992 require local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

11.3 The Chief Finance Officer, appointed under section 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

12 Risk Management implications

12.1 A full risk assessment was provided as part of the MTFS approved by Cabinet in December 2018.

13 Equality Analysis

13.1 The equality implication of individual decisions relating to the projects/services covered in this report are addressed witin other relevant Council reports. The recommendation in this report does not have any disproportionate impact on any specific group. The approved Council Tax Reduction Scheme offers targeted support to low income households.

14 Conclusion

14.1 The Council is reasonably placed financially to meet the demands on its services as well as the reductions in Government support. However, the challenge over the medium term is profound and more change is necessary to move to a sustainable position. The Council is more dependent on commercial activities than it has ever been and this requires a high level of monitoring and risk management.

Homira Javadi (FCCA, ACCA, CPFA)
Chief Finance Officer

Appendices:

- Appendix 1 – General Fund Summary, Reserves and Service Analysis 2019/20
- Appendix 2 - Savings and Growth proposals for 2019/20
- Appendix 3 – Capital Programme

Background Papers:

The Background Papers used in compiling this report were as follows:

Cabinet reports - December 2018:
- Council Tax Base for 2019/20
- Draft Budget Proposals 2019/20

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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Earmarked Reserves Appendix 1

	Balance at 1 April 2019 £000	Transfers to Reserves £000	Transfers from reserves to meet revenue expenditure £000	capital expenditure £000	Balance at 31 March 2020 £000
Asset Management	(1,635)	(31)	31	400	(1,235)
Economic Regeneration	(623)	0	0	0	(623)
Revenue Grants and Contributions	(396)	0	0	0	(396)
Strategic Change	(1,481)	(479)	433	100	(1,427)
Vehicle and Equipment Replacement	(1,414)	0	0	1,114	(300)
General Fund Working Balance	(2,093)	0	0	0	(2,093)
	(7,642)	**(510)**	**464**	**1,614**	**(6,074)**

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Summary

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
Savings or Income Generation		
Corporate Services	(258)	(214)
Service Delivery	(129)	(129)
Regeneration and Planning	(47)	(69)
Tourism and Enterprise	(1)	(105)
TOTAL Savings or Income Generation	**(435)**	**(517)**
Growth Items		
Corporate Services	327	508
Service Delivery	262	262
Regeneration and Planning	148	233
Tourism and Enterprise	0	0
TOTAL Growth	**737**	**1,003**
Non-Recurring Growth		
Corporate Services	410	410
Service Delivery	23	23
Regeneration and Planning	31	31
Tourism and Enterprise	0	0
TOTAL Non Recurring Growth	**464**	**464**
Total Budget Movement	**766**	**950**

CORPORATE SERVICES

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS		
Corporate Services		
Joint Transformation Programme	(200)	(200)
Council Tax reduction scheme grant to Town and Parish Councils	(30)	
Fees and Charges	(14)	0
IT		
DR Contract	(10)	(10)
Canon Contract	(1)	(1)
HR		
Provision of HR support to external organisation, 3VA	(3)	(3)
New Saving and Income Proposals	**(258)**	**(214)**
GROWTH ITEMS		
Corporate		
Pay Award and Increments	223	305
Pension Contributions		58
Inflation	23	21
Emergency Planning		
East Sussex Emergency Partnership	13	13
Local Democracy		
Audio minutes add on for Modern.Gov	2	2
Members Allowance review	5	5
ADSO Certificate in Democratic Services Knowledge	3	3
Atlas - Boundary review and boundary changes module	1	1
Legal		
Apprentice Paralegal	9	9
Reduced income target		43
IT		
PSN Compliance	7	7
Blackberry Licence and Support	18	18
Cloud Storage	8	8
UPS Maintenance	2	2
PCIDSS Scans	3	3
New MFDs	10	10
TOTAL GROWTH ITEMS	**327**	**508**
NON RECURRING GROWTH ITEMS		
JTP implimenation assumed revenue exp	400	400
Recruitment of HR apprentice	10	10
TOTAL NON RECURRING GROWTH ITEMS	**410**	**410**

Direct Service Delivery

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS OR INCOME GENERATION		
Review of Fees and Charges	(129)	(129)
TOTAL Savings or Income Generation	**(129)**	**(129)**
GROWTH ITEMS		
Customer and Neighhourhood First		
Ash Die Back	1	1
Welfare Funerals	1	1
Rodent and Pest Conrol cessation of chargeable services	10	10
Community Engagement fly tipping, littering andothe ASB	2	2
Waste Servce		
Additional operational salary increase	118	118
WEBASPX licence fee	7	7
Workshops Admin software plus annual licencing and wifi costs	10	10
Waste servive Fuel inflation plus additional mileage due to using HGV's tipping at Pevensey	30	30
Trade waste disposal charges	7	7
increased Fly tipping clearance costs.	20	20
11 x vehicle data download charges	1	1
Tech 2 vehicle diagnostic equipment	15	15
HMU depot charges now picked up by Waste services following shut down of the HMU section.	30	30
Driver training budget	10	10
TOTAL GROWTH ITEMS	**262**	**262**
NON RECURRING GROWTH ITEMS		
Waste Services		
Driver Training Budget	10	10
Specialist & Case Management		
Empty Homes review to maximise the NHB	13	13
TOTAL NON RECURRING GROWTH ITEMS	**23**	**23**

Regeneration and Planning

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
SAVINGS AND INCOME		
Review of Fees and Charges	(47)	(47)
Newhaven Enterprise centre improved financial performance		(22)
New Saving and Income Proposals	**(47)**	**(69)**
GROWTH ITEMS		
Property and Facilities		
Coindition Surveys	50	50
Property Asset Management System	12	12
Revenue support to new pay and display machines	8	8
Free hour parking at Newhaven	6	6
Commerical Property income reduction from change in usage		85
Business Planning and Performance		
Gov Delivery	7	7
Town and Parish Council Conference	2	2
Smart Survey	1	1
Planning		
Conservation Area Appraisals	10	10
BCIS online subscription	2	2
Regeneration		
Regeneration and Economic Iniatives	50	50
TOTAL GROWTH ITEMS	**148**	**233**
NON RECURRING GROWTH ITEMS		
Property and Facilities		
DPT Rapid chargers	5	5
Telescombe Playing Fields Portacabin	11	11
Minimum Energy Efficency Standards	10	10
Rating Revlautions	5	5
TOTAL NON RECURRING GROWTH ITEMS	**31**	**31**

Tourism and Enterprise

	December Cabinet 2019/20 £'000	February Cabinet 2019/20 £'000
New Saving and Income Proposals		
Review of Fees and Charges	(1)	(1)
Wave Lesiure service fee reduction		(104)
Total Savings or Income Generation	**(1)**	**(105)**

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OUTLINE 3 YEAR CAPITAL PROGRAMME 2018/19 to 2020/21 Appendix 3

Line No.		Original Programme 2018/19 £'000	Current Programme 2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
1	**General Fund Housing Investment Capital Programme**					
2	Mandatory Disabled Facilities Grants	920	1,738	1,001	1,001	1,001
3	Private Sector Housing Grants	135	245	135	135	135
4	Temporary Accomodation		2,200			
5	**Total General Fund Housing**	**1,055**	**4,183**	**1,136**	**1,136**	**1,136**
6						
7						
8	**GENERAL FUND CAPITAL PROGRAMME**					
9	LDC/Aspiration Homes - loans to faciltate delivery	15,000	20,000			
10	**JTP**		429			
11	**Regeneration**					
12	Commercial Property acquisitions and developments	4,000	2,533	4,000	4,000	4,000
13	North Street Quarter	3,400	4,630			
14	Asset Development - Newhaven	1,000	1,600			
15	Asset Development - Seaford	1,300	18,700			
16	Avis Way Depot		4,100			
17	Denton Island		550			
18	**Waste**					
19	Vehicles	156	986	964	227	-
20	Other Equipment	71	978			
21	**Specialist**					
22	Coastal Defence Works		166			
23	Air Quality Monitoring Station Newhaven	80	80			
24	Flood Protection Measures	136	188	136	136	136
25	Tree Survey Works	10	10			
26	**IT**					
27	IT Block Allocation	150	150	150	150	150
28	**Asset Management**					
29	Asset Management - Block Allocation	250	256	250	250	250
30	Asset Mangement - Other works		813			
31	Robinson Road Depot - Priority works	55	250			
32	Parks, Pavilions etc. – Remedial works	50	854	50	50	50
33	Newhaven Fort - Major repairs and improvements	50	210	50	50	50
34	Indoor Leisure Facilities - Major repairs and improvements	50	240	50	50	50
35	Newhaven Square – Completion of fit out works	100	100			
36	**CIL**		322			
37	**Finance Transformation**			100		
38						
39	**Total General Fund Capital Programme**	**25,858**	**58,145**	**5,750**	**4,913**	**4,686**
40						
41	**TOTAL CAPITAL PROGRAMME REQUIREMENT**	**26,913**	**62,328**	**6,886**	**6,049**	**5,822**
42						
43						
44	**FUNDING AVAILABILITY**					
45	Borrowing	24,700	53,792	4,000	4,000	4,000
46	Capital Receipts	135	1,248	135	135	135
47	Disabled Facilities Grant	920	1,738	1,001	1,001	1,001
48	General Fund Reserves	1,022	4,288	1,614	777	550
49	Capital Expenditure Financed from Revenue	136	213	136	136	136
50	Community Infrastructure Levy (CIL)		322			
51	Developer Contributions (S106)		351			
52	Other Capital Contributions		376			
53	**Total Funding Availability**	**26,913**	**62,328**	**6,886**	**6,049**	**5,822**

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Body:	**Cabinet**
Date:	**11 February 2019**
Subject:	**Treasury Management and Prudential Indicators 2019/20, Capital Strategy & Investment Strategy**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Bill Giles, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of the report:	**To approve the Council's Annual Treasury Management Strategy together with the Treasury and Prudential Indicators for the next financial year.**
Decision type:	**Key Decision**
Recommendation:	**Cabinet is asked to recommend the following proposals to full Council :** **i) The Treasury Management Strategy and Annual Investment Strategy as set out in this report and Appendix 5.** **ii) The methodology for calculating the Minimum Revenue Provision set out at paragraph 2.3 and Appendix 2** **iii) The Prudential and Treasury Indicators as set out in this report.** **iv) Investment categories, limits & Creditworthiness Policy listed in Appendix 6** **v) Approve the Capital Strategy set out in Appendix 1.** **Cabinet is recommended to note the extended role of the Chief Financial Officer as set out in Appendix 7.**
Reasons for recommendations:	**It is a requirement of the budget setting process for the Council to review and approve the Prudential and Treasury indicators, Treasury Strategy and Capital Strategy.**
Contact:	**Homira Javadi, Chief Finance Officer.** **Email :Homira.Javadi@Lewes-Eastbourne.gov.uk**

1 Introduction

1.1 The Prudential and Treasury Indicators and Treasury Strategy covers:

- the capital prudential indicators;
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed);
- Capital Strategy.

1.2 The Council has adopted CIPFA's Treasury Management Code of Practice for Treasury Management in Public Services. This requires local authorities to determine the Treasury Mangement Strategy Statement (TMSS) before the start of the financial year.

1.3 CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy is attached at Appendix 1.

1.5 The Capital Strategy provides the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2 THE CAPITAL PRUDENTIAL INDICATORS 2017/18 – 2021/22

2.1 Capital Expenditure

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist Member overview and confirm capital expenditure plans.

The table below summarises the Council's capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding need (borrowing).

The capital expenditure forecasts for the Council are:

Capital Expenditure £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Non-HRA	4.0	14.8	2.9	2.0	1.8
HRA	4.8	9.3	5.0	5.0	5.0
Commercial Activities/Non-financial investments	0.8	47.5	4.0	4.0	4.0
Total	9.6	71.6	11.9	11.0	10.8
Financed by:					
Capital receipts	0.4	1.7	0.1	0.1	0.1
Capital grants	0.9	1.7	1.0	1.0	1.0
Capital reserves	6.4	10.4	6.5	5.6	5.4
Revenue	1.0	1.6	0.1	0.1	0.1
Net borrowing needed for the year	0.9	56.2	4.2	4.2	4.2

The above figures include uncommitted borrowing i.e. borrowing which has been approved but schemes have not yet been identified and will only proceed if they are financially advantageous.

The net financing need for commercial activities / non-financial investments included in the above table against expenditure is shown below:

Commercial activities /non-financial investments £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Expenditure	0.8	47.5	4.0	4.0	4.0
Financing Costs	0.2	1.2	0.1	0.1	0.1
Net Financing Need for the Year	1.0	48.7	4.1	4.1	4.1
Percentage of total net financing need %	10.4%	68.1%	35.0%	37.6%	37.6%

2.2 **The Council's Borrowing Need (the Capital Financing Requirement)**

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.

The CFR includes other long term liabilities brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme already include a borrowing facility and the Council is not required to separately borrow for them.

The Council is asked to approve the CFR projections below:

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Capital Financing Requirement					
CFR – non housing	7.135	38.078	37.786	37.500	37.167
CFR - housing	65.126	67.519	67.719	67.919	68.119
Commercial Activities/non-financial investments	4.949	27.482	31.482	35.482	39.532
Total CFR	77.210	133.079	136.987	140.901	144.818
Movement in CFR	0.168	55.869	3.908	3.914	3.917
Movement in CFR represented by					
Net financing needed for the year (above)	1.287	56.185	4.200	4.200	4.200
Less MRP/VRP and other financing movements	(0.119)	(0.316)	(0.292)	(0.286)	(0.283)
Movement in CFR	0.168	55.869	3.908	3.914	3.917

2.3 MRP Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).
Regulations require the Council to approve an MRP Statement in advance of each financial year. A variety of options are provided to councils, so long as there is a prudent provision. It is recommended that the following methodology is approved:

- For capital expenditure incurred before 1.4.2008 MRP is provided for at 4% of the CFR.
- For capital expenditure incurred since 1.4.2008 MRP be charged using the most appropriate of the following methods for the individual schemes as determined by the Chief Finance Officer under delegate powers
  - Asset Life method – based on the estimated life of the asset,
  - Depreciation method – based on standard depreciation accounting procedures.
  - Annuity method – based on a straight line (EIP – Equal Instalment Payment) approach.

No revenue charge is currently required for the HRA. However if the HRA is required to charge depreciation on its assets, this would have a revenue effect. In order to address any possible adverse impact, regulations allow the Major Repairs Allowance to be used as a proxy for depreciation.

Repayments included in any finance leases are applied as MRP.

A comprehensive view of the Council's MRP Policy can be found at Appendix 2.

2.4 **Affordability Prudential Indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. Indicators are required to be prepared on the gross capital spend and do not include any resulting income contributions expected from the implementation of the capital scheme. The Council is asked to approve the following indicators:

2.5 **Actual and estimates of the ratio of financing costs to net revenue stream.**

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

%	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %	2021/22 Estimate %
Non-HRA	1.62	1.47	1.68	1.65	1.65
HRA	15.82	15.82	18.08	18.08	18.08

The estimates of financing costs exclude uncommitted borrowing.

3 TREASURY MANAGEMENT STRATEGY

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of approporiate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

3.1 **Current Portfolio Position**

The Council's treasury portfolio position at 31 March 2018, with forward projections, are summarised below. The table shows the actual external borrowing (the treasury management operations), against the capital borrowing need (the Capital Financing Requirement - CFR), highlighting any under borrowing.

£m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
External Borrowing					
Borrowing at 1 April	56.7	56.7	111.3	117.3	121.6
Expected change in borrowing	0.9	56.3	4.3	4.3	4.2
Other long-term liabilities (OLTL)	0.4	0.4	0.4	0.4	0.4
Expected change in OLTL	**0.0**	**0.0**	**0.0**	**0.0**	**0.00**
Actual gross borrowing at 31 March	56.7	111.3	117.3	121.6	125.8
CFR – the borrowing need	77.2	133.1	137.0	140.9	144.6
Under borrowing	20.5	21.8	19.7	19.3	18.8

Within the above figures the level of debt relating to commercial actrivities/non-financial investments is:

	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Actual Debt at 31 March £m	0.8	47.3	52.3	56.3	60.3
Percentage of total external debt %	1.4%	43.4%	44.6%	46.3%	46.3%

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well defined limits. One of these is that the Council needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Whilst investment interest rates continue to be below that for borrowing, value for money can be best achieved by avoiding new borrowing and using internal cash balances to temporarily finance new capital expenditure or to replace maturing external debt, thus maximising short term savings. However this needs to be carefully considered to ensure borrowing is taken at advantageous rates, but not taken too long before the need to borrow to avoid the cost of carrying the debt.

3.2 Treasury Indicators: Limits to Borrowing Activity

3.2.1 **The Operational Boundary.** This is the limit beyond which external borrowing is not normally expected to exceed.

The Council is asked to approve the following operational boundary limits:

Operational boundary £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	55.9	63.0	65.0	65.3
Other long term liabilities	0.4	0.4	0.4	0.4
Commercial activities/non-financial investments	0.8	48.3	52.3	56.3
Total	57.1	111.7	117.7	122.0

3.2.2 The Council is asked to approve the following authorised limit**:**

Authorised limit £m	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Borrowing	55.9	68.0	70.0	70.3
Other long term liabilities	0.4	0.4	0.4	0.4
Commercial activities/non-financial investments	0.8	53.3	57.3	61.3
Total	57.1	121.7	127.7	132.0

Separately, the Council was also limited to a maximum HRA CFR through the

HRA self-financing regime of £75.248m which is included in the authorised limits above.

In October 2018, Prime Minister Theresa May announced a policy change for the abolition of the HRA debt cap. Members will be updated when information becomes available as to the detail of when and how this policy change will be implemented.

3.2.3 The Council has complied with these prudential indicators in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

3.3 **Prospects for Interest Rates**

The Council has appointed Arlingclose as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates

Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's Monetary Policy Committee (MPC) has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Their view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on the Arlingclose interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix 4.

3.4 **Borrowing Strategy**

The Authority currently holds £56.65 million of loans, as per the previous year, as part of its strategy for funding previous years' capital programmes. The balance sheet forecasts in table 1 shows that the Authority [expects to borrow up to £117.7m in 2019/20. The Authority may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £127.7 million.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2019/20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Authority may arrange forward starting loans during 2019/20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Authority may borrow short-term loans to cover.

3.5 **Treasury Management Limits on Activity**

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates.

The Council is asked to approve the following treasury indicators and limits:

	2019/20	2020/21	2021/22
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%

Maturity Structure of fixed interest rate borrowing 2019/20		
	Lower	**Upper**
Under 12 months	0%	75%
12 months to 2 years	0%	75%
2 years to 5 years	0%	75%
5 years to 10 years	0%	100%
10 years and above	0%	100%

3.6 **Policy on Borrowing in Advance of Need**

The Council will not borrow more than, or in advance of, its needs, purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance of activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

3.7 **Debt Rescheduling**

As short term borrowing rates are currently considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt.

Debt scheduling will only be considered under the following circumstances:

- the generation of cash savings and /or discounted cash flow to produce sufficent savings to cover the costs;
- it helps to fulfil the treasury strategy; and
- the balance of the portfolio (amend the maturity profile and/or the balance of volatility) is maintained.

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.
All rescheduling will be reported to Cabinet, at the earliest meeting following its action.

3.8 **Municipal Bond Agency**

It is possible that the Municipal Bond Agency will be offering loans to local authorities in the future. The Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

4 ANNUAL INVESTMENT STRATEGY

4.1 Investment Policy

The MHCLG and CIPFA have extended t e hNon meaning of ‘investments’ to include both financial and non-financial investments. -financial investments are essentially the purchase of income yielding assets, are covered in the Investment Strategy see Appendix 5.

The Council’s investment policy has regard to the following: -

- MHCLG’s Guidance on Local Government Investments (“the Guidance”)
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 (“the Code”)
- CIPFA Treasury Management Guidance Notes 2018

The Council’s investment priorities will be security first, portfolio liquidity second and then yield, (return).

After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in Appendix 6 and,

- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

4.2 Creditworthiness Policy

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Authority’s treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,

- any existing investments that can be recalled or sold at no cost will be, and,
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority’s treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority’s cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

4.3 The Chief Finance Officer will maintain a counterparty list in compliance with the criteria set out in Appendix 7 and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either Specified or Non-Specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

4.4 **Time and monetary limits applying to investments.**

The proposed criteria for time and monetary limits for institutions on the Council’s counterparty list are detailed in Appendix 6.

4.5 **Property Funds**

The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using. Appropriate due diligence will also be undertaken before investment of this type is undertaken.

4.6 **Non treasury management investments**

This Council invests in non treasury management (policy) investments. These do not form part of the treasury management strategy. However, Members are advised that £20,000,000 in total has been earmarked for the Lewes Housing Investment Company & Aspiration Homes for 2018/19.

4.7 **Investment Strategy**

The Authority held £26.6m in invested funds at 31st December 2018, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £8 and £31 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

4.8 **Investment treasury indicator and limit** - Total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit:

Upper limit for principal sums invested for longer than 365 days			
£m	**2018/19**	**2019/20**	**2020/21**
Principal sums invested for longer than 365 days	£2.0m	£2.0m	£2.0m

For its cash flow generated balances, the Council will seek to utilise its current account, call accounts and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

4.9 **End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4.10 **Policy on the use of external service providers**

The Council uses Arlingclose as its external treasury management advisors.
The Council recognises that responsibility for treasury management decisions remains with the organisation at all times.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

5 Outcome expected and performance management

5.1 Loans, Investments and Prudential Indicators will be monitored regularly during 2019/20 and performance will be reported to members quarterly.

6 Financial appraisal

6.1 These are included in the main body of the report.

7 Legal implications

7.1 This report covers the requirements of the Local Government Act 2003, the CIFPA Prudential Code, the MHCLG MRP Guidance, the CIPFA Treasury Management Code and the MHCLG Investment Guidance.

8 Equality analysis

8.1 The equality implications of decisions relating to Treasury Management covered in this report are addressed within other relevant Council reports or as part of programmed equality analysis.

9 Conclusion

9.1 Capital prudential indicators have to be set to demonstrate plans for borrowing are affordable. The movement in the Capital Financing Requirement (CFR) forecasts for 2019/20 & 2020/21 have been set as £137m and £149m. This borrowing has been reflected in the Capital Financing Requirement, which sets out the Council's outlining requirement for borrowing, and includes both the use of internal resources and external borrowing.

9.2 The proposed Minimum Revenue Provision Policy is updated in accordance with Appendix 2 and ensures that prudent provision is made for the repayment of borrowing.

9.3 All Treasury indicators have been set to reflect the treasury strategy and funding requirements of the capital programme.

9.3 The Council’s treasury management advisors are predicting a gradual rise in interest rates of 0.25% going forward to reach 1.25% by December 2021. Investment returns are therefore likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.

9.4 The investment strategy has been set to maintain the Councils main priorities in the order of Security, Liquidity and Yield.

9.5 The proposed criteria for Investments is shown in Appendix 6 for approval and remains unchanged from 2018/19.

9.6 CIPFA issued a revised Treasury Management Code of Practice in December 2017 which expanded the role of the Chief Finance Officer’s responsibility for treasury management activities, as set out in Appendix 7. These revisions have particularly focused on non-treasury investments and introduce the requirement to produce a detailed Capital Strategy, which will be prepared in 2018/19 in partnership with other services.

10 Appendices

- 1 - Capital Strategy
- 2 - Minimum Revenue Provision (MRP) Policy Statement
- 3 – Economic Background
- 4 – Economic Forecast
- 5 – Investment Strategy
- 6 – Investment categories, limits & Creditworthiness Policy
- 7 – The Treasury Management Role of the Section 151 Officer

11 Background papers

11.1 The background papers used in compiling this report were as follows:

- CIPFA Treasury Management in the Public Services code of Practice (the Code)
- Cross-sectorial Guidance Notes
- CIPFA Prudential Code
- Council Budget 11 February 2019
- Finance Matters and Performance Monitoring Reports 2018.

To inspect or obtain copies of background papers please refer to the contact officer listed above.

APPENDIX 1 Capital Strategy

1. Introduction

1.1 This Capital Strategy is a new report for 2019/20, giving a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in Lewes District Council (LDC), along with an overview of how associated risk is managed and the implications for future financial sustainability. It has purposely been written in an accessible style to enhance understanding of what can be very technical areas.

2. Capital Expenditure and Financing

2.1. Expenditure

2.1.2. Capital expenditure occurs when the Council spends money on assets such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below a de minimis level are not capitalised and are charged to revenue in year.

2.1.3. Further details on the Council's capitalisation policy can be found in the 2018/19 Statement of Accounts.

2.1.4. In 2019/20, LDC is planning capital expenditure of £11.9 million (and £21.8 million over the next two years) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
General Fund Services	4.0	14.8	2.9	2.0	1.8
Council Housing (HRA)	4.8	9.3	5.0	5.0	5.0
Commercial Activities/ non-financial investments	0.8	47.5	4.0	4.0	4.0
TOTAL	**9.6**	**71.6**	**11.9**	**11.0**	**10.8**

2.1.5. The main General Fund capital projects scheduled for 2019/20 are as follows:

Commercial Property Acquisition	£4.0m
Waste Vehicle Replacement	£1.0m

2.1.6. The Housing Revenue Account (HRA) is a ring-fenced account which ensures that the Council's housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

2.2. Governance

2.2.2. The evaluation, prioritisation and acceptance of capital schemes onto the Capital Programme is carried out in accordance with strict criteria that ensures that added schemes reflect Council priorities and can be delivered within available resources (e.g. due priority is given to schemes yielding savings and/or generating income as well as meeting a Council priority).

2.2.3. The draft Capital Programme is then subject to formal Scrutiny prior to setting the budget (followed by Cabinet and full Council approval).

2.3. Financing

2.3.1 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is presented in Table 2 below.

Table 2: Capital Financing

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
External sources	2.3	5.0	1.2	1.2	1.2
Own resources	6.4	10.4	6.5	5.6	5.4
Debt	0.9	56.2	4.2	4.2	4.2
TOTAL	**9.6**	**71.6**	**11.9**	**11.0**	**10.8**

2.3.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance.

2.3.3 The Council's annual MRP statement can be found at Appendix 2..

2.3.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £3.9 million in 2019/20. Based on the above figures for expenditure and financing, the Council's estimated CFR is presented in Table 4 below.

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (CFR)

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget £m	2021/22 budget £m
General Fund services	7.1	38.1	37.8	37.5	37.1
Council housing (HRA)	65.1	67.5	67.7	68.0	68.1
Capital investments	5.0	27.5	31.4	35.4	39.6
TOTAL CFR	**77.2**	**133.1**	**136.9**	**140.9**	**144.8**

3. Asset Management

3.1 Asset Management Strategy

3.1.1 The Council recognises the importance of ensuring that capital assets continue to be of long-term use especially in a rapidly changing operational and technological backdrop. Consequently, at the time of preparing this Capital Strategy, a new Asset Management Strategy (AMS) is under development. Led by the Asset Management team and backed by a comprehensive review of Council assets, the AMS will take a longer-term view comprising:

- ‘Good’ information about existing assets;
- The optimal asset base for the efficient delivery of Council objectives;
- The gap between existing assets and optimal assets;
- Strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

3.2 Asset Disposals

3.2.1 When a capital asset is no longer needed, it may be sold so that the proceeds (known as capital receipts) can be spent on new assets or to repay debt. The Council is also permitted to spend capital receipts on service transformation projects until 2021/22. Repayments of capital grants, loans and investments also generate capital receipts. The Council takes a prudent approach of assuming future capital receipts only when there is a high probability of realisation.

4. Treasury Management

4.1 Introduction

4.1.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account.

4.1.2 As at 31 December the Council had borrowing of £56.7 million at an average interest rate of 3.1% and investments of £26.60 million held in Money Market Funds and Deposit Accounts returning approximately 0.75%.

4.2 Borrowing

4.2.1 The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 3.0%).

4.2.2 Projected levels of the Council’s total outstanding debt (which comprises borrowing and leases) are shown below in Table 6, compared with the Capital Financing Requirement (Table 4 above).

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2017/18 actual £m	2018/19 forecast £m	2019/20 budget £m	2020/21 budget	2021/22 budget £m
Debt (incl. leases)	56.7	111.3	117.3	121.6	125.9
Capital Financing Requirement	77.2	133.10	137.0	140.9	144.6

4.2.3 Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from Table 6, the Council expects to comply with this in the medium term.

Affordable Borrowing Limit

4.2.4 The Council is legally obliged to set an affordable borrowing limit (also termed the "Authorised Limit" for external debt) each year. In line with statutory guidance, a lower "Operational Boundary" is also set as a warning level should debt approach the limit.

Table 7: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt

	2018/19 limit	2019/20 limit	2020/21 limit	2021/22 limit
	£m	£m	£m	£m
Authorised limit – total external debt	111.7	117.7	122.0	122.0
Operational boundary – total external debt	121.7	127.7	132.0	132.0

4.2.5 Further details on borrowing are contained in the Treasury Management Strategy.

4.3 Investments

4.3.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

(Treasury Management) Investment Strategy

4.3.2 The Council's Investment Strategy is to prioritise security and liquidity over yield; focussing on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely in selected high-quality banks, to minimise the risk of loss.

4.4 Governance

4.4.1 Treasury management decisions are made on a daily basis and are therefore delegated to the CFO, who must act in line with the Treasury Management Strategy approved by the Council. Annual outturn reports on treasury management are also approved by the Council (following recommendation from Audit and Governance Committee), whereas mid-year updates are reported exclusively to the Audit and Governance Committee. Quarterly performance reports are also submitted to Cabinet.

5. Investments for Service Purposes

5.1 The Council will sometimes make investments for service delivery purposes where there is a strategic case for doing so.

Governance

5.2 Decisions on service investments are made by the Council's Cabinet and require the support of a full business case.

6. Commercial Investments

6.1 Current Investments

6.1.1 In recent years, the Council has invested in commercial property in the District on a selective basis, usually where there is a fit with corporate priorities and a positive financial return that can be used to contribute towards the protection of local services. As at 31st March 2018, the commercial property portfolio had an estimated Fair Value of £9.48million. Estimated gross income for 2018/19 is £0.67m.

6.2 Commercial Investment Strategy

6.2.1 However, in recognition of the continued shortfall in local government funding and commitments made in the, the Council will be preparing a Commercial Investment Strategy in the next financial year with a view to achieving a step change increase in commercial investment and trading by the Council.

6.2.2 CIPFA's guidance on borrowing to invest follows MHCLG's concern at what they perceive to be, the increasing risk taken on by local authorities following a sharp increase in Public Works Loan Board (PWLB) borrowing by councils to invest in commercial property. CIPFA has made it clear that Councils should not borrow to invest commercially and their Capital Investment Strategy must make it clear as to where they depart from this principle and why. However, it has been recognised that local investments that are primarily designed for regeneration or service delivery purposes and which have a knock-on positive impact to the revenue budgets are not intended to covered by this principle.

6.2.3 Councils have to demonstrate that such investments are "proportionate" to their resources. The Council's approach will incorporate the CIPFA guidance when it is published; this will enhance the other risk management features that are being developed; this includes a strict governance framework, the use of real estate investment experts and diversified portfolios. The aim is to offset principle risks such as falling capital values and 'voids'. However, (within a tightly controlled framework) the Council ultimately accepts a higher risk on commercial investments compared to its prudent treasury investment that have primarily focused to date on protecting the principal

2.3.2. The Council considers investing in housing properties and commercial investments within the District to be related to its temporary accommodation strategy and local regeneration. It will invest commercially but in relation to the services it provides or to build and strengthen the local economy, with the related benefit of increased business rates..

6.3 Governance

6.3.1 At the time of preparing this Strategy, the Governance arrangements are being developed as part of the Commercial Investment Strategy.

7. Other Liabilities

7.1 Outstanding Commitments

7.1.1 The Council also has the following outstanding commitments:

- The Council has also set aside £1.2 million (as at 31st March 2018) to cover the financial risk associated with Business Rates appeals lodged with the Valuation Office Agency (VOA); and

7.2 Guarantees

7.2.1 A 30-year Business Plan for the Council's HRA has been developed, which is currently generating sufficient rental income each year to run an efficient and effective housing management service, whilst at the same time servicing the outstanding debt. However, if the HRA is unable to repay the outstanding debt at any point in the future, the Council (through its General Fund) is liable to repay any remaining balance. The remaining balance on HRA debt as at 31st March 2018 was £65.125 million.

7.3 Governance

7.3.1 Decisions on incurring new discretionary liabilities are taken by Directors and Heads of Service in consultation with the CFO. For example, in accordance with the Financial Procedure Rules credit arrangements, such as leasing agreements, cannot be entered into without the prior approval of the CFO.

8. Revenue Implications

8.1 Financing Cost

8.1.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government grants.

Table 8: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (General Fund)

	2017/18 actual £m	**2018/19 forecast £m**	**2019/20 budget £m**	**2020/21 budget £m**	**2020/21 budget £m**
Financing Costs	0.3	0.2	0.3	0.3	0.3
Proportion of Net Revenue Stream	1.62%	1.47%	1.68%	1.65%	1.65%

Table 9: Prudential Indicator: Proportion of Financing Costs to Net Revenue Stream (HRA)

	2017/18 actual £m	**2018/19 forecast £m**	**2019/20 budget £m**	**2020/21 budget £m**	**2021/22 budget £m**
Financing Costs	2.6	2.6	3.0	3.0	3.0
Proportion of Net Revenue Stream	15.82%	15.82%	18.08%	18.08%	18.08%

8.1.2 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for many [occasionally up to 50] years into the future.

8.2 "Prudence, Affordability and Sustainability"

8.2.1 The CFO is satisfied that the proposed Capital Programme (Section 2) is prudent, affordable and sustainable based on the following:

<u>*Prudence*</u>

- Prudential indicators 8 and 9 presented above (Paragraph 8.1.1) are within expected and controllable parameters. Thus:
  - *Prudential Indicator 8 (General Fund) - Proportion of Financing Costs to Net Revenue Stream* – the growth in financing costs reflects the Council's ambitions for capital investment in its strategic priorities over the medium-term.
  - *Prudential Indicator 9 (HRA) - Proportion of Financing Costs to Net Revenue Stream* – the indicator profile mirrors the HRA 30-Year Business Plan.
- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme. This is illustrated in the approach to capital receipts whereby the proceeds are not assumed within projections until the associated sale is completed and the money received by the Council; and
- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost effective manner.

<u>*Affordability*</u>

- The estimated 'revenue consequences' of the Capital Programme have been included in the 2019/20 Budget and Medium-Term Financial Strategy (MTFS), extending to 2021/22; and
- The MTFS includes a reserves strategy, which includes contingency funds in the event that projections are not as expected (further supported by CFO report to Council under Section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of financial reserves and balances).

<u>*Sustainability*</u>

- Capital schemes that are expected to deliver long-term revenue savings/generate income are given due priority.
- As explained in Section 3.1 above, the Asset Management Strategy will represent an enhancement to the Council approach to asset planning through (especially) taking a longer-term view. This includes providing for future operational need, balancing the requirement to achieve optimal performance, whilst taking account of technological change and managing the risk of obsolescence.

9. Knowledge and Skills

9.1 Officers

9.1.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Most notably:

- *Finance* - the Chief Finance Officer (CFO) is a qualified (ACCA/ CIPFA) accountant with many years of public and private sector experience. The Council sponsors junior staff to study for relevant professional qualifications including AAT, CIPFA and ACCA. The Council also supports training courses and conferences across all aspects of accounting.
- *Property* – the Head of Property and Facilities Shared Service (PFSS) – a qualified property expert - is responsible for Asset Management within the Council. PFSS comprises the Asset Development, Building and Maintenance, Corporate Landlord and development functions of the Council. Each area has appropriately qualified professionals within their individual specialism. The Head of PFSS plays a key role in the Council's approach to commercial investment and trading (highlighted above in Section 6).

9.1.2 The Council also has a separate Housing team that is responsible for overseeing social housing developments within the District.

9.2 External Advisors

9.2.1 Where the Council does not have the relevant knowledge and skills required, judicious use is made of external advisers and consultants that are experts/specialists in their field. The Council currently employs Arlingclose as Treasury Management advisers, and the Asset Management team will commission property advisors as appropriate (e.g. development managers, valuers etc.) to support their work where required to ensure that the Council has access to knowledge and skills commensurate with risk.

9.3 Councillors

9.3.1 May 2019 will see the election for some new councillors. Duly elected councillors will therefore all receive training appropriate to their role in the new Council.

9.3.2 Specifically with regard to Treasury Management, the Council acknowledges the importance of ensuring that members have appropriate capacity, skills and information to effectively undertake their role. To this end, newly elected Lewes councillors with Treasury Management responsibilities will receive tailored training sessions from the Council's Treasury Management advisors (Arlingclose).

10. CFO Statement on the Capital Strategy

10.1 Prudential Code

10.1.1 Paragraph 24 of the recently updated Prudential Code determines that…."the Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy".

10.1.2 Accordingly, it is the opinion of the CFO that the Capital Strategy as presented is affordable, and associated risk has been identified and is being adequately managed.

10.2 Affordability

10.2.1 The Capital Strategy is affordable and there is a range of evidence to support this assertion, including:

- *Capital Programme* – the Programme as presented above (in Section 2.1) is supported by a robust and resilient MTFS extending through until 2021/22 that contains adequate revenue provision, including sufficient reserves in the event that plans and assumptions do not materialise as expected.
- *Asset Management* – as presented above (in Section 3.1) a new Asset Management Strategy is under development, which is taking a strategic longer-term (i.e. beyond 2021/22) view of the Council's asset base. A fundamental aim of the Strategy is to achieve the optimum balance between future operational need and affordability, which will be reflected in its component parts including strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets.
- *Commercial Investment* – as presented above (in Section 6.2) the Commercial Investment Strategy is also under development. The primary aim of the Strategy long-term is income generation to replace the shortfall in Government funding. The Strategy is progressing positively towards the delivery stage and its success will be critical to the long-term affordability of the Capital Strategy.

10.3 Risk

10.3.1 The risk associated with the Capital Strategy has been identified and is being adequately managed. Evidence to support this assertion includes:

- *Treasury Management Strategy* – the Council will formally approve a Treasury Management Strategy for 2019/20, at the Council meeting on 20 February 2019, in accordance with CIPFA's "Treasury Management in the Public Services: Code of Practice 2017". That Strategy was developed by the Council's (professionally qualified and experienced) Finance team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance.
- *Investment Strategy* – the Council will also formally approve an Investment Strategy for 2019/20, at the Council meeting on 25 February 2019, in accordance with MHCLG's "Statutory Guidance on Local Government Investments (3rd Edition) 2017". As with the Treasury Management Strategy, the Investment Strategy was developed by the Finance team and informed by specialist advisors Arlingclose and other relevant and extant professional guidance.
- *Commercial Activities* – as noted above (in Paragraph 6.2) the Council is committed to significantly expanding the scale of its commercial activities in the medium-term as part of its Commercial Investment Strategy. It is recognised and accepted that increased commercial activity brings with it additional risk. The Strategy is therefore being developed in accordance with contemporary best practice. This includes the engagement of professional advisors on the commercial, financial and legal aspects of the project and the preparation of full

supporting business cases prior to the commencement of both in-house and arms-length trading activities, strictly in accordance with HM Treasury's 'five case model' ("The Green Book: Central Government Guidance on Appraisal and Evaluation").

11. Capital Strategy Updates

11.1 The Capital Strategy is a 'living document' and will be periodically, usually annually, updated to reflect changing local circumstances and other significant developments. However, the development of the Asset Management Strategy and the Commercial Investment Strategy (explained above in Sections 3 and 6) are both major initiatives that could have a material impact on the Strategy as early as 2019/20, once full details are known. In the event that this happens, the Capital Strategy will be updated and re-presented to full Council.

Appendix 2 Minimum Revenue Provision (MRP) Policy Statement

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the Capital Financing Requirement - CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

MRP represents the minimum amount that must be charged to an authority's revenue account each year for financing capital expenditure, which will have initially been funded by borrowing. This is to ensure an authority can pay off the debts it has from investing in capital assets. Where there are opportunities to reduce the borrowing requirements from more certain and guaranteed capital receipts, the Council's MRP is appropriately reduced.

MHCLG regulations have been issued which require the full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. There are four primary options:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP options are:

Either

- Existing practice - MRP will follow the existing practice outlined in former MHCLG regulations (option 1); or
- Based on CFR – MRP will be based on the CFR (option 2);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy options are:

- Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);
- Depreciation method – MRP will follow standard depreciation accounting procedures (option 4);

These options provide for a reduction in the borrowing need over approximately the asset's life. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place). Repayments included in annual PFI or finance leases are applied as MRP. It is important to note that changes in the Local Government Financial Regulations means that in the future operating leases will be treated in a manner consistent with financial leases.

Recommendations

The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be based on the CFR and use the 4% reducing balance method.

From 1 April 2008 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be the Asset life method – MRP will be based on the estimated life of the assets, in accordance with the regulations (commonly referred to as option 3).

Furthermore, the Council intends to use the default position of an annuity model for all capital projects except for transformation and ICT projects, which will use a straight line (EIP – Equal Instalment Payment) approach, as the benefit is more immediate and where an annuity method would not be appropriate.

The Council reserves the right to make voluntary MRP contributions, those charges over and above the statutory minimum levels, where it deems appropriate or to use capital receipts to reduce the Capital Financing Requirement. This is intended to reflect the situation, but not limited to, if the asset is significantly impaired or the asset life is now viewed as likely to be shorter than was originally anticipated.

A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent. In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. Up until the 31 March 2019, there were no VRP overpayments.

The Council does not charge MRP till the year following the Capital scheme is complete and the first year in which the asset is in full operation.

Appendix 3 Arlingclose Economic Background

Economic background: The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Authority's treasury management strategy for 2019/20.

UK Consumer Price Inflation (CPI) for October was up 2.4% year/year, slightly below the consensus forecast and broadly in line with the Bank of England's November Inflation Report. The most recent labour market data for October 2018 showed the unemployment rate edged up slightly to 4.1% while the employment rate of 75.7% was the joint highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.3% as wages continue to rise steadily and provide some pull on general inflation. Adjusted for inflation, real wages grew by 1.0%, a level still likely to have little effect on consumer spending.

The rise in quarterly GDP growth to 0.6% in Q3 from 0.4% in the previous quarter was due to weather-related factors boosting overall household consumption and construction activity over the summer following the weather-related weakness in Q1. At 1.5%, annual GDP growth continues to remain below trend. Looking ahead, the BoE, in its November Inflation Report, expects GDP growth to average around 1.75% over the forecast horizon, providing the UK's exit from the EU is relatively smooth.

Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy has been made since. However, the Bank expects that should the economy continue to evolve in line with its November forecast, further increases in Bank Rate will be required to return inflation to the 2% target. The Monetary Policy Committee continues to reiterate that any further increases will be at a gradual pace and limited in extent.

While US growth has slowed over 2018, the economy continues to perform robustly. The US Federal Reserve continued its tightening bias throughout 2018, pushing rates to the current 2%-2.25% in September. Markets continue to expect one more rate rise in December, but expectations are fading that the further hikes previously expected in 2019 will materialise as concerns over trade wars drag on economic activity.

Appendix 4 – Economic Forecast

Credit outlook: The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Bank of Scotland, Barclays Bank UK, HSBC UK Bank, Lloyds Bank, National Westminster Bank, Royal Bank of Scotland and Ulster Bank are the ringfenced banks that now only conduct lower risk retail banking activities. Barclays Bank, HSBC Bank, Lloyds Bank Corporate Markets and NatWest Markets are the investment banks. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts.

The Bank of England released its latest report on bank stress testing, illustrating that all entities included in the analysis were deemed to have passed the test once the levels of capital and potential mitigating actions presumed to be taken by management were factored in. The BoE did not require any bank to raise additional capital.

European banks are considering their approach to Brexit, with some looking to create new UK subsidiaries to ensure they can continue trading here. The credit strength of these new banks remains unknown, although the chance of parental support is assumed to be very high if ever needed. The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of both UK and European banks with substantial operations in both jurisdictions.

Interest rate forecast: Following the increase in Bank Rate to 0.75% in August 2018, the Authority's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The Bank of England's MPC has maintained expectations for slow and steady rate rises over the forecast horizon. The MPC continues to have a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. Arlingclose believes that MPC members consider both that ultra-low interest rates result in other economic problems, and that higher Bank Rate will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

The UK economic environment remains relatively soft, despite seemingly strong labour market data. Arlingclose's view is that the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. While assumptions are that a Brexit deal is struck and some agreement reached on transition and future trading arrangements before the UK leaves the EU, the possibility of a "no deal" Brexit still hangs over economic activity. As such, the risks to the interest rate forecast are considered firmly to the downside.

Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected based on Arlingclose's interest rate projections, due to the strength of the US economy and the ECB's forward guidance on higher rates. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility arising from both economic and political events are likely to continue to offer borrowing opportunities.

Underlying assumptions:

- Our central interest rate forecasts are predicated on there being a transitionary period following the UK's official exit from the EU.

- The MPC has a bias towards tighter monetary policy but is reluctant to push interest rate expectations too strongly. We believe that MPC members consider that: 1) tight labour markets will prompt inflationary pressure in the future, 2) ultra-low interest rates result in other economic problems, and 3) higher Bank Rate will be a more effective policy weapon if downside risks to growth crystallise.

- Both our projected outlook and the increase in the magnitude of political and economic risks facing the UK economy means we maintain the significant downside risks to our forecasts, despite the potential for slightly stronger growth next year as business investment rebounds should the EU Withdrawal Agreement be approved. The potential for severe economic outcomes has increased following the poor reception of the Withdrawal Agreement by MPs. We expect the Bank of England to hold at or reduce interest rates from current levels if Brexit risks materialise.

- The UK economic environment is relatively soft, despite seemingly strong labour market data. GDP growth recovered somewhat in the middle quarters of 2018, but more recent data suggests the economy slowed markedly in Q4. Our view is that the UK economy still faces a challenging outlook as the country exits the European Union and Eurozone economic growth softens.

- Cost pressures are easing but inflation is forecast to remain above the Bank's 2% target through most of the forecast period. Lower oil prices have reduced inflationary pressure, but the tight labour market and decline in the value of sterling means inflation may remain above target for longer than expected.

- Global economic growth is slowing. Despite slower growth, the European Central Bank is conditioning markets for the end of QE, the timing of the first rate hike (2019) and their path thereafter. More recent US data has placed pressure on the Federal Reserve to reduce the pace of monetary tightening – previous hikes and heightened expectations will, however, slow economic growth.

- Central bank actions and geopolitical risks have and will continue to produce significant volatility in financial markets, including bond markets.

Forecast:

- The MPC has maintained expectations of a slow rise in interest rates over the forecast horizon, but recent events around Brexit have dampened interest rate expectations. Our central case is for Bank Rate to rise twice in 2019, after the UK exits the EU. The risks are weighted to the downside.

- Gilt yields have remained at low levels. We expect some upward movement from current levels based on our central case that the UK will enter a transitionary period following its EU exit in March 2019. However, our projected weak economic outlook and volatility arising from both economic and political events will continue to offer borrowing opportunities.

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.17**
Arlingclose Central Case	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.25**	**1.13**
Downside risk	0.00	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	**-0.85**
3-mth money market rate														
Upside risk	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	**0.17**
Arlingclose Central Case	**0.90**	**0.95**	**1.10**	**1.30**	**1.40**	**1.40**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.27**
Downside risk	-0.20	-0.45	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.76**
1-yr money market rate														
Upside risk	0.20	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	**0.33**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.70**	**1.60**	**1.50**	**1.40**	**1.35**	**1.35**	**1.35**	**1.35**	**1.35**	**1.40**
Downside risk	-0.35	-0.50	-0.60	-0.80	-0.90	-0.90	-0.90	-0.85	-0.85	-0.85	-0.85	-0.85	-0.85	**-0.77**
5-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.15**	**1.25**	**1.35**	**1.50**	**1.50**	**1.40**	**1.35**	**1.35**	**1.30**	**1.30**	**1.30**	**1.30**	**1.30**	**1.33**
Downside risk	-0.50	-0.60	-0.65	-0.80	-0.80	-0.70	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	**-0.66**
10-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.50**	**1.65**	**1.70**	**1.80**	**1.80**	**1.75**	**1.75**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**	**1.70**
Downside risk	-0.55	-0.70	-0.70	-0.80	-0.80	-0.75	-0.75	-0.70	-0.70	-0.70	-0.70	-0.70	-0.70	**-0.71**
20-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**2.00**	**2.10**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.20**	**2.18**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**
50-yr gilt yield														
Upside risk	0.25	0.30	0.30	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	**0.37**
Arlingclose Central Case	**1.90**	**1.95**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**2.00**	**1.99**
Downside risk	-0.60	-0.70	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	**-0.73**

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
PWLB Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

APPENDIX 5 - Investments Strategy

Introduction

The Council invests its money for two broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

This investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second of these categories.

Treasury Management Investments

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and Central Government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £8m and £30m during the 2019/20 financial year.

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2019/20 for treasury management investments are covered within the body of this report.

Commercial Investments: Property

Contribution: The Council invests in local commercial property with the intention of making a profit that will be spent on local public services.

Table 1: Property held for investment purposes in £ millions

Property type	Purchase cost £m	Gains/ (Losses) At 31 March 2018 £m	Value in Accounts At 31 March 2018 £m
Various properties acquired pre 31/3/14	3.497	1.445	4.942
Retail Units	4.347	(0.247)	4.100
Mixed Commercial	0.390	0.040	0.430
Office block purchased 2018/19	2.787	to be valued	

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by assessing the viability of the cost of financing the investment against the return on investment in terms of receivable income. Investments that are subject to short leases are unlikely to be considered due to the high risk of potential voids.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. To ensure that the invested funds can be accessed when they are needed, for example to repay capital borrowed; the Council ensures that borrowing is on an equal instalment basis and that revenue budgets cover the cost of the loan repayment.

Loan Commitments and Financial Guarantees

Loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. Members are advised that £20,000,000 in total has been earmarked for the Lewes Housing Investment Company Ltd & Aspiration Homes LLP for 2018/19 subject to individual scheme appraisals. Loans are provided on a secured basis with interest charged at a commercial rate.

Capacity, Skills and Culture

Elected members and statutory officers: It is important that the members and officers involved in the Treasury Management function have appropriate capacity, skills and information to enable them to take informed decisions on specific investments, to assess the risk and strategic objectives and to ensure that the Council's risk exposure is managed. Periodically the Council's external Treasury advisors, Arlingclose will hold member training sessions which will provide members with a raft of technical advice specifically designed for the Council's environment. Additionally, Officers have a wide range of information available to them from various sources such as the Charted Institute of Public Finance and Accountancy (CIPFA), Arlingclose and Room 151. Officers will also attend a number of courses/seminars throughout the year and have periodical strategic meetings with the Council's treasury advisors.

Commercial deals: Officers negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local Authorities operate and have access to a number of external bodies who can provide specific advice and direction.

Corporate governance: All of the Council's procedures provide a corporate governance arrangement that ensure accountability and for decision making on investment activities and ensure that the Council's Chief Finance Officer/Section 151 Officer is fully briefed on the Council's investment position at any one time.

APPENDIX 6 - Investment Categories, Limits & Creditworthiness Policy

The Authority held £26.6m in invested funds as at 31 December 2018, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £8 and £31 million, and similar levels are expected to be maintained in the forthcoming year.

Objectives: The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2019/20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2019/20. The majority of the Authority's surplus cash remains invested in short-term unsecured bank deposits, and money market funds. This diversification will represent a continuation of the new strategy adopted in 2016/17.

Business models: Under the new IFRS 9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties: The Authority may invest its surplus funds with any of the counterparty types in table below, subject to the cash limits (per counterparty) and the time limits shown.

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£2m 20 years	£2m 50 years	£2m 20 years	£2m 20 years
AA+	£2m 5 years	£2m 10 years	£2m 25 years	£2m 10 years	£2m 10 years
AA	£2m 4 years	£2m 5 years	£2m 15 years	£2m 5 years	£2m 10 years
AA-	£2m 3 years	£2m 4 years	£2m 10 years	£2m 4 years	£2m 10 years
A+	£2m 2 years	£2m 3 years	£2m 5 years	£2m 3 years	£2m 5 years
A	£2m 13 months	£2m 2 years	£2m 5 years	£2m 2 years	£2m 5 years
A-	£2m 6 months	£2m 13 months	£2m 5 years	£2m 13 months	£2m 5 years
Pooled Funds		£3m per fund or trust			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Authority may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2,000,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.

Investment limits: The maximum that will be lent to any one organisation (other than the UK Government) will be £2 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Any single organisation, except the UK Central Government	£2m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£2m per group
Any group of pooled funds under the same management	£3m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£3m per country
Registered providers and registered social landlords	£4m in total
Unsecured investments with building societies	£5m in total
Money market funds	£15m in total
Real estate investment trusts	£4m in total

Liquidity management: The Authority uses cash flow forecasting software developed in house to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

The Authority measures and manages its exposures to treasury management risks using the following indicators.

Security: The Authority has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit AA-	A+

Liquidity: The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£3m

Interest rate exposures: This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£40,000
Upper limit on one-year revenue impact of a 1% fall in interest rates	£20,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	**2019/20**	**2020/21**	**2021/22**
Limit on principal invested beyond year end	£2m	£2m	£2m

Related Matters

The CIPFA Code requires the Authority to include the following in its treasury management strategy.

Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Housing Revenue Account: On 1st April 2012, the Authority was debt free for the General Fund. All loans financed the HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured each month and interest transferred between the General Fund and HRA at the Authority's average interest rate on investments, adjusted for credit risk

Markets in Financial Instruments Directive: The Authority has opted up to professional client status with its providers of financial services, including advisers, banks and brokers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, the Chief Financial Officer believes this to be the most appropriate status.

Financial Implications

The budget for investment income in 2019/20 is £0.1 million, based on an average investment portfolio of £20 million at an interest rate of 0.50%. The budget for debt interest paid in 2019/20 is £1.7 million. If actual levels of investments and borrowing, or actual interest rates, differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Chief Financial Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

Appendix 7 – The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Role extended by the revised CIPFA Treasury Management and Prudential Codes 2017 as set out below.

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

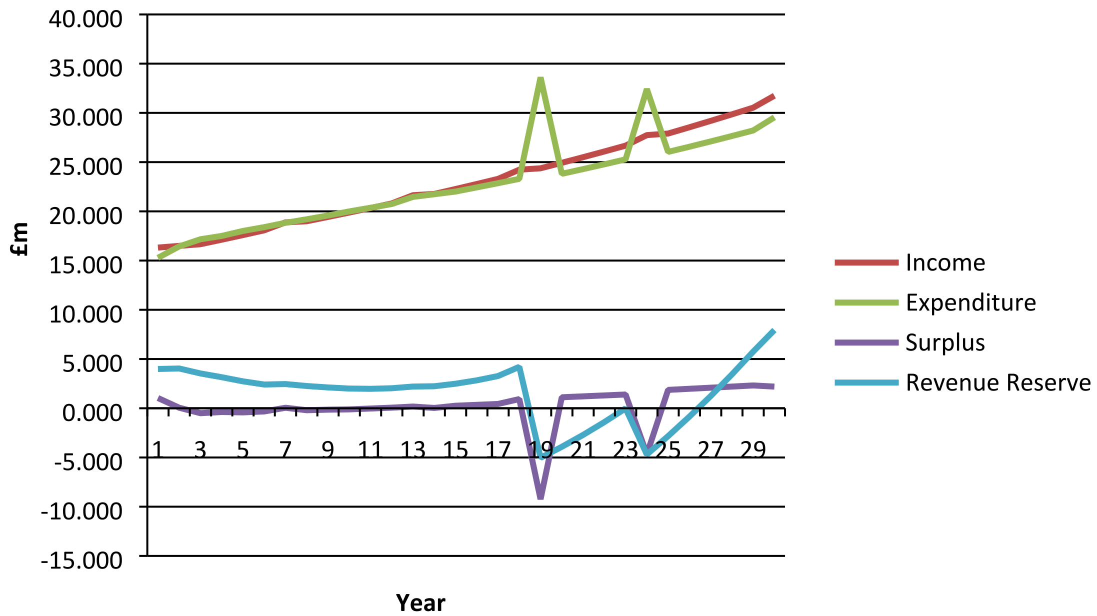
Body:	**Cabinet**
Date:	**11 February 2019**
Subject:	**HRA Revenue Budget and Rent Setting 2019/2020 and HRA Capital Programme 2018/2022**
Report of:	**Homira Javida, Chief Finance Officer**
Cabinet member:	**Councillor Ron Maskell, Cabinet Member for Housing** **Councillor Bill Giles, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of the report:	**To agree the HRA budget proposals, rent levels and service charges for 2019/2020, and the HRA Capital Programme 2018/2022.**
Decision type:	**Key Decision**
Recommendation:	**Cabinet is asked to recommend the following proposals to Full Council:** **i) The HRA budget for 2019/2020 and revised 2018/2019 as set out in Appendix 1.** **ii) That social and affordable rents (including Shared Ownership) are decreased by 1% in line with government policy.** **iii) That private sector leased property rents are increased by 3.3%.** **iv) That delegated authority is given to the Chief Finance Officer, in consultation with the Cabinet Portfolio Holders for Finance and Cabinet Portfolio holder for Housing to take measures in the management of the Week 53 rent year.** **v) That the revised service charges are implemented.** **vi) That garage rents are increased by 3.30%.** **vii) The HRA Capital Programme as set out in Appendix 2**
Reasons for recommendations:	**The Cabinet has to recommend to Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.**
Contact:	**Pauline Adams, Head of Finance** **Telephone 01323 415979 or internally on extension 5979.** **E-mail address: pauline.adams@lewes-eastbourne.gov.uk**

1 Introduction

1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure has to be entirely supported from rental and other income. The main tool for the future financial management of the HRA is the 30 year Business Plan.

1.2 The Business plan was last updated in August 2018, and shows income marginally in excess of expenditure, for the first 19 years. The original assumption at the start of the self-financing regime was that all borrowing would be repaid within 20 years, unfortunately due to the decrease in rents over the last four years; this strategy is no longer viable as is demonstrated below. The plan and borrowing strategy will need to be reconsidered the next time it is updated.

1.3 The level of reserves at the beginning of the plan starts at £3m for 2018/19 rising marginally to £4m by 2036/37.



1.4 The business plan will be reviewed and updated again once the 2018/2019 accounts have been completed.

2 2019/2020 HRA Revenue Budget

2.1 The 2019/2020 budget has been prepared following the principles adopted within the HRA 30 year Business Plan and is attached at **Appendix 1**

2.2 The 2019/2020 budget is showing a surplus of £29K from a surplus of £312k in 2018/2019, a change of £283k, which is mainly due to the factors listed below.

2.3 The major changes between the 2018/2019 and the 2019/2020 budgets are:

Changes in income and expenditure and re-profiling of contributions to reserves:

- 1% rent reductions £147k
- Other Rental Movements £160k
- Service Charges £64k
- Corporate & Democratic Core £45k
- Contribution to JTP £196k
- Contribution to capital programme (£349k)

2.4 The HRA budget is performing in line with expectations in the 30 year business plan, with the exception of one off items relating to JTP. The additional costs have been offset by removing the contribution to debt repayment. This will be reviewed 2020/2021.

2.5 The Major Repairs Reserve is funded from cash backed depreciation of £5.634m and is expected to provide sufficient resources to fund the demands of the asset management plan in the longer term.

2.6 The HRA debt outstanding at 31 March 2018 was £65.126m, which is £10.122m less than the maximum borrowing permitted under the self-financing settlement, which is £75.248m (the 'borrowing cap'). The Government announced that it is changing legislative policy to remove the 'borrowing cap' in the HRA to enable Councils to build more homes. Management will be considering its strategy in relation to future developments over the next few months.

2.7 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2019/2020 and the interest budget has been prepared on this basis

2.8 The HRA outturn for 2018/2019 is expected to deliver a (£312k) surplus, a variance of (£312k) over the original budget. This is as a result of:

Property rentals (£16k);
Debtors impairment £45k;
Depreciation £162k;
JTP programme £294k;
Contribution to capital programme £349k;
Debt repayment (£1,146m)

2.9 The HRA Business Plan is based on a policy for a minimum level of HRA balance of £1.5m to maintain a prudent level of reserve to ensure that the HRA remains sustainable in the longer term and is able to deal with any risks posed by the current economic climate.

2.10 The forecast balances on HRA and Reserves are as follows:

	HRA Working Balance	Major Repairs Reserve
	£'000	£'000
Balance at 1/4/2018	1,939	6,032
Surplus/(Deficit)	312	
Revenue Contribution		
Depreciation		5,647
Major Works expenditure		(6,051)
Estimated Balance 31/3/2019	2,251	5,628
Surplus/(Deficit)	29	
Revenue Contribution		
Depreciation		5,634
Major Works expenditure		(4,815)
Estimated Balance 31/3/2020	2,280	6,447

2.11 These are within the HRA strategy and policy expectations of the Business Plan.

2.12 At 31 March 2018, the HRA working balance had two ring fenced elements; self-insurance £275k and special projects £1.170m.

3 Rent Levels for 2019/2020

3.1 The Council has been following the Government's guidance on rents for social housing since December 2001. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015 (for rents to increase annually by September CPI + 1.0%).

3.2 The Welfare Reform and Work Act 2016 suspended this policy from 2016/2017 and rents on social housing properties are to be reduced by 1% a year for a four year period. The financial year commencing 1st April 2019 is the last year that the rent reduction is to be applied to all socially rented and affordable rented properties

3.3 Rents for Shared Ownership properties are excluded from the Welfare Reform and Work guidance. However, it is recommended that rents for all Shared Ownership properties are reduced by 1%.

3.4 Every six to seven years 53 Mondays fall in a financial year and this will be the case for 2019/2020. As rent debts are raised on Mondays this means that the HRA ordinarily benefits from an 'extra' week's rents when there are 53 Mondays in a year.

3.5 This creates the following two immediate issues:

- The 1% rent decrease under Welfare Reform Act 2016 means that the 53 week year can be interpreted as taking the Council over the required 1% decrease. The MHCLG initial response was that the reduction had to be applied on an annual basis and that landlords would either have to offer up a rent free week or collect 52 weeks' worth of rent over 53 payments (effectively reducing the weekly rent by 1.27%). Either way the Council would lose a week's rent (£280k) and furthermore a 53 week rent year would have a lasting impact of reducing rental income for future years (£40k for 2020/2021 and increasing by CPI+1% annually thereafter). However a number of authorities are challenging this view and have interpreted the legislation differently arguing that rents are calculated on a daily basis and collected weekly, thus allowing for 53 weeks' worth of rent to be charged as normal. MHCLG officials have emphasised that it is for induvial authority to satisfy itself that it is complying with the legal position.

- A further complicating issue is that Universal Credit (UC) legislation does not allow for 53 Monday years and therefor UC Claimants would find themselves a week in arrears if charged 53 week's rent. It has been suggested that this could be amended through a statutory instrument; however the Department for Work & Pensions (DWP) is not supportive of this approach. Alternatively Government could resolve this through somehow topping up rents for 2019/2020. However there is no detailed view on what this solution might be.

3.6 The budget figures currently include a 1% reduction over the 52 week year.

3.7 Given the complexity of the issues raised it is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Cabinet Portfolio holders for Financial Services and Direct Assistance Service, to take measures in the management of the Week 53 rent year.

4 Service Charges

4.1 For properties in shared blocks, these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Sheltered Accommodation the charges additionally include Scheme Managers, lift maintenance contracts, communal furniture and carpets maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they apply. The services charges are outlined in more detail in the following sections.

5 The Supported Housing Service

5.1 The review of the sheltered housing service and the continuing organisational change within the Council is reflected in the service charge.

5.2 The service charge has been updated to reflect the 2019/2020 budget to achieve full cost recovery.

5.3 The communal element of the service charge is eligible for housing benefit and Universal Credit

5.4 The above review is planned to be completed in the first quarter of 2018/2019, it is therefore recommended that delegated authority be given to the Director of Service Delivery, in consultation with the Portfolio Holders for Financial Services and Direct Assistance Service, to set the Supported Housing Service Charge that covers the costs incurred in the provision of the service.

6 The Supported Housing Service Charge

6.1 Following the withdrawal of East Sussex County Council from the Supporting People scheme, the Council introduced, from May 2016, a redesigned Support Scheme for tenants in sheltered accommodation.

6.2 The charge for 2018/2019 was £2.89 per week. The charge has now been reviewed to reflect experience of the redesigned scheme. The charge achieves full cost recovery and will increase to £3.04 per week in 2019/2020.

7 The Homeless Accommodation Service Charge

7.1 The service charge relates to the services provided at homelessness accommodation held within the Housing Revenue Account.

7.2 The Homeless Accommodation Service Charge for 2019/2020 has been reviewed, in accordance with agreed Council policy, to achieve full cost recovery. The communal element of the service charge is eligible for housing benefit and Universal Credit.

8 The Communal Service Charge

8.1 The charge recovers the cost of communal services provided to non-sheltered flats. The services provided include grounds maintenance, maintenance of lifts, caretaking and cleaning, door entry & alarm systems, TV aerials, laundry services and communal lighting.

8.2 The average service charge is £5.22, with the lowest at £0.33 and the highest at £15.38. The communal element of the service charge is eligible for housing benefit and Universal Credit.

9 Other Service Charges

9.1 All other service charges have been updated to reflect the 2019/2020 budget and achieve full cost recovery. This includes charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

10 Garage Rents

10.1 Garage Rents are not within the scope of Government control. It is left to each

Council to formulate their policy on garage rents.

10.2 A market review of garage rents is undertaken every five years and in November 2015, District Valuer Services undertook a review of market rents. The new rents were implemented from April 2016. Following a market review, garage rentals are uprated each subsequent year by September RPI (3.30%).

11 Capital Programme

11.1 The Capital Programme as set out in Appendix 2 has been prepared to meet the Council's strategies, as adjusted to reflect the availability of resources. Total budget expenditure for 2019/2020 is £5,015,000.

11.2 The major works element of the programme is in line with the asset management plan and the self-financing business plan model. Funding is from the Major Repairs Reserve.

11.3 The majority of schemes approved as part of the Stock Improvement Programme and Ashington Gardens Development, which are funded from HRA resources, are expected to be completed by the end of the current year. If there is any slippage this will be re-profiled as part of the year end process. This programme has been funded from borrowing, capital receipts and HCA grant.

12 Consultation

12.1 The rent decrease reflects the requirements under the Welfare Reform and Work Act 2016.

12.2 A copy of this report will be considered by the next meeting of the Scrutiny Committee on 7 February 2019. Any feedback will be reported verbally.

12.3 An integral part of the Budget process is a constructive dialogue with The Tenants of Lewes District Group (TOLD). Officers will meet with TOLD to review the Revenue Budget and Capital Programme.

13 Corporate plan and council polices

13.1 This report contributes to delivering the Council's vision for a housing market which includes affordable housing for those families in need and for a sustainable asset base contributing effectively to the delivery of public services. Rents will be more affordable following the reduction in rent proposed and increases in service charges to our customers have been kept to the minimum required to cover the costs of delivering these services.

14 Outcome expected and performance management

14.1 The HRA budget will be monitored regularly during 2019/2020 and performance will be reported to members quarterly.

14.2 The Council is obliged to ensure that all tenants are given 28 days' notice of any changes to their tenancy including changes to the rent they pay

15 Financial appraisal

15.1 These are included in the main body of the report

16 Legal implications

16.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how there are funded by rents and other income.

16.2 Section 76 of the 1989 Act states that budgets must be set for the HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA and all reasonable steps must be taken to avoid a deficit.

16.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.

16.4 The Welfare Reform and Work Act 2016, passed in March 2016, set the rent setting policy for 4 years whereby social rents in England are to be reduced by 1%. In October 2017 the government confirmed details for future social rents and for the five years from 2020/2021 providers will be able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.

16.5 Under The Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the Council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the full Council. This explains why Cabinet is being asked to recommend its budget proposals to Council.

17 Equality analysis

17.1 The 1% reduction in rents will have a short term positive impact on all existing tenants and for those in the Council's Shared Ownership properties. However, it is considered unsustainable for the provision of longer term housing needs.

17.2 There are moderate changes in service charges (including heating charges) which continue to be set at levels to achieve full cost recovery.

18 Conclusion

18.1 The HRA Revenue Budget has been produced based on the policies set out in the HRA 30 year business plan and is showing an overall surplus of £29k for 2019/20.

18.2 The underlying HRA surplus has decreased between 2018/2019 and 2019/2020 principally due to a 1% rent decrease & rental movements £307k; the major variance are listed at paragraph 2.3 above.

18.3 The HRA working balance at 31 March 2020 is forecast to be £2.280m. The Major Repairs Reserve is forecast to have a balance of £6.447m.

18.4 The rent levels have been prepared in accordance with the government's requirement to reduce rents by 1% a year for each of the four years from 2016-2017 based on the rent charge as at 8 July 2015.

18.5 Service charges set at a level to recover the expected actual cost to be incurred for the respective properties in the forthcoming year.

18.6 Garage rents are recommended to increase, in line with the September RIP, by 3.3%.

18.7 Total budgeted expenditure on the HRA Capital Programme is planned at £5.015m for 2019/2020. All planned capital expenditure is solely on major repairs or disabled adaptations, which is funded from cash backed depreciation, but consideration of new schemes is being considered now that the borrowing debt cap has been lifted. The Major Repairs programme is in line with the asset management plan and HRA business plan model.

Appendices

1. HRA 2018/2019 Revised budget and 2019/2020 Budget
2. HRA Capital Programme 2018/2019-2021/2022

Background papers

The background papers used in compiling this report were as follows:

HRA 2019/20 Budget working papers held by Lewes District Council
HRA Self Financing 30 year Business Plan

To inspect or obtain copies of background papers please refer to the contact officer listed above.

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HOUSING REVENUE ACCOUNT

2018-2019 Original Budget £' 000	2018-2019 Revised Budget £'000		2019-2020	2019-2020 BUDGET £' 000
		INCOME		
(14,520)	(14,531)	Dwelling Rents	(14,224)	
(452)	(457)	Non-Dwelling Rents	(445)	
(1,237)	(1,237)	Charges for Services and Facilities	(1,173)	
(204)	(204)	Contributions towards Expenditure	(179)	
(16,413)	**(16,429)**	**GROSS INCOME**		**(16,021)**
		EXPENDITURE		
4,400	4,400	Repairs and Maintenance	4,439	
1,702	1,702	Supervision and Management	1,685	
1,313	1,313	Special Services	1,344	
173	173	Rents, Rates, Taxes and Other Charges	178	
50	95	Increase in Impairment of Debtors	50	
		Depreciation of Fixed Assets		
4,794	4,826	- Dwellings	4,826	
685	815	- Other Assets	805	
6	6	Amortisation of Intangible Assets	3	
47	47	Debt Management Costs	42	
(300)	(156)	Joint Transformation Programme Savings	(60)	
	150	Joint Transformation Programme Contribution	250	
12,870	**13,371**	**GROSS EXPENDITURE**		**13,562**
(3,543)	**(3,058)**	**NET COST OF HRA SERVICES**		**(2,459)**
576	**576**	HRA share of Corporate and Democratic Core		**621**
(2,967)	**(2,482)**	**NET OPERATING COST OF HRA**		**(1,838)**
		Capital Financing and Interest Charges		
1,866	1,866	Interest Payable	**1,850**	
(45)	(45)	Interest Receivable	**(41)**	
(5,485)	(5,647)	Reversal of Depreciation and Amortisation	**(5,634)**	
5,485	5,647	Transfer to Major Repairs Reserve	**5,634**	
1,146	0	Repayment of Internal Borrowing		
	349	Revenue Contribution to Capital		
2,967	**2,170**	Total Capital Financing and Interest Charges		**1,809**
0	**(312)**	**HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT**		**(29)**
		HOUSING REVENUE ACCOUNT WORKING BALANCE		
(2,945)	**(1,939)**	**Working Balance at 1 April**		**(2,251)**
0	**(312)**	**(Surplus) or Deficit for the year**		**(29)**
(2,945)	**(2,251)**	**Working Balance at 31 March**		**(2,280)**
		Allocation of Working Balance:		
(1,500)	(1,456)	**- General Working Balance**		(1,735)
(1,170)	(520)	**- Special Projects**		(270)
(275)	(275)	**- Self Insurance**		(275)
(2,945)	**(2,251)**	**Working Balance at 31 March**		**(2,280)**

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Appendix 2

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2018/19 - 2021/22							
Scheme	**Total Scheme Cost**	**Spend to 31 March 2018**	**Original Allocation 2018/19**	**Revised Allocation 2018/19**	**2019/20**	**2020/21**	**2021/22**
Ashington Gardens Development	Ongoing	58,850	**-**	**1,341,150**	**-**	**-**	**-**
Saxonbury Redevelopment	Ongoing	14,511	**-**	**1,485,500**	**-**	**-**	**-**
Buy-back of RTB Properties			**200,000**	**200,000**	**200,000**	**200,000**	**200,000**
Improvements to Stock			**4,352,000**	**5,425,800**	**4,350,000**	**4,350,000**	**4,350,000**
Disabled adaptations			**415,000**		**415,000**	**415,000**	**415,000**
Lift replacements			**312,000**				
Conversions & Additional Rooms			**165,000**	**531,950**	**-**	**-**	**-**
Recreation & Play Areas			**50,000**	**94,250**	**50,000**	**50,000**	**50,000**
HRA Share of JTP				**186,950**			
Total HRA Capital Programme			**5,494,000**	**9,265,600**	**5,015,000**	**5,015,000**	**5,015,000**
Funded by:							
Borrowing			200,000	2,393,250	200,000	200,000	200,000
Capital Receipts				471,850			
Major Repairs Reserve			5,294,000	6,051,950	4,815,000	4,815,000	4,815,000
Revenue Contribution				348,550			
Total Financing			**5,494,000**	**9,265,600**	**5,015,000**	**5,015,000**	**5,015,000**

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Report to:	**Cabinet**
Date:	**11 February 2019**
Title:	**Business Rate Retail Discount Policy**
Report of:	**Director of Service Delivery**
Cabinet member:	**Councillor Bill Giles, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To approve the proposed Retail Discount Policy**
Decision type:	**Key Decision**
Officer recommendation(s):	**(1) Approve the Business Rate Retail Discount Policy as set out in Appendix 1.** **(2) Grant the Director of Service Delivery delegated authority, in consultation with the Lead Member, to review and, if necessary, amend the Retail Discount Policy following the consultation period and at the end of year 1 of the scheme.** **(3) Grant the Director of Service Delivery delegated authority to implement and enforce the Retail Discount Policy, including any measures necessary for or incidental to its management and administration.**
Reasons for recommendations:	**Cabinet approval is required for the Retail Discount Policy which will be used for the purposes of administering the scheme**
Contact Officer(s):	**Name: Nick Ducatel** **Post title: Functional Lead (Growth and Prosperity)** **E-mail: Nick.ducatel@lewes-eastbourne.gov.uk** **Telephone number: 01323 415914**

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1 Introduction

1.1 In the October 2018 budget, the Government announced a business rates Retail Discount scheme for occupied retail properties that have a rateable value of below £51,000 in each of the years 2019-20 and 2020-2. Under the scheme, eligible ratepayers will receive a one third discount off their rates bill.

1.2 The Government will reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance 1988 to grant relief.

2 Proposed Scheme

2.1 The Government has set down the criteria under which properties will benefit from the relief.

2.2 Retail discount will be available to occupied hereditaments with a rateable value of less than £51,000 that are wholly and mainly being used as shops, restaurants, cafes and drinking establishments. The Government has set out a list of qualifying hereditaments, the principle ones being:-

- Shops (such as florists, bakers, greengrocers, butchers, jewellers, off licenses, chemists, newsagents
- Charity Shops
- Opticians
- Post Offices
- Furnishing shops
- Car showrooms
- Second hand car lots
- Markets
- Hair and beauty services (hairdressers, nail bars, tanning shops, tattoo parlours and body piercing services)
- Shoe repairs / key cutting
- Travel Agents
- Ticket Offices e.g. theatre
- Dry cleaners and launderettes
- Funeral Directors
- Photo processing
- Tool hire
- Car hire
- Restaurants
- Takeaways
- Sandwich and Coffee shops
- Pubs and Bars

According to the Government, the above list is not intended to be exhaustive, but should be taken as a guide to local authorities as to the types of uses the Government considers to be 'retail' for the purposes of the Retail Discount. The Council can determine for itself whether particular properties not listed are broadly similar in nature to those above and, if so, to consider them eligible for the relief.

2.3 Certain types of business will **not** qualify for relief. They are hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial Services (e.g. banks, building societies, ATM's, bureaux de change, payday lenders, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)

- Professional services (e.g. solicitors, accountants, insurance agents, financial advisors, tutors)
- Post Office sorting offices
- Cinemas and Theatres
- Museums
- Nightclubs and Music venues
- Venues used for physical recreation (e.g. gyms)

2.4 The scheme can only support those retail businesses that are in occupation and is calculated on a daily basis. There is no relief available under the scheme for hereditaments with a rateable value above £51,000.

2.5 The discount is applied against the net bill after all other Mandatory and Discretionary reliefs are taken into account. Discount will be State Aid compliant and subject to State Aid de minimis levels.

2.6 Initially the discount will be applied to all hereditaments considered eligible through the information held on the Business Rates database. Eligible ratepayers will be notified by the issue of a new Annual Bill for 2019/20 in March.

3 Financial implications

3.1 Central Government will fully reimburse local authorities for the local share of the discretionary relief / discount using a grant under section 31 of the Local Government Act 2003.

3.2 The overall estimated cost of the scheme in 2019/20 is approximately £863,241 and will provide support to 302 retail businesses.

4 Consultation

4.1 Although there is no legislative requirement to consult on the proposed scheme we are consulting with local ratepayers, Chamber of Commerce and Federation of Small Businesses. The consultation will run for a period of 4 weeks and closes on 31 January 2019.

4.2 The outcome from the consultation will be considered and updated as an appendix to this report prior to Cabinet on 06 February 2019.

5 Legal implications

5.1 As a billing authority, the Council has power to make and implement a Discretionary Business Rate Relief Scheme across Lewes District under section 47 of the Local Government Finance Act 1988.

5.2 Approval of the policy is an executive function and proper to be made by Cabinet.

5.3 Providing discretionary relief to ratepayers is likely to amount to State Aid (the means by which the European Union regulates state funded support to businesses). However, Retail Discount will be State Aid compliant where it is provided in accordance with the De Minimis Regulations. These Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

5.4 To administer De Minimis it is necessary for the Council to establish that the award of aid will not result in the undertaking having received more than €200,000 of De Minimis aid. The Government has made available a sample De Minimis declaration which the Council may wish to use, to discharge this responsibility.

5.5 The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime operates effectively in a domestic context. The Council should therefore continue to apply State Aid rules, including De Minimis, to the relief for 2019/20 and 2020/21.

Lawyer consulted 03.01.19 *Legal ref: 007956-JOINT-OD*

6 Risk management

6.1 Whilst the scheme is not mandatory, failure to implement the policy to support retail businesses could cause reputational damage to the council.

7 Equality analysis

7.1 An Equalities and Fairness impact assessment has been completed and submitted to the Equality and Fairness Planning Group and no quality issues were identified by the group.

7.2 It is our view that the policy is robust and evidence shows no potential for discrimination. If, however, any issues are identified in the consultation, or during the first year of implementation, these will be reviewed and, if appropriate, changes will be made to the policy for 2020/21.

8 Appendices

- Appendix 1 – Retail Relief Policy
- Appendix 2 – Consultation results (To Follow)

9 Background papers

- Ministry of Housing , Communities & Local Government: Letter to Chief Finance Officers of English Billing Authorities https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761826/BRIL_5_-_2018.pdf

- Ministry of Housing, Communities & Local Government: Business Rates: Retail Discount – Guidance
  https://www.gov.uk/government/publications/business-rates-retail-discount-guidance

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STRONGER together

Lewes District Council

EASTBOURNE Borough Council

Working in partnership with **Eastbourne Homes**

Business Rates Retail Discount Policy

Document name:	**Retail Discount (draft)**
Document type:	Policy

Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Nick Ducatel Functional Lead for Growth and Prosperity
Accountable (Operational Lead):	Calvin Burcombe Account Management Manager
Version (e.g. first draft, final report):	V01
Approved by:	Cabinet
Date of publication:	To be confirmed
Revision due:	Not required
Final Equality and Fairness Analysis (EaFA) report approved by:	Director/Assistant Director - TBC
Date final EaFA report approved:	TBC

Contents

1. Introduction

1.1. Central government announced in the Autumn Budget on 29 October 2018 that it would provide a new discount scheme for retail properties that have a rateable value of below £51,000.

1.2. Properties that will benefit are those that are occupied hereditaments that are wholly or mainly used as shops, restaurants, cafes and drinking establishments.

1.3. Eligible ratepayers will receive a one third discount of the daily chargeable amount. The discount will have effect for 2019/20 and 2020/21.

1.4. The grant of the discount is discretionary and local authorities are expected to use their powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1998) to grant the new discount.

1.5. Central government will reimburse authorities and major precepting authorities within the rates retention scheme for the actual costs to them under the rates retention scheme for discounts that fall under this scheme.

1.6. The decision to grant or not to grant retail discount is a matter purely for the council. The council's policy for granting other discounts can be found on the council's website www.lewes-eastbourne.gov.uk

2. Qualifying Properties

2.1. The Government, whilst not changing the legislation around the discounts available to properties, has set out eligibility criteria.

2.2. Their guidance considers qualifying properties to mean:

Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as florists, bakers, greengrocers, butchers, greengrocers, jewellers, stationers, off licenses, chemists, newsagents, hardware stores, supermarkets etc.)
- Charity shops
- Opticians
- Post Offices
- Furnishing shops/display rooms (such as carpet shops, double glazing, garage doors)
- Car/caravan showrooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres

- Art galleries (where art is for sale or hire)
- Licensed sex shops

Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as hairdressers, nail bars, tanning shops, tattoo parlours and body-piercing services)
- Shoe repairs/key cutting
- Travel agents
- Ticket offices e.g for theatre
- Dry cleaners
- Launderettes
- Funeral directors
- Photo processing
- Tool hire
- Car hire

Hereditaments that are being used of the sale of food and/or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

2.3. The above lists are not exhaustive and it is for authorities to determine if particular properties not listed are broadly similar in nature those above and, if so, to consider them eligible for discount.

3. Non-qualifying Properties

3.1. Properties that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, pawn brokers)
- Gambling establishments (e.g. betting shops and amusement arcades)
- Other services (e.g. estate agents, letting agents, employment agencies)

- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents, financial advisers, tutors)
- Headshops or those selling legal highs and similar paraphernalia and Vape and e-cigarette shops
- Royal Mail sorting offices

4. Amount of Discount available

4.1. Over the past few years, a number of schemes have been led by Central Government but without specific legislative changes. These are administered under s47 of the Local Government Finance Act 1988 and guidance is often provided. The councils are keen to support such initiatives especially when they are designed to support local businesses and will look to maximise both the discounts given as well as maximising any grants receivable. However the council reserves the right to vary its approach where thought appropriate.

4.2. Eligible ratepayers will receive a one third discount of their of their net rates bill. There is no discount available under the scheme for properties with a rateable value above £51,000. Discount is only applicable in respect of occupied properties and is calculated on a daily basis.

4.3. The discount is applied against the net bill after all other Mandatory and Discretionary reliefs are taken into account.

4.4. Ratepayers that occupy more than one property will be entitled to discount for each eligible property, subject to State Aid de minimis levels.

4.5. European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. Rate discount for charities and non-profit making bodies is not generally considered to be State Aid, because the recipients are not in market competition with other businesses. However, where other bodies receive relief and are engaged in commercial activities or if they are displacing an economic operator, or if they have a commercial partner, rate discount could constitute state aid.

4.6. Discount will be State Aid compliant where it is provided in accordance with the de minimis regulations (1407/2013). The regulations allow an undertaking to receive up to 200,000 euros of de minimis aid in a three year period (consisting of the current financial year and the two previous financial years).

4.7. Where the relief or discount to any one business is greater than the de minimis level, then permission will need to be obtained from the European Commission.

In such cases the matter will be referred to the MHCLG (Ministry of Housing Communities and Local Government) for advice and then referred back to the council for consideration. It will be for the ratepayer to provide confirmation as to whether the State Aid provisions apply to them.

4.8. In all cases, where retail discount is to be granted or where liability is to be reduced, ratepayers will be required to provide the council with sufficient information to determine whether these provisions are applicable in their case.

5. Applications

5.1. Initially the discount will be applied to all properties considered eligible through the information held on the Business Rates database held by Eastbourne Borough Council and Lewes District Council.

5.2. Ratepayers will be required to notify the council if they do not meet state aid requirements, or the level of discount exceeds the de-mininis threshold.

5.3. Eligible ratepayers will be notified of the amount of Retail discount awarded by the issue of a new bill. The discount will be awarded by means of a reduction shown on the bill to the ratepayer. Where this puts the account in credit for the year, a refund will be made by the Council.

6. Appeals

6.1. Where the council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any retail discount, the case will be reviewed by the Senior Specialist Advisor. Where a decision is revised then the ratepayer shall be informed, likewise of the decision is upheld.

6.2. Ultimately the formal appeal process for the ratepayer is Judicial Review although the council will endeavour to explain any decision fully and openly with the ratepayer.

7. Variation and amendment of Discount

7.1. Where any award is granted to a ratepayer, the council will require any changes in circumstances which may affect discount to be reported as soon as possible. This will be important where the change would result in the amount of the award being reduced or cancelled e.g. where the premises become unoccupied or is used for another purpose other than that determined by the council as eligible for discount.

7.2. Where a change of circumstances is reported, the discount will, if appropriate be revised or cancelled.

8. Fraud

8.1. Where a ratepayer falsely claims a discount, falsely provides information, makes false representation, or deliberately withholds information in order to gain a discount, prosecutions will be considered under the Fraud Act (2006).

Report to:	**Cabinet**
Date:	**11 February 2019**
Title:	**Disabled Facilities Grant Policy**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Ron Maskell, Cabinet Member for Housing**
Ward(s):	**All**
Purpose of report:	**To introduce a shared EBC/LDC Policy for Disabled Facilities Grants (DFG's) following budget allocation from the Better Care Fund**
Decision type:	**Key decision**
Officer recommendation(s):	**(1) To approve the Disabled Facilities Grant Policy.**
Reasons for recommendations:	**Introducing discretionary elements will:** • **Allow the fast track adaptations approach in line with the best practice from the National Audit Office MHCLG and the Department of Health and Social Care.** • **Take account of the increase in labour and material costs.** • **Increase the incentive for residents to move to a more suitable property.** • **Provide a safety net for cases of genuine hardship.** • **Allow fees to be paid for feasibility studies.** • **Introduce Hospital Discharge Grants.**
Contact Officer(s):	**Name: Rebecca Wynn** **Post title: Senior Specialist Advisor Housing Standards** **E-mail: Rebecca.wynn@lewes-eastbourne.gov.uk** **Telephone number: 01273 085491**

1 Introduction

1.1 It is a statutory requirement that the Local Housing Authority's Private Sector Housing Renewal Strategy includes a Financial Assistance Policy in respect of grant aid. Appendix A is the revised Disabled Facilities Grant (DFG) Policy introducing a new Discretionary DFG (from page 8) to allocate additional grant funding in line with the Better Care Fund (BCF).

1.2 In 2014 the funding of DFG's moved from DCLG ownership to become part of the BCF. This was a fundamental shift of policy removing the previous 'ring fencing' of how DFG's could be spent. The introduction of the BCF came at the same time as the Care Act 2014 with legislation encouraging local authorities to 'collaborate, cooperate and integrate'.

1.3 The Care Act reforms introduced in April 2018 focus on wellbeing, prevention and delaying the need for social care. In support of these principles, the 2018 Spending Review included over £500 million for 2019-20 for the Disabled Facilities Grant encouraging Councils to be adopt policies that embrace the BCF.

1.4 The DFG needs to evolve if it is to remain relevant for the next decade and beyond. The DFG should no longer be a stand-alone service but part of a package of provisions to help people remain independent.

1.5 The aims of the discretionary element of the policy are:

- to improve the lives of people with disabilities to meet their care and mobility needs by enabling them to live independently with privacy and dignity.
- To allow more effective use of the Better Care Fund, cutting out bureaucracy and increasing flexibility, contributing to the aims of the fund.
- To reduce the need for domiciliary and residential care by allowing people with disabilities to live more independently in their own homes.
- To provide advice, information and support regarding the adaptation of properties to meet accessibility needs, and provide a framework of assistance to vulnerable groups.

1.6 For this reason it is recommended that Cabinet agree the Disabled Facilities Grants Policy with respect to the discretionary element appended to this report, reflecting how the increase in funding can be best spent to achieve improved outcomes for the most vulnerable people in the Lewes District.

2 Proposal

2.1 The mandatory element of the policy has not changed, the recommended six discretionary elements (from page 7 in the policy) are:

- i) Fast Track Grants There will be a £8000 threshold before a means test is needed, or if the adaptation includes only one prescribed item. There will also be no means test for hospital discharge cases or palliative care applicants identified by health or social care professionals
  Reason - These proposals will reduce not only the risk of residents experiencing accidents and requiring acute care, but they will ensure that work can be carried promptly allowing people to return from hospital without unnecessary delays. The means test does not take into account a

person's outgoings which can be substantial when living with a disability.

- ii) Maximum grant for disabled facilities It is proposed that an additional £20,000 be made available as 'top up' from the DFG budget before recourse to funding from ESCC. This would be on top of the mandatory £30k limit.
- Reason - The cost of building materials and labour has risen considerably in the 9 years since the £30,000 limit was introduced but the mandatory maximums have remained the same. It has been found that if top up is not available the grant/adaptation work does not go ahead and presents a risk to the disabled person and will have onward implications to all aspects of health and social care. A maximum grant of £50k would assist in funding extensions when needed, especially for disabled children.

- iii) Home Relocation To provide up to £10,000 towards removal costs of moving to a property which is deemed suitable either for immediate use or for adaptation at reasonable cost. The expenses may include estate agent's fees, solicitor's fees, stamp duty, removal costs and necessary white goods. Private rental tenants will be eligible for up to £2,000 for moving to an adaptable property.
  Reason In some cases, it is considered that moving home is more appropriate to meet the needs of a disabled occupant, when it is not reasonable or practicable to adapt the existing home.

- iv) Hardship DFG There are a small number of cases each year where DFG applicants have a means tested contribution but have insufficient capital to meet that obligation. Currently they are guided to Parity Trust for a loan to cover their contribution. If Parity Trust is unable to approve a loan (i.e. the applicant will be left in unnecessary financial hardship by making loan repayments) the Council will provide discretionary funding to a maximum of £10,000.
  Reason The DFG means test solely considers income and does not take into account the applicant's outgoings. Families with high mortgages can be assessed as having a high contribution with no means of paying it. These families can also sit just above the benefit threshold i.e. have a small income and are penalised as being assessed as having a high contribution.

- v) Feasibility assistance. Fees for technical support are not payable until a grant is approved. It is proposed that a discretionary grant of up to £1,000 per household is available to fund feasibility studies for complex cases before the grant process commences.
  Reason Some cases fail before approval for technical reasons, refusal of planning or building regulations permission, where a great deal of work has been carried out in the design. Providing funding for a feasibility study will save time and resources and prevent the applicant from funding such costs up front without guarantee of receiving a grant.

- vi) Hospital Discharge Grants. Where there is no funding available from NHS continuing healthcare and the only reason a patient cannot return home is that a simple adaptation or heating repair is required a fast track

grant to a maximum of £3500 would be supported. Such interventions may include, but are not restricted to; decluttering, deep cleaning, and clearing properties to enable a supportive visit from an OT.
Reason. This supports the BCF criteria to enable safe and suitable accommodation when a patient returns from hospital, to prevent bed blocking and any unnecessary returns to hospital.

- vii) Local Land Charge for Discretionary Funding. It is proposed that any discretionary funding should be registered as a local land charge against the resident's (owner occupier's) property for 10 years following the completion of work. The land charge relating to mandatory grants is up to a maximum of £10,000 when the cost of work is over £5,000. The proposed land charge relating to discretionary grants would be applied to all funding over the mandatory £30,000, resulting in a total maximum land charge of £30,000 (i.e. £10,000 for mandatory and £20,000 for discretionary.)
  Reason This would give some protection to the budget by recycling funds should the BCF discontinue.

3 Financial appraisal

3.1 We are seeking authority to release £375,000 of the £1.68 million LDC DFG budget for discretionary funding. Listed below are the estimated projected budgets for each key initiative per financial year:

a) Fast Track Grants – £100,000

b) Increase in maximum amount - £200,000

c) Home relocation - £30,000

d) Hardship - £30,000

e) Feasibility Assistance - £5,000

f) Hospital Discharge - £10,000

g) Estimated amount of discretionary DFG to be recycled per year– £50,000

3.2 The expected DFG spend this year is in the region of £750,000 which includes the cost of County's integrated OT scheme which will be funded from the DFG fund. With mandatory and discretionary spend the estimated total is £1.12 million for 2019/20.

4 Legal implications

4.1 Under the Regulatory Reform (Housing Assistance) Order 2002, the Council may, for the purpose of improving living conditions in its area, provide assistance in any form to a person, to enable him or her to take the measures set out in Article 3(1) of the Order. These include:

- acquiring living accommodation (subject to certain conditions)
- adapting or improving living accommodation
- repairing living accommodation

4.2 Article 3 (6) of the Order enables the Council to take any form of security (including a charge) in respect of the whole or part of any assistance granted.

4.3 Under Article 4 he Council may only offer the assistance mentioned above if they have adopted a policy for the provision of assistance of that type, hence this report seeking such adoption. The Council must also, prior to offering assistance, give public notice of the policy adoption and make the policy available for inspection free of charge.

4.4. The changes recommended in the new policy represent a material variation of the Lewes District Council's Private Housing Financial Assistance Policy 2018/19 with an update to the DFG element. Changes of this nature require the approval of Cabinet.

Legal Team consulted 22/01/2019 *Legal ref: 008003-LDC-OD*

5 Risk management implications

5.1 A risk assessment has been completed in consultation with David Heath. No new risks will arise if the recommendations are implemented. If the Policy is not implemented the risk is that the Council do not spend their allocated DFG funds which will affect allocations in future years. The Council should have a current Private Sector Housing Financial Assistance Policy that is transparent, accountable, proportionate and consistent.

6 Equality analysis

6.1 Submitted to the Equality and Fairness Planning Group for consideration. Background paper available from the report author.

7 Appendices

7.1 Appendix 1 – DFG Policy

8 Background papers

8.1 The background papers used in compiling this report were as follows:

Land Charge legislation:
https://www.gov.uk/government/publications/the-housing-grants-construction-and-regeneration-act-1996-disabled-facilities-grant-conditions-relating-to-approval-or-payment-of-grant-general-consent-2008

Recent DFG review:
https://www.foundations.uk.com/dfg-adaptations/dfg-review

Planning for the Better Care Fund (National Audit Office 2014):
https://www.nao.org.uk/wp-content/uploads/2014/11/Planning-for-the-better-care-fund.pdf

Integration and Better Care Fund Policy Framework 2017-2019:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/607754/Integration_and_BCF_policy_framework_2017-19.pdf

Innovation in Homes Adaptations: A Fresh Chance (Care and Repair England, 2016):
https://homeadaptationsconsortium.files.wordpress.com/2013/10/integration-briefing-3-final.pdf

Equality Analysis available from the author

STRONGER together

Lewes District Council

EASTBOURNE Borough Council

Working in partnership with Eastbourne Homes

Disabled Facilities grants Policy 2019

Document name:	**Disabled Facilities Grants (DFG) Policy**
Document type:	Policy

Authority(ies) covered:	Aligned
Responsible (Executive Lead):	Gary Hall Head of Housing
Accountable (Operational Lead):	Rebecca Wynn Senior Specialist Advisor Housing Standards
Version (e.g. first draft, final report):	First draft
Approved by:	
Date of publication:	17 January 2018
Revision due:	17 January 2019
Final Equality and Fairness Analysis (EaFA) report approved by: Head of Housing	17 January 2019
Date final EaFA report approved:	TBC

Contents

1. Introduction

The Disabled Facilities Grant (DFG) is a mandatory grant, as provided by The Housing Grants, Construction and Regeneration Act 1996 (the 96 Act), available to all applicants, towards the cost of eligible works necessary to support people of all ages and tenure to live independently and safely in their own homes. Local Authorities have a statutory duty to provide DFGs to applicants who qualify. The Policy covers Lewes and Eastbourne Councils which are referred to as 'the Council' throughout the document.

This policy is in two parts:

1) Mandatory DFGs - sets out the mandatory legal framework for DFGs in accordance with the 96 Act including eligibility criteria and the prescribed means test assessment.

2) Discretionary DFGs – sets out the Council's policy to provide discretionary interventions to promote independent living and wellbeing. The Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 (RRO) and latterly the Better Care Fund enable Councils to support the wider prevention agenda of housing, social care and health authorities. Whilst the Better Care Fund will primarily support private sector housing clients, if an intervention supports the Prevent agenda it will not exclude residents of Local Authority stock.

2.0 Mandatory DFGs

Mandatory grants are available for people who are registered disabled and meet the criteria of the 96 Act for works to:

- facilitate access by the disabled occupant to, from and within the dwelling (for the purpose of this grant a dwelling includes mobile homes and houseboats);
- provide essential facilities and amenities within the dwelling; and
- facilitate access to and from a garden by a disabled occupant or making access to a garden safe for a disabled occupant.

2.1 Eligibility

All owner-occupiers and tenants, licensees or occupiers (meeting the statutory criteria set out in the Housing Grants Construction and Regeneration Act 1996) are eligible for DFGs. All applications must be supported by East Sussex County Council's (ESCC) Adult Social Care or Children's Services Department.

Council tenants can apply for adaptations but unless they meet the Better Care Fund criteria they will not be funded via the DFG process as all works are funded from the Housing Revenue Account. The Council works closely with Housing Associations to deliver adaptations and whilst Residential Social Landlords (RSLs) are expected to build funding into their business plans there is a statutory duty for Councils to approve DFG's across all tenures. LDC will therefore work with each Housing Association in its area to develop robust and equitable funding agreements which are reviewed on an annual basis.

2.2 Application

In order for the Council to consider awarding a DFG a complete and valid application must have been received. Such an application consists of:

- A completed application form.
- A minimum of two complete estimates from different contractors detailing particulars of all relevant eligible works.
- An Occupational Therapist's (OTs) recommendation detailing the relevant works.
- Details necessary to apply the test of resources (means test)
- Details of any fees or charges, e.g. architect's or agent's fees. These will normally not exceed 12.5% of the eligible expenses for major adaptations and no more than 7% for the provision of equipment.
- Certificate of Future Occupation (normally 5 years)
- Proof of Title.

Where appropriate:

- Owners Consent
- Freeholders consent
- A Tenant's Certificate
- A Certificate of Intended Letting
- An Occupier's Certificate

All valid and completed grant applications are to be determined no later than six months after a completed application is received by the Council. The Council may exercise its discretion to determine that grant monies will not be paid before a specified date (which cannot be later than 12 months after the date of application).

2.3 Estimated Expenses

In determining the estimated expense and calculating a DFG the following elements are considered:

- Which of the relevant works are eligible for grant ‘the eligible works’.

- The amount of the expenses to be properly incurred in the execution of the eligible works.

- The lowest estimate that meets the specification usually wins the tender, however the customer may select a higher value tender provided they are willing to pay the difference between their preferred contractor’s estimate and the lowest.

- Costs attributable in relation to grant works, i.e. fees and charges.

- Extended warranties for external stair lifts, communal stair lifts, through floor lifts and wash-dry toilets, automatic doors, and rise and fall baths.

- The grant is means tested and the amount of grant paid will be determined by a ‘test of resources’ that determines the applicant’s contribution to the works. The mandatory grant will not exceed £30,000.

If the grant applicant is unable to meet their assessed contribution they can apply for a Home Trust Loan under the Council’s subsidised loan scheme. In such circumstances the Housing, Health and Safety Rating system (HHSRS) criteria does not have to be met, providing the DFG has been assessed as being necessary and appropriate, reasonable and practical.

Any work that falls outside the criteria for mandatory DFGs will be referred to ESCC’s Social Services Department for their consideration under the Chronically Sick and Disabled Persons Act 1970.

Applications in respect of disabled children and young people under the age of 19, who are dependant, are exempt from the means test.

2.4 Commencement of Works

Work cannot commence before the grant is approved. Any works started before grant is approved will not be grant aided.

2.5 Minor Works

If an adaptation is expected to cost below £1,000 then it will be considered to be a Minor Adaptation and East Sussex County Council will arrange for the works to be completed and a referral will not be made to Lewes and Eastbourne Councils.

2.6 Supervision and Payment of Grant

Council Officers will inspect the grant works during their progress and, subject to satisfactory execution; officers can recommend the Authority makes interim payments. Final payments will be made on the Officer's satisfaction that the works have been completed satisfactorily and on receipt of the builder's (or in the case of materials, suppliers) invoice.

Payments will be paid directly to the builder/agent unless the applicant has indicated otherwise.

NB The Council Officers act on behalf of the Authority to ensure public funds are spent correctly and value for money is achieved. Applicants must be aware that Officers do not act on their behalf. There are therefore no guarantees as to the quality of workmanship and any disputes arising between applicants and their contractors are the applicant's responsibility.

2.7 Conditions of Grant

The eligible works must be undertaken by the contractor(s) who provided the approved estimate(s) included in the application. We may vary this requirement where we consider there is a genuine reason to do so and it is in the interest of achieving the OT's recommendations. Prior permission shall be obtained in writing from the Council by the applicant before any change in contractor takes place. The use of a different contractor to one included in the application without our permission may result in our cancellation of the grant and/or repayment by the relevant person.

We will consider re-determining a grant approval where the eligible works cannot be completed without carrying out unforeseen further works or where the works are required to ensure the property is free from Category One Hazards. Unforeseen works will only be considered for financial assistance by the Council where work has not been started prior to the work having been agreed as 'unforeseen work' by the Council.

If applicants are required to contribute to the grant, this must be paid and satisfactory evidence provided that payment has been made, i.e. a signed and dated receipt, before the Council will make any grant payment.

Where works are taking place in addition to grant aided works, but which are not grant aided and are funded by the applicant, these works must be completed and paid for by the applicant before any payment will be made with respect to the grant aided works.

Grant aided work must meet all the OT's recommendations unless the OT has given written approval of an alternative suitable scheme.

In the event of a breach of any of the conditions set by the Council, we may demand payment from the applicant/owner/occupier/landlord/trustee/beneficiary (whichever is appropriate) a sum equal to the amount of the grant paid or any instalments of grant paid. We have the discretion either not to demand repayment, or to require payment of less than the full amount.

2.8 Local Land Charge

A Local Land Charge will be placed on the owner/occupiers adapted property where the cost of the DFG exceeds £5,000, limited to a maximum of £10,000. The Charge will be incurred if the property is sold within 10 years.

The grant will be registered as a Local Land Charge and will be enforced when the applicant has disposed (whether by sale, assignment, transfer or otherwise) of the premises in respect of which the grant was given. In which case the Council may demand repayment of up to £10,000, inclusive of any fees or charges.

The applicant shall, from the certified date throughout the grant condition period of 10 years, notify the Council of their intention to sell or otherwise dispose of the property. Pursuant to this condition the applicant shall furnish the Council with any information reasonably requested by them in connection with such notification.

2.9 Agents

All applicants are encouraged, though this is not a mandatory requirement, to enlist the services of an agent, architect or architectural technician or surveyor to assist them in the process of application where the adaptation involves building alterations. Agency assistance is not normally required where the adaptation involves the straightforward installation of lifting equipment e.g. stair lifts. Agents fees are grant aided. Fees will be no more than 12.5% (excluding VAT) of the eligible work and not more than 7% on equipment.

2.10 General Expectations

The Council's decision making will take into account the following specific expectations and presumptions:

Grant works should properly and fully meet the assessed needs of the client. Grants that only partially meet those needs will only be considered in exceptional cases.

Works funded by means of DFG will be the simplest and most cost-effective adaptations that will meet the client's assessed needs. This will include 'making-good' any works, such as painting disturbed areas.

Wherever the Council judges it to be a practicable and realistic option, the re-arranging and/or change of use of existing rooms will be the preferred solution and will take precedence over both the construction of extensions and the installation of equipment. This solution will also take precedence if it will result in a reduction in the requirement for, or cost of, equipment.

Applications for grant aided work will not normally be considered where works have started but have not been completed or where work has been completed.

3.0 Discretionary Disabled Facilities

3.1 The Better Care Fund

In 2015 £3.8 billion was pooled into a single budget for health and social care services to work more closely together – the Better Care Fund. The Fund provided an increase in funding for home adaptations and related opportunities to improve integration between health and housing services, in particular to reduce hospital admissions and allow early hospital discharges.

The Better Care Fund is contributing to the additional allocation for DFGs provided to Lewes and Eastbourne Councils under a determination from Central Government. The grant aims to improve health and wellbeing by encouraging more flexible and instant availability of DFG monies. The Councils will encourage and consider any bid for funding from the Better Care Fund for schemes which will demonstrably support the stated purposes of the Fund, whether from individuals or from organisations, to support individual disabled people within a housing adaptation setting.

It is important to note that discretionary funding will only be available for eligible works, i.e. those meeting the mandatory DFG criteria. The Discretionary process will also mirror the mandatory process in terms of application, payment and conditions. Discretionary grants are subject to funds being available and mandatory grants will be prioritised first.

Discretionary provision will be reviewed within one year of its adoption to consider which flexible DFG works arrangements will continue after the first year. All flexible DFG works are discretionary and may be withdrawn by the Council at any time.

3.2 Discretionary Provision

There are six discretionary elements**:**

3.2.1 Fast Track grants

The Council will remove the financial assessment i.e. means test for DFGs in the following instances:

- For all works where the cost of the approved grant does not exceed £8,000.

- If the costs exceed £8,000 for the following types of adaptation requests submitted by the OT, providing the request contains only one of the following items:
    - Level Access Showers
    - Stair lifts
    - Through Floor Lifts
    - Ceiling Track Hoists
    - Wash-dry toilets
- If there are several elements to the work i.e. a shower and a ramp, and the applicant is assessed to have a contribution then the first £8000 would be funded by a DFG before they have to contribute.
- If additional works are required after approval of the grant that would increase the cost of works above £8000 then no retrospective means test would be applied.
- Hospital discharge in urgent/extreme circumstances where cases are identified by health and/or social care professionals.
- For palliative care applicants, in consultation with health and/or social care professionals, including where the costs exceed £8000.

3.2.2 Maximum Grant Amount

With the increase in the cost of building material and labour in the 9 years since the £30,000 limit was introduced, an additional £20,000 will be made available as 'top up' from the DFG budget before recourse to funding from ESCC. For any work above 50k the Council will match fund any top up offered by ESCC to a maximum of £10,000. For example if the cost of work was 60k, the Council would fund 55k of the work and ESCC contribute 5k. A Local Land Charge will be applied, see below for details.

3.2.3 Relocation Expenses

In some cases, it is considered that moving home is more appropriate to meet the needs of a disabled occupant, and it is not reasonable or practicable to adapt the existing home.

Relocation expenses up to a maximum of £10,000 will be considered at the Council's discretion where the property is not cost effective to adapt. The new property must either be already adapted or be adaptable at a reasonable cost. The expenses may include estate agent's fees, solicitor's fees, stamp duty, and/or removal costs.

This grant may be used towards the cost of purchasing a new home where the applicant owns their existing home or for moving to alternative rented accommodation for an existing tenant. The Council will also offer up to £1,000 for applicants living in the private rented sector to move to a more suitable rental property to cover reallocation expenses.

3.2.4 Hardship DFG

Where DFG applicants have a means tested contribution but have insufficient capital to meet that obligation they are guided to Parity Trust for a loan to cover their contribution. If Parity Trust is unable to approve a loan (i.e. the applicant will be left in unnecessary financial hardship by making loan repayments) the Council will provide discretionary funding to a maximum of £10,000 for eligible work. Assistance will be awarded on a case by case basis, and is aimed at stopping applicants facing hardship in order to receive appropriate adaptations to their home.

3.2.5 Feasibility Studies

Where complex work is anticipated, or where preliminary investigations/work is required to determine whether a grant is viable the Council will, at its' discretion, provide £1000 towards a feasibility study/preliminary work before a grant is approved. If a grant is then awarded the £1,000 will be included in the grant and not be an additional amount.

3.2.6 Hospital Discharge Grants

The Council at its discretion may pay up to £3,500 to support people with disabilities or vulnerabilities being discharged from hospital. The Hospital Discharge Grant will not be means tested. The funding will only be available if there is no other relevant heath or social care funding obtainable, and following a referral from an OT or relevant healthcare professional. The Hospital Discharge grant excludes packages of care funded by NHS continuing healthcare. Example of interventions which may be carried out include, but are not restricted to; decluttering, deep cleaning, clearing properties, repairs needed to free a property of Category 1 Hazards under the Housing Health and Safety Rating System and repair of heating systems.

3.2.7 Local Land Charge for Discretionary Funding

Any discretionary funding awarded over the mandatory £30,000 will be registered a Local Land Charge against the resident's (owner occupier's) property for 10 years following the completion of work. For any discretionary funding the Land Charge will be a maximum of £20,000 which will be in addition to the £10,000 maximum for mandatory work. The maximum land charge will be 30,000.

For example if the cost of work was £70,000 the Council would fund 60k (30k mandatory and 30k discretionary) of the work and ESCC be asked to contribute 10k. A Local Land Charge would be placed on the property for 30k (10k mandatory and 20k discretionary) which would be the maximum Land Charge possible.

4.0 The Equality Act 2010

The definition of disability is provided by the Equality Act 2010. A person has a disability for the purposes of this Act if they have a physical or mental impairment which has a substantial and long term adverse effect on their ability to carry out normal day to day activities. Schedule 1 of the Act expands on this definition including further definition of ‘long term effects’, normal day to day activities’ and ‘substantial adverse effects.’

However, there may be people who, whilst not meeting the substantial and long-term test, will have had needs identified and assessed under the NHS & Community Care Act 1990, The Carers (Recognition and Services) Act 1995, or The Carers and Disabled Children Act 2000, for whom an adaptation will form part of an appropriate service to address their needs.

All potential DFG applicants will be provided with suitable and sufficient support and guidance appropriate to their needs throughout the application process. All information will be transparent, easily understood and appropriately communicated. If, for whatever reason a DFG does not go ahead the applicant will be supported by an OT to ensure their health and welfare is not adversely affected.

All documents will be available in different formats and languages on request

5 Exemptions Policy

Grants not meeting the requirements of the above policy and criteria can be awarded at the discretion of the Director of Service Delivery in consultation with the Lead Member for Housing. Such an award will only be made subject to the provision of the Regulatory Reform (Housing Assistance) England and Wales Order 2002 and subsequent guidance.

Report to:	**Lewes District Council Cabinet**
Date:	**11 February 2019**
Title:	**Strategic Implications for the Council of the UK leaving the European Union**
Report of:	**Catherine Knight, Assistant Director of Legal and Democratic Services**
Cabinet member:	**Councillor Andy Smith, Leader of the Council**
Ward(s):	**All**
Purpose of report:	**For Cabinet to note the key implications for the Council and Lewes District of the UK leaving the European Union**
Decision type:	**Non-key**
Officer recommendation(s):	**(1) To note the report** **(2) To require the Assistant Director of Legal & Democratic Services to provide further updates as the national situation over Brexit, and its effect on the Council, becomes more certain**
Reasons for recommendations:	**To assist the Council in preparing for Brexit**
Contact Officer(s):	**Name: Oliver Dixon** **Post title: Senior Lawyer** **E-mail: oliver.dixon@lewes-eastbourne.gov.uk** **Telephone number: 01323 415881**

1 Introduction

1.1 At the full Council meeting on 26 November 2018, the following motion was carried: that a report be written by February 2019 considering the strategic risks arising from Brexit that will affect the Council and District.

1.2 At the time of writing, the national situation regarding Brexit is highly fluid and unpredictable. There are a number of possible scenarios, depending on the outcome of negotiations, motions, amendments, debates and votes by MPs, and on the position adopted by the European Commission in response.

1.3 Officers will prepare further briefings for Cabinet as the national situation evolves.

2 Brexit Scenarios

2.1 Of the various possible outcomes, a no-deal Brexit would probably represent the biggest risk to the Council. A 'no-deal' is where the UK fails to reach agreement on the terms of its departure from the EU. As the law currently stands, the UK ceases to be a member of the EU at 11.00 pm on 29 March 2019, and under a no-deal scenario the UK would cut its ties with the EU overnight without a transition period that would otherwise provide UK businesses and other bodies (including local authorities) with at least 21 months in which to adapt to a post-Brexit operating framework.

Being immediately outside the EU single market and customs union, the UK would be subject to World Trading Organisation (WTO) terms on trade while at the same time attempting to negotiate new trade deals with the EU and other countries.

2.2 A no-deal Brexit is the default position if the Government is unable, by 29 March, to secure a resolution in the House of Commons approving the withdrawal agreement (whether in its original form or as amended) which it has reached with the EU.

2.3 Leaving the EU on 29 March could be delayed only if the UK requests an extension to the Article 50 process and the EU agrees to it. Such an extension would require an amendment to the European Union (Withdrawal) Act 2018, being the legislation that specifies "exit day" as 29 March.

2.4 An extension to Article 50 may be required to allow sufficient time to allow the UK to enter into fresh talks with the EU over an amended withdrawal agreement.

2.5 Similarly, a second referendum could only take place if, among other legislative changes, the Article 50 period were extended.

2.6 Officers will closely monitor the situation at Westminster as details of proposals, agreements and new/amended legislation emerge. In the meantime officers will prepare for Brexit on the basis of a no-deal, as this outcome would have the most immediate consequences from 30 March. For the same reason, most of this report focuses on the Council's position in the event of a no-deal exit.

2.7 Officers will also be guided by the technical notices issued by Government on how certain economic activities should function under a no-deal Brexit.

2.8 Leaving the EU under an agreement reached with the EU Commission is likely to have a softer impact on local authorities (and other sectors too). Although Parliament have voted against the Withdrawal Agreement reached between the UK Government and the EU Commission, it is likely that if a parliamentary consensus can be reached on an amended agreement, that deal would still feature a transition period during which the UK would move from being an EU member state to being outside the EU.

2.9 The length of transition would have to be confirmed, but if modelled on the transition envisaged under the original withdrawal agreement, it would end on 31 December 2020, with an option to extend by up to two years.

3 National Implications of a No Deal Brexit

3.1 In October 2018 the Local Government Association (LGA) produced a 'no-deal' briefing that identifies (a) the top-line issues for councils and (b) where clarity is needed from Government. Faced with a no deal, the LGA emphasises the local government sector would need:

- clarity on the continued employment and residency for non-UK EU citizens running vital public services;
- compensation for the additional costs to councils from any new tariffs on imports from the EU;
- a guarantee for local regeneration currently funded from the EU *(N.B. Government has already responded positively in this area);*
- additional capacity and resources to fulfil our regulatory responsibilities at ports of entry or inland if there are no checks at ports and/or EU third country controls require it;
- immediate UK replacements where we rely on EU processes at the moment (e.g. procurement); and
- the opportunity to immediately reform some EU laws which constrain local economies (such as procurement and state aid).

3.2 To some extent, these issues are addressed by the Government's technical notices.

3.3 Attached to its 'no deal' briefing, and provided at Appendix 1 to this report, the LGA summarised the issues contained in the technical notices and, where relevant, indicated the impact on local government.

4 Local Implications of a No Deal Brexit

4.1 Research undertaken by 'The UK in a Changing Europe' think-tank highlights the huge difficulty in accurately predicting the short-term impacts of a No Deal Brexit, although a severe recession is a possibility. Key areas of concern highlighted include:

- A negative impact on consumer and business confidence, which could impact upon demand for goods and services (i.e. expenditure).
- Rising prices (particularly for businesses) due to a fall in value of Sterling and the need to replace components manufactured in the EU with those from elsewhere that are potentially more expensive.
- Potential for rising consumer prices as businesses are forced to pass on increased costs, but also the risk of rising inflation further impacting on the cost of living relative to real wage increases.

4.2 The South East is the most heavily engaged region in terms of cross-border trade. In 2017, the region exported £45.3 billion of goods overseas – of which 49% were destined for the EU. The potential impact on the regional economy is therefore significant. It is important to note, however, that issues related to Brexit are national in scope. There is very little that the Council can do to influence the wider national agenda and it's important to highlight the enormous uncertainty that exists nationally at the current time.

4.3 Other research undertaken by the UK Trade Policy Observatory with the University of Sussex estimates that a no-deal Brexit could result in a 2.3% reduction in employment in the Lewes district. Further, any sector of the economy with a reliance on EU nationals (e.g. tourism and hospitality) may experience a shortage of suitably skilled staff if the new relationship between UK and the EU hinders the free movement of people.

4.4 As the Newhaven Port Health Authority, the Council is, at that point of entry into the UK, responsible for public health controls, including food safety and the control of infectious diseases.

4.5 At present (i.e. pre-Brexit) the Council's Port Health Authority controls in Newhaven are limited to checking manifests electronically and quarterly visits and inspections of cargo lorries entering the UK. Imports consist mainly of low risk food (not of animal origin) and, as the majority of food entering via Newhaven originates from the EU, few controls are necessary.

4.6 Under a no-deal Brexit, however, enhanced checks and new documentation may be required under a no-deal Brexit because the UK would no longer be part of the EU import/export regime, including the free movement of goods. This could further impact on the surrounding Newhaven economy due to increased congestion created by these further checks on entry/exit.

4.7 Furthermore, the nature of food imported via Newhaven may change, depending on difficulties at other ports (for example if operators experience lengthy delays there), which could mean that products of animal origin become more likely. Should this occur, the Council would have to step up its checks in order to meet its port health obligations.

4.8 A risk assessment associated with this Port Health Authority activity is provided at Appendix 2.

4.9 To co-ordinate a no-deal Brexit response at county and regional level to the possible implications for Newhaven Port, the Council is participating in taskforce meetings held with ESCC Highways, Emergency Planning, Sussex Police, Border Force, East Sussex Fire & Rescue, Newhaven Port and Properties Ltd and the ferry operator (DFDS).

4.10 In addition to the work of the Port Authority Task Force meetings, various other elements of joint no-deal brexit planning is being undertaken across the East Sussex Emergency Partnership, of which this Council is a member along with Eastbourne and Hastings Boroughs, Wealden District and East Sussex County. These include addressing issues such as business continuity, emergency planning, and general risk management, with specific training exercises also scheduled.

4.11 Export Health Certificates will be required for exports of all animal products from the UK to the EU. In respect of such products emanating from sites within the Lewes district, the Council's Food Safety would be responsible for issuing these certificates if satisfied, following inspection, that premises reached the required standards of food manufacture/processing and storage.

4.12 If the UK does leave the EU on 29 March with or without a deal, the UK will not be putting forward candidates for the European Parliament elections in May 2019. If, however, the Article 50 timescale is extended beyond May, the UK would still be part of the EU and would theoretically be entitled to return candidates for that election. Further guidance is awaited, but the Council should prepare for the possibility of having to administer that election on top of the local elections already scheduled.

5 Corporate plan and council policies

5.1 A no-deal Brexit could impact upon growth and prosperity across the District. The Council will work with its strategic and economic partners to mitigate as far as practicable any risk to jobs, skills and training opportunities.

5.2 The Council's Corporate Risk Register has been reviewed in liaison with Internal Audit in the light of potential risks associated with a no-deal Brexit.

6 Business case and alternative option(s) considered

6.1 The nature and timing of the UK's departure from the EU is not within the Council's control. At the time of writing, leaving the EU on 29 March remains the default position; it follows that the Council should make appropriate preparations for such an outcome.

6.2 If an amended withdrawal agreement is approved by Parliament and legislation passed in time for 29 March, or if the UK and EU agree a time extension to Article 50, the Council will re-appraise the local impact.

7 Financial appraisal

7.1 In its capacity as Newhaven Port Health Authority, the Council would face particular costs associated with a no deal Brexit, as identified in Appendix 2. The estimated amounts consist of one-off costs of £1,300 and recurring monthly costs of up to £10k.

7.2 Provision for these costs should be made as a contingency, to be called upon should the UK leave the EU on 29 March on a no deal basis.

7.3 On 28 January 2019, the Government announced funding to councils to help them "prepare for an orderly exit from the EU and do appropriate contingency planning". District councils will receive £35,000 across 2018/19 and 2019/20 (hence £17,500 in each of these years).

7.4 In addition, the Council may benefit from a share of extra funding (£1.5 million in total) to be allocated in 2018/19 only to local authorites "facing immediate impacts from local ports." Government is due to announce the allocation and distribution of these specific funds shortly.

8 Legal implications

8.1 Under the European Union (Withdrawal) Act 2018, EU derived legislation (such as EU regulations and directives) continues to have effect in the UK after Brexit until such time as Parliament passes amending legislation.

8.2 To prepare for Brexit, section 8 of the Act permits a Government Minister to make regulations to ensure that existing UK legislation is amended in such a way as to render it operable and effective in a wholly domestic context.

8.3 Many government departments are engaged in drafting these statutory instruments. Under a no deal scenario, this amending legislation would have to come into force immediately after exit day (currently 29 March), for the UK to have a workable legal framework as a non-EU country. On the other hand, were the UK's exit to be followed by a transition period, the amending legislation could be introduced at the appropriate time within transition.

8.4 The Council's lawyers are tracking the publication of relevant statutory instruments, noting in particular the date they become effective (which itself is dependent on the final Brexit outcome). Lawyers will advise relevant council officers of any changes of process or procedure required under this legislation.

8.5 Lawyers in Local Government (LLG) has prepared a policy paper setting out their position (as at January 2019) on the more prominent legal implications of Brexit, together with an examination of the Brexit impact on local government more broadly. It also raises questions where it feels clarity from MHCLG would be beneficial. A link to the paper is provided at paragraph 12 below.

Lawyer consulted: 17.01.2019 *Legal ref: 007967-LDC-OD*

9 Risk management implications

9.1 Not keeping Cabinet informed of Brexit implications for the Council and the Lewes District would be a risk, given the impact that certain Brexit scenarios – in particular leaving the EU at the end of March without a withdrawal agreement – could have on certain Council operations.

9.2 This risk will be managed by continuing to keep Cabinet informed as necessary. Depending on the significance of developments in Westminster and/or Brussels, officers may need to convene an urgent Cabinet meeting at short notice.

10 Equality analysis

10.1 It is not considered that a no-deal Brexit would have any disproportionate impact across the Lewes district on any group with a characteristic protected under the Equality Act 2010.

11 Appendices

- Appendix 1 – LGA 'No Deal' briefing
- Appendix 2 – Port Health Authority risk assessment

12 Background papers

12.1 The background papers used in compiling this report were as follows:

- How to prepare if the UK leaves the EU with no deal (first published August 2018 by Dept for Exiting the European Union) - https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#overview
- Brexit 'No Deal' briefing for Councils (LGA, October 2018) - https://www.local.gov.uk/parliament/briefings-and-responses/brexit-no-deal-briefing-councils
- Cost of No Deal, published by The UK in a Changing Europe - http://ukandeu.ac.uk/wp-content/uploads/2017/07/Cost-of-No-Deal.pdf
- The Brexit Burden: A constituency Level Analysis for Hampshire and Sussex, published November 2018 by the UK Trade Policy Observatory - http://blogs.sussex.ac.uk/uktpo/publications/the-brexit-burden-a-constituency-level-analysis-for-hampshire-and-sussex/
- LLG's Policy Statement on Brexit - https://s3.amazonaws.com/lawingov_production/system/redactor_assets/documents/1922/Brexit_Position_Statement_by_LLG_for_MHCLG.pdf

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‘No Deal’ Council Key Changes

In the table below the no deal technical notices are numbered to match the order as they are listed on the Government’s web page:

https://www.gov.uk/government/collections/how-to-prepare-if-the-uk-leaves-the-eu-with-no-deal#applying-for-eu-funded-programmes

We have grouped the advice into three categories: those which have a direct impact on councils; those which could have a secondary impact and those which appear to have no immediate impact on councils.

	Policy Area	Central Dept.	Technical Note Title	Key Changes/ Proposition	Impact/ actions (specific LA impact in BOLD)	Comments
Direct Impact						
3	**EU funded programmes**	**BEIS**	**European Regional Development Funding (ERDF) if there’s no Brexit deal**	• **The Government has extended a guarantee that covers all projects, including ERDF projects, which would have been funded by the EU under the 2014-2020 programme period.** • **UK managing Authorities will administer the guarantee through existing national and local arrangements**	• **Organisations should continue applying for and delivering funding under current arrangements with confidence** • **Stakeholders should continue to keep up to date with the EDRF programme guidance.** • **Organisations should consider whether they need separate professional advice before making specific preparations**	**The LGA’s work will now concentrate on the development of a UK successor arrangement from 2021. The lack of clarity over how the new funding will operate remains a major issue for councils.**
4	**EU-funded programmes**	**BEIS**	**European Social Fund (ESF) grants if there’s no Brexit deal**	• **The government has extended a guarantee that covers all projects, including European Social Fund projects, which would have been funded by the EU under the 2014-2020 programme period.** • **UK Managing Authorities would administer the guarantee through existing national and local arrangements.**	• **Organisations should continue applying for and delivering funding under current arrangements with confidence.** • **Stakeholders should continue to keep up to date with the European Social Fund programme guidance.** • **Organisations should consider whether they need separate professional advice before making specific preparations.**	**The LGA’s work will now concentrate on the development of a UK successor arrangement from 2021. The lack of clarity over the way the new funding will operate remains a major issue for councils.**

5	EU-funded programme s	BEIS	[European Territorial Cooperation (ETC) funding if there's no Brexit deal]	• The government has extended a guarantee that covers all projects, including ETC projects, which would have been funded by the EU under the 2014-2020 programme period.	• Organisations should continue applying for and delivering funding under current arrangements with confidence.	
6	EU-funded programme s	DEF RA	[Funding for UK LIFE projects if there's no Brexit deal]	• UK government has guaranteed to fund LIFE project bids submitted by UK organisations and approved by the European Commission while we are still a member of the EU; and LIFE funding due to UK organisations acting as partners in projects led by other Member States. This covers ongoing projects, and those awarded funding before the end of 2020.	• Defra has contacted organisations in England leading LIFE projects due to be running after 29 March 2019 to request copies of project grant agreements, and devolved administrations are making similar arrangements for projects. • Organisations should consider whether they need separate professional advice before making specific preparations.	Affected councils should already have been contacted by DEFRA officials
7	EU-funded programme s	BEIS	[Horizon 2020 funding if there's no Brexit deal]	• UK organisations may be unable to access funding for Horizon 2020 projects after exit day. • Government has guaranteed funding for competitively bid for EU projects submitted before we leave the EU, including Horizon 2020 projects, and funding for successful bids where UK organisations are able to participate as a third country in competitive EU grant programmes. This extension runs from exit day until the end of 2020. • This guarantee will cover all successful bids submitted by UK participants before the UK exits	• The government is considering what other measures may be necessary to support UK research and innovation in the event that the guarantee and the extension are required. • Current UK recipients of Horizon 2020 funding will soon be invited to provide initial data about project(s) on a portal hosted on GOV.UK. • The guarantee does not cover payments to third country participants (where the UK organisation normally receives the grant) • Where a UK organisation is a member, coming out of the EU could mean that a consortium	Current UK participants will be contacted by the UK Government.

				the EU, for the full duration of the projects.	falls outside of the Horizon 2020 rules	
8	EU-funded programmes	HMT	The government's guarantee for EU-funded programmes if there's no Brexit deal	• UK organisations would no longer receive future funding for projects under EU programmes, such as the European Regional Development Fund and Horizon 2020, without further action. • Government will guarantee EU projects agreed before we leave the EU, and the guarantee has been extended to provide further stability.	• To find out more about any EU programme not covered by a standalone technical notice, please get in touch with the department responsible for overseeing this programme or with the devolved administrations for stakeholders in Scotland, Wales and Northern Ireland.	
16	Farming	DEFRA	Manufacturing and marketing fertilisers if there's no Brexit deal	• Current domestic framework would remain. • Both EU and UK regimes will remain in parallel for continuity in the short term. • Some implications for material labelled 'EC fertiliser' in accordance with the EU Regulation and sold in the UK.	• Regulatory framework to be reviewed and rationalised over time post Brexit. • Organisations should be aware of the implications for material labelled 'EC fertiliser'. • Government to publish a new list of laboratories approved to test to the standards required for the new 'UK fertiliser' label.	Council trading standards are the enforcing authority for fertiliser trading in the UK
20	Importing and exporting	HMT, HMRC and DIT	Classifying your goods in the UK Trade Tariff if there's no Brexit deal	• Goods will be subject to same requirements as a third country. • UK exports to EU will require payment of customs duty at rate under EU CCT. For EU imports to UK the duty will be set by UK Government. • New Bill will provide powers for the UK to set its own tariff	• Traders and regulatory bodies should be aware that the UK will have to comply with customs procedures which includes a potential payment of duty.	The LGA has said that there must be compensation for public services to cover any new costs arising from tariffs. The technical note does not address this issue
22	Importing and exporting	DEFRA	Exporting animals and animal products if there's no Brexit deal	• Export Health Certificates (EHC) will be required for exports of all animal products and live animals from UK to EU, and would need to	• Work is being undertaken to make the EHC application process simpler and stakeholders should be informed of any changes.	Councils are enforcing authorities for certain aspects of the export of animals.

				go through a Border Inspection Post. • EHC would need to be signed off by an official veterinarian. • UK would apply for third country status but cannot be certain of the EU response or its timing and without it no exports to EU could take place.	• Exporters to non-EU third countries would need to check, before export, the latest version of the EHC for that particular destination. • UK transporters wishing to transport live animals in the EU would need to appoint a representative within an EU country and apply to their relevant government department to obtain a valid Transporter Authorisation, Certificate of Competence, Vehicle Approval Certificate and, where necessary, a Journey Log.	Local authorities (including the port health authorities) enforce controls on UK food imports
25	Importing and exporting	DEFRA	Importing animals and animal products if there's no Brexit deal	• No access to the EU import notification system TRACES. • New system being developed. • Guidance and training will be available "many months" in advance on March 29 2019. • UK would require importers of high-risk food and feed to pre-notify the Food Standards Agency (FSA) of imports from the EU.	• UK transporters wishing to transport live animals in the EU would need to appoint a representative within an EU member state and apply to their relevant government department to obtain a valid Transporter Authorisation, Certificate of Competence, Vehicle Approval Certificate and, where necessary, a Journey Log. • Organisations should watch out for guidance and training in advance of March 29 2019.	This has a direct impact on local authority port health authorities. The government has not yet set out plans for the implementation of a new system or arrangements for training officers
30	Labelling products and making them safe	DHSC	Labelling tobacco products and e-cigarettes if there's no Brexit deal	• The Tobacco Products Directive and the Tobacco Advertising Directive would no longer directly apply to the UK. • The Tobacco and Related Products Regulations 2016, would remain in force, with minor amendments.	• Manufacturers will need to submit product information on new UK systems • Manufacturers will need to ensure that tobacco products which include picture warnings produced from Exit Day onwards	Trading Standards officers enforce regulations such as bans on advertising, sales of single cigarettes, sales to children under 18 and

					will be labelled with the new picture warnings. • Organisations should engage in the technical details consultation in September.	the display of tobacco products in shops.
31	Labelling products and making them safe	DEFRA	[Producing and labelling food if there's no Brexit deal]()	• UK food standards to remain and EU provisions rolled over. • Use of 'EU' and similar wording on packaging would change. • UK address on packaging needed. • Foods already labelled will continue to be allowed. • Six-month grace period.	• UK Government to work with businesses and local authorities, who are responsible for enforcing labelling standards, to support adjustment to any necessary changes. • Organisations to participate in public consultations.	The Food Standards Agency is responsible for compositional standards. Local authorities have a role in enforcing food labelling in England.
33	Labelling products and making them safe	DEFRA	[Protecting geographical food and drink names if there's no Brexit deal]()	• New schemes which are WTO and Trade-Related Aspects of Intellectual Property Rights (TRIPS) compliant. • A new logo for GI products. • EU protections may need to be gained through applying as a third country.	• Producers of GI products will need to make preparations to comply with the new rules around use of this new logo within the deadline, and should participate in the consultation.	Local authorities have a role in enforcing food labelling in England
34	Labelling products and making them safe	DEFRA	[Regulating chemicals (REACH) if there's no Brexit deal]()	• UK to establish regulatory framework and build domestic capacity to deliver the functions currently performed by European Chemicals Agency (ECHA).	• Companies need to take action to preserve their EEA market access by transferring their registrations to an EEA-based organisation. • Importers would have a duty to register chemicals. • Organisations to familiarise themselves with the new approach that would be taken.	Councils are the enforcing authority. It is not clear if there are any implications for enforcement
39	Meeting business regulations	CO	[Accessing public sector contracts if there's no Brexit deal]()	• A replacement UK-specific e-notification service will be made available. • All contract opportunities that would currently be published on OJEU/TED would be published on the new UK e-notification service.	• Ensure their contract notices are published on the UK e-notification service rather than OJEU/TED. • The requirement to advertise in Contracts Finder, MOD Defence Contracts Online, Public	It is still uncertain how ongoing procurements that are not concluded before the UK leaves the EU are to be treated.

					Contracts Scotland, Sell2Wales and eTendersNI would remain. • There will be more engagement on about how to deal with ongoing procurement procedures in the handover period between the two systems nearer the time.	
49	Personal data and consumer rights	DCMS	[Data protection if there's no Brexit deal]()	• No immediate change to data protection standards. • Legal framework governing transfers of personal data from organisations established in the EU to organisations established in the UK would change.	• Organisations to monitor the Government's discussions with the EU on their adequacy decision to allow the flow of personal date from the EU to the UK. • If this decision is not made, or the timeline is unfavourable for your organisation you should consider assisting your EU partners in identifying a legal basis for those transfers.	Implications for councils are uncertain
50	Protecting the environment	DEFRA	[Industrial emissions standards ('best available techniques') if there's no Brexit deal]()	• The EU Withdrawal Act 2018 maintains established environmental principles and ensures that existing EU environmental law will continue to have effect in UK law.	• UK government's Clean Air Strategy consultation for England also seeks views from interested parties on what the UK BAT regime might look like in the future.	No immediate implications for councils
70	State aid	BEIS	[State aid if there's no Brexit deal]()	• If the UK were to leave the EU on 29 March 2019 with no agreement, the Competition and Markets Authority will take over state aid regulation within the UK at that point. The new regime will apply to all businesses with operations in the UK – whether UK, EU or third country based.	If no deal then from 29 March 2019: • UK public authorities will need to notify state aid to any undertaking, through either the block exemption or through a full notification to the Competition and Markets Authority instead of the European Commission • Existing approvals of state aid, including block exemption approvals, will remain valid and	Further guidance to be published by the Competition and Markets Authority in early 2019.

					will be carried over into UK law under the Withdrawal Act • Any full notifications not yet approved by the Commission should be submitted to the Competition and Markets Authority. • UK businesses and EU businesses with operations in the UK will still be able to receive state aid from UK public authorities in accordance with the UK state aid rules. • Any complaints from businesses about unlawful aid or the misuse of aid should be made to the Competition and Markets Authority.	
89	**Importing and exporting**	**FSA**	**Importing high-risk food and animal feed if there's no Brexit deal**	• **UK to decide what's considered high-risk with Import control risk-based.** • **No new controls planned.** • **UK no longer to have access to TRACES.** • **New system to take place of TRACES with more info published in autumn.** • **All importers of high-risk food to UK from EU will have to use new system.** • **UK to no longer rely on EU for full import controls on transits through EU.**	• **Current users of TRACES will have to use replacement system ahead of March.** • **Users should keep watch out for updates issued to assist in preparations.** • **Guidance and training should be made available.** • **There should be no direct impact at the border due to pre-notification of importing high-risk food.** • **Products of Animal Origin that have travelled through EU will need to be inspected at a Border Inspection Point. Food not of animal origin will have to enter UK via Designated Point of Entry.**	**This would have an impact on Trading Standards officers as there would be no access to TRACES. Officers might have to be retrained.**

94	**Labelling products and making them safe**	**FSA**	**[Health marks on meat, fish and dairy products if there's no Brexit deal]**	• **No change to approval numbers.** • **Identification marks to change to reflect UK having left EU.** • **New markers to be finalised by leave date.** • **LAs to be informed of developments and involved through consultation. Changes confirmed by Nov 2018.**	• **Staff and councils involved in trading standards should engage in the consultation and plan for changes which will be communicated in November 2018.**	
Secondary impact						
2	EU-funded programmes	DID	[Delivering humanitarian aid programmes if there's no Brexit deal]	• ECHO could require UK organisations to leave their projects or even terminate funding to UK organisations but nevertheless expect them to implement the ECHO project in full. • To avoid this risk discouraging UK organisations bidding, and early termination of programmes, the government commits to funding the post-March 2019 outputs of any programme funded from ECHO's core budget.	• There are no direct implications for local authorities	
9	Driving and transport	DfT	[Aviation safety if there's no Brexit deal]	This note covers • managing aviation safety • UK and EU registered aircraft • licenses for pilots and other aviation personnel • safety certification in the aerospace industry • safety approvals for air carriers and other organisations • .		These changes are of interest to local authorities to the extent that they could impact on the functioning of aviation with knock on effects for local businesses and communities
10	Driving and transport	DfT	[Aviation security if there's no Brexit deal]	• Existing regulations and procedures will still be retained in domestic law under the EU Withdrawal Act. • If the EU does not recognise the UK's standards, there would be a	• Passengers from the UK transferring through EU airports, and their luggage, will have to be rescreened when changing flights in EU hub airports.	These security implications will be of interest to a number of local authorities that

				number of possible implications for passengers and cargo. • The UK to recognise EU cargo security from the outset. • If no deal, the default regulatory position will require carriers to hold ACC3 designations from an EU Member State in order to transport cargo from the UK into the EU so carriers will have to apply for an ACC3 designation. • UK expects that its recognition of EU security standards will be reciprocated in turn by the EU, recognising the UK's existing higher security standards.	• The EU has not yet set out a mechanism for designations, that they may no longer accept, to be reissued by EU Member States rather than the UK.	have an ownership interest in airports.
12	Driving and transport	DfT	[Flights to and from the UK if there's no Brexit deal]	• UK and EU licensed airlines would lose the automatic right to operate air services between the UK and the EU and would have to seek individual permissions with the EU country concerned. • It is envisaged that reciprocal agreements would be quickly introduced to maintain air services • EU-licensed airlines would lose the ability to operate services within the UK, and UK-licensed airlines would lose the ability to operate services within the EU • EU-licensed airlines would need a foreign carrier permit and UK safety authorisation from the UK Civil Aviation Authority to operate into the UK. UK airlines would need the corresponding permissions and certifications to fly into the EU.	• Government to provide more information in the coming months, with the aim of giving aviation businesses and passengers as much certainty as possible ahead of the UK's exit from the EU.	Quickly concluding reciprocal arrangements with EU and non-EU countries will be important to the wider economy and will be of interest on all councils. Councils with ownership interests in airports will also have a specific interest in this area.

				• It is envisaged that reciprocal arrangements would be quickly introduced to maintain services. • Of the 128 other non-EU countries with flights to the UK, 111 have bilateral agreements with the UK and would be unaffected • There are 17 countries which have aviation agreements with the UK as a result of the UK's membership of the EU. However, replacement arrangements will be in place for maintaining flights from these countries before 29 March 2019. • UK operating licences and route licenses issued before 29 March 2019 would remain valid.		
13	Driving and transport	DfT	[Operating bus or coach services abroad if there's no Brexit deal]()	• UK bus and coach operators could no longer rely on automatic recognition by the EU of UK-issued Community Licences. • The UK also participates in the Interbus Agreement, which allows bus and coach operators to carry out occasional services between the participating countries. Currently, the UK's membership is via the EU but the UK Govt intends to re-join the Interbus Agreement as an independent member before 29 March 2019. • The EU will retain a Certificate of Professional Competence (CPC) scheme and recognize EU CPCs. UK CPCs will be recognized in the EU when the UK joins Interbus.	• If UK cannot join InterBus UK operators would be unable to take coach services into the EU in short term. Organisations should follow the government's progress at putting in place bilateral agreements with EU countries at the earliest opportunity to provide bus and coach access to the EU.	Councils will be interested in the local economic implications of these changes

15	Farming	DEFRA	[Farm payments if there's no Brexit deal]	• Eligible beneficiaries will continue to receive payments under the terms of the UK government's funding guarantee. • The government has pledged to continue to commit the same cash total in funds for farm support until the end of this parliament, expected in 2022.	• All of these rules and processes will remain the same until Defra and the devolved administrations introduce new agriculture policies.	Councils will be interested in this from a local economy perspective
17	Farming	DEFRA	[Receiving rural development funding if there's no Brexit deal]	• The UK government has guaranteed that any projects where funding has been agreed before the end of 2020 will be funded for their full lifetime. • This means, in the unlikely event the UK leaves the EU with no deal, the UK government would fund any remaining payments to farmers, land managers and rural businesses due after March 2019.	• Projects need to prepare to prove it is delivering good value for money and meeting domestic strategic priorities. • Farmers, land managers and rural businesses with agreements funded by the UK Rural Development Programmes do not need to take any action at present.	This will be of interest to councils where they are land managers and are recipients of rural development funding
18	Handling civil legal cases	MoJ and BEIS	[Handling civil legal cases that involve EU countries if there's no Brexit deal]	• There would be no agreed EU framework for ongoing civil judicial cooperation between the UK and EU countries. UK citizens, businesses and families would not benefit from these EU rules. • The UK would repeal most of the existing civil judicial cooperation rules and instead use the domestic rules which each UK legal system currently applies in relation to non-EU countries. • The UK would also continue to apply existing international agreements, such as the Hague Conventions.	The relevant rules covered by the Hague Conventions are: • parental responsibility matters, including jurisdiction, recognition and enforcement • Rules for the return of abducted or wrongfully retained children (the UK will repeal the child abduction override provisions contained within Brussels IIa. These rules in certain circumstances, allow an order from a court of an EU Member State to override an order made by another court not to return a child). • maintenance recognition and enforcement • central authority cooperation	It will be important for Councils to understand these changes in their role as corporate parents. Further detail covering specific areas of law are available in the technical note.

					• **Where appropriate you may wish to seek professional legal advice on the implications of these changes for your individual circumstances.**	
21	Importing and exporting	DfT	Commercial road haulage in the EU if there's no Brexit deal	• UK-issued Community Licences would no longer be automatically recognised by EU. • EU may choose to recognise UK-issued licences, but if not UK hauliers will be able to use ECMT permits. • Some old and new bilateral agreements between the UK and specific EU countries may come into force. • The UK's Certificate of Professional Competence (CPC) scheme may not be recognised by EU countries, but possession of a UK-issued CPC would in practice continue to allow a UK driver to drive a UK truck in the EU in the short-term.	• Organisations should consider whether they need permits, how many, and be aware that there may be a delay in getting an ECMT permit due to the limited availability and the time needed to arrange bilateral agreements with certain EU countries. • Organisations should be aware of the Haulage Permits and Trailer Registration Act 2018 puts in place arrangements. • Hauliers and businesses should consider what contingency plans they need to have in place for the movement of goods if unable to get the number of permits they require. • Trailers may need to be registered.	Councils will be interested in this issue as it could affect local businesses and the local economy
27	Importing and exporting	HMRC	Trading with the EU if there's no Brexit deal	• The free circulation of goods between the UK and EU would cease. • Rules would change to those applied to movement between the UK and a country outside of the EU. This may include a customs duty and declaration, and separate safety and security declarations. • The EU would apply customs and exercise rules to goods from the UK as if it were a third country. • Excise Movement Control System (EMCS) would no longer be used to control movements between EU and	Before importing goods from the EU, a business will need to: • Register for an UK Economic Operator Registration and Identification (EORI) number. Businesses do not need to do anything now. There will be further information available later in the year.	This will impact on local business and will affect any councils that import goods directly from the EU

				UK but would remain for goods in UK.		
29	Labelling products and making them safe	DEFRA	Developing genetically modified organisms (GMOs) if there's no Brexit deal	• There would be no significant implications for UK stakeholders. Through the European Union (Withdrawal) Act 2018 existing UK domestic laws implementing Directive 2001/18 and Regulation 1946/2003, and Regulation 1946/2003 itself, would continue to apply as UK law after we have left the EU.	There are no direct implications for local government	To note: councils are the enforcing authority for the labelling and traceability of genetically modified organisms
32	Labelling products and making them safe	DEFRA	Producing and processing organic food if there's no Brexit deal	• UK organic operators would not be permitted to use the EU organic logo. • As we are retaining EU regulation in UK law, we expect to negotiate an equivalency arrangement with the EU which will allow the free movement of organic goods between the EU and the UK. • A new UK-owned imports traceability system would replace the current EU TRACES NT system to ensure the traceability of organic food and feed.	• UK organic control bodies will need to apply to the European Commission for recognition, but cannot do this until exit day. • Control bodies to monitor government negotiations on this issue.	
36	Labelling products and making them safe	BEIS	Trading under the mutual recognition principle if there's no Brexit deal	• UK would no longer fall within the scope of the mutual recognition principle.	• UK businesses exporting non-harmonised goods to the EU market will need to consider the national requirements of the first EU country they export to. • **UK businesses who import non-harmonised goods into the UK will need to take action even if their goods were previously lawfully marketed in another EU country.** • Non-UK businesses exporting non-harmonised goods to the UK will	**It is not clear what the implications for enforcement authorities will be**

					need to take action even if their goods were previously lawfully marketed in another EU country or in the UK.	
37	Labelling products and making them safe	BEIS	[Trading goods regulated under the 'New Approach' if there's no Brexit deal]	• Goods already placed on the market and which meet EU requirements will be able to continue to circulate in the UK. • Products tested by a UK notified body will no longer be able to be placed on the EU market without retesting. • Notified bodies based in the UK will be granted new UK 'approved body' status and listed on a new UK database.	• Manufacturers selling goods on the UK market will then be able to affix a new UK conformity marking before placing a product on the UK market. But manufacturers will not need to use these markings from the point of exit. • **All manufacturers intending to place products on the UK market on or after 29 March 2019 will want to consider the full actions outlined in the notice.** • The government will provide further information later in 2018 setting out the practical arrangements for how UK-based notified bodies will be granted status as UK approved bodies and on the new UK markings.	**It is not clear what the implications are for enforcement authorities**
41	Meeting business regulations	BEIS	[Copyright if there's no Brexit deal]	• Scope of copyright to remain broadly unchanged. • Reciprocal elements of EU cross-border copyright mechanisms to stop applying to UK.	• **Businesses and other interested parties may wish to seek legal advice on how these arrangements could affect their business model or intellectual property rights.** • **The government will be publishing detailed guidance alongside any legislative changes and will work closely with business representatives, trade associations and stakeholders on the implications.**	**This will have the same implications for local authorities as any other business**
48	Money and tax	HMRC	[VAT for businesses if	• Similar general VAT procedures, but specific changes to the VAT rules	• Businesses should familiarise themselves with the VAT changes	**Could have implications for**

			there's no Brexit deal	and procedures that apply to transactions between the UK and EU member states.	outlines in the document for importing goods from the EU, exporting goods to the EU, supplying services to the EU, and interacting with EU VAT IT systems such as the VAT Mini One Stop Shop (MOSS). • Businesses should wait for the detail and further guidance that is not yet available which is to be provided by Government soon.	**councils purchasing directly from EU countries**.
51	Protecting the environment	DfT	Reporting CO2 emissions for new cars and vans if there's no Brexit deal	• EU regulations 443/2009 and 510/2011 to be brought into UK legislation, and a statutory instrument to correct for areas that no longer work as originally intended.	• Detail on the arrangements to maintain current environmental protections would be subject to stakeholder engagement (including information on every change that is being proposed as part of the no deal contingency planning) and Parliamentary approval.	Councils will need to see the detail to understand the implications
68	Seafaring	DfT	Getting an exemption from maritime security notifications if there's no Brexit deal	In a 'no deal' scenario EU countries would be unable to issue pre-arrival notification (PAN) exemptions to vessels, irrespective of registration / flag, operating scheduled services from the UK.	• Companies holding PAN exemptions should prepare for a scenario after exit in which submission of security pre-arrival information (as set out in Article 6) would be required before their vessels were permitted to enter the port(s) of an EU country. This requirement would come into effect as soon as the UK leaves the EU.	Some ports/harbours are owned by councils. Implications for UK port authorities is unclear
71	Studying in the UK or the EU	DfE	Erasmus+ in the UK if there's no Brexit deal	• The government's underwrite guarantee will cover the payment of awards to UK applicants for all successful Erasmus+ bids submitted before the UK exits the EU	• The October 2018 call for bids will take place as usual. Applications for Erasmus+ funding are made by organisations, for example universities, vocational education and training organisations, schools and youth and sport groups. Individual students and young people who wish to participate in	No immediate implications for councils

					Erasmus+ funded activities should therefore contact their respective organisations.	
73	Travelling between the UK and the EU	DEF RA	[Taking your pet abroad if there's no Brexit deal]	• Pets would continue to be able to travel from the UK to the EU, but the requirements for documents and health checks would differ depending on what of three categories of third country the EU deems the UK to be - 'listed: Part 1', 'listed: Part 2', or 'unlisted'	• Under 'Listed: Part 1, there would be little change. • Under 'Listed: Part 2' there would be some new requirements which are considered not to be overly onerous. • Under 'Unlisted', pet owners would need to discuss preparations for their pet's travel with an Official Veterinarian (OV) at least four months in advance of the date they wish to travel.	**Implications for port health authorities**
76	Workplace rights	BEIS	[Workplace rights if there's no Brexit deal]	• The government will make small amendments to the language of workplace legislation to ensure the existing regulations reflect the UK is no longer an EU country. • Amendments will not change existing policy. Employment rights remain unchanged, including the employment rights of those working in the UK on a temporary basis	• No new requests to set up a European Works Council or Information and Consultation procedure can be made • Requests for information or to establish European Works Councils or Information and Consultation procedures made before EU exit but not completed by EU exit will be allowed to complete.	There are no direct implications for local authorities
80	Farming and fishing	DEF RA	[Regulating pesticides if there's no Brexit deal]	• UK to establish an independent standalone PPP regime. • UK to not be legally committed to medium or long-term regulatory alignment with the EU, • Technical requirements of the regime would remain the same as they are in current EU legislation. • Active substance approvals, PPP authorisations, and MRLs in place	• No immediate action for Businesses. • Businesses should start to consider what new applications they might wish to make under both the UK and EU regimes in the period after EU exit, and to plan ahead. • Keep in touch with the Health and Safety Executive. •	

				on 29 March 2019 would remain valid. • New national processes, arrangements and database. • Extension of substance approvals.		
81	Farming and fishing	DEFRA	Commercial fishing if there's no Brexit deal	• UK to leave the Common Fisheries Policy with new UK policy replacing it. • UK to assume the rights and obligations of an independent coastal state under the UN Convention on the Law of the Sea. • Non-UK-registered vessels will no longer enjoy automatic access to UK waters, and vice versa. • UK-registered vessels will no longer have an automatic right to land fish in any EU port and vice versa. • UK to join North-East Atlantic Fisheries Commission (NEAFC). • UK to rejoin regional fisheries management organisations but may be short gap. • All common marketing standards for fish sold for human consumption to remain same.	• No change to the rights and responsibilities of UK-registered vessels fishing in UK waters. • UK quota holders to wait to be informed of quota in March 2019. • UK-registered vessels will have to notify their intention to visit an EU designated port and present information and be inspected and vice versa. • UK vessels may not be able to fish in international waters covered by RFMOs if short gap in UK membership. • Catch certificates might be more frequently needed.	
82	Farming and fishing	DEFRA	Plant variety rights and marketing of seed and propagating material if there's no Brexit deal	• EU plant variety rights granted would continue to be recognised in the remaining 27 EU countries. Those rights would also automatically be recognised and given protection under UK legislation. • Where EU rights have been applied for, but not granted before 29 March 2019, an application for rights in the UK would need to be made to Animal and Plant Health Authority.	• New plant types would need to make two applications, one to the UK and one to the EU. • To market varieties abroad businesses would need to be listed on the Common Catalogue and have seed certification from EU. • Further communications on certification equivalence in coming months.	

				• Varieties registered solely via UK would no longer be listed on the EU Common Catalogue and therefore not marketable in the EU. • UK to apply to have certification marked as equivalent.	• Businesses with varieties in Common Catalogue should request they are added to UK catalogue.	
86	Importing and exporting	DEFRA	Trading and moving endangered species protected by CITES if there's no Brexit deal	• Species that are currently freely moved and traded between the UK and the EU will require a CITES permit or import/export notification. •	• Businesses or individuals trading in or moving endangered species outside the UK would need to check the specific requirements with the intended import or export country on the Global CITES website and obtain permit or import notification.	
87	Importing and exporting	DEFRA	Maintaining the continuity of waste shipments if there's no Brexit deal	• Import/export licenses issued by the UK would no longer be valid for shipments of waste to the 27 remaining EU countries. • Current approvals to ship notified waste between the UK and the EU that extend beyond the 29 March 2019 would be subject to a re-approval process – these arrangements are being discussed. • The UK government would need to submit DRRs for any exports to the EU of waste for disposal. • EU states would be prohibited from exporting waste for disposal to UK.	• UK exporters would need to familiarise themselves with the customs guidelines the EU has laid down for imports of waste from outside the EU.	
92	Labelling products and making them safe	H&SE	Regulating biocidal products if there's no Brexit deal	• UK to establish its own independent standalone biocidal products regime. • New stable regulatory framework for biocidal products. • National regime would be essentially the same as the current EU framework.	• Companies wishing to apply for an active substance to be approved in the UK would apply to HSE. • HSE would take on the functions that ECHA currently performs. • Companies may need to submit supporting data or other information to HSE that had previously been submitted to ECHA.	

					• Those with an application being processed by another EU country on exit day will need to re-apply for UK authorisation. • Companies already on the EU list of approved substances would, on exit day, be included in the UK's list but may need to submit supporting information to HSE.	
97	Meeting business regulations	BEIS	[Providing services including those of a qualified professional if there's no Brexit deal]	• The MRPQ Directive will no longer apply to the UK and there will be no system of reciprocal recognition of professional qualifications between the remaining EEA states and the UK. • The UK will ensure that professionals arriving in the UK from the EEA after the exit date will have a means to seek recognition of their qualifications. • EEA lawyers will be able to practise in England and Wales under the regulatory arrangements and rules that apply to lawyers from other third countries. • EEA businesses will be treated like other third country service providers.	• The government will share details of the new procedure in due course and applicants should contact the relevant regulators at the appropriate time.	
No impact						
1	EU-funded programmes	BEIS	[Connecting Europe Facility energy funding if there's no Brexit deal]	• UK organisations will be able to continue as beneficiaries of CEF energy grant awards that have been made or agreed before exit day. • Any CEF energy grant awards to UK organisations, which are not honoured in full by the European Commission/INEA, will be underwritten. Similar conditions and certification requirements will apply.	• Developers should be able to progress their PCIs in the knowledge that CEF energy grants awarded to UK organisations before exit will be underwritten by the government guarantee. • BEIS will be in contact if required.	No comments.

11	Driving and transport	DfT	Driving in the EU if there's no Brexit deal	• No direct implications for councils		No comments.
14	Driving and transport	DfT	Vehicle insurance if there's no Brexit deal	• No direct implications for councils		No comments.
19	Importing and exporting	DEFRA	Buying and selling timber if there's no Brexit deal	• EU law will no longer apply. UK to implement its own UK timber regulation and UK FLEGT regulation, which will have the same requirements as the EUTR and EU FLEGT regulations. • Monitoring organisations established outside of the UK would not automatically continue to be recognised by the UK, and vice versa.	• Businesses would continue to have to exercise due diligence to demonstrate that they are importing or exporting legally harvested timber unless the timber is being imported by a UK importer and covered by a permit under the CITES regulations.	The National Measurement Office is the relevant enforcer.
23	Importing and exporting	DIT	Exporting controlled goods if there's no Brexit deal	• There are no direct implications for local government		
24	Importing and exporting	DEFRA	Importing and exporting plants if there's no Brexit deal	• There are no direct implications for local government		Animal and plant health authority is the relevant enforcement body
26	Importing and exporting	DIT	Trade remedies if there's no Brexit deal	• UK will create its own Trade remedies system. • The Trade Remedies system will be operational by the time the UK leaves the EU.	• No direct implications for local government	
28	Labelling products and making them safe	BEIS	Appointing nominated persons to your business if there's no Brexit deal	• Any UK-based nominated person will no longer be recognised under EU law. • Existing authorised representatives based in an EU country will continue to be recognised in the UK for a time-limited period. However, new authorised representatives will need	• There are no direct implications for local government	No comment.

				to be based in the UK to be recognised under UK law.		
35	Labelling products and making them safe	HO	Travelling with a European Firearms Pass if there's no Brexit deal	• EFPs would no longer be available to UK residents wishing to travel with their firearms to EU countries. • You would need to comply with whatever licensing or other requirements each EU country decides to impose, as well as UK import and export licensing requirements.	• No direct implications for local authorities	
38	Labelling products and making them safe	DfT	Vehicle type approval if there's no Brexit deal	• Type-approvals issued in the UK would no longer be valid for sales or registrations on the EU market. • EC type-approvals issued outside of the UK, would no longer be automatically accepted on the UK market.	• There are no direct implications for local government	
40	Meeting business regulations	DMCS	Broadcasting and video on demand if there's no Brexit deal	• The AVMSD and the country of origin principle will no longer apply to services under UK jurisdiction that are broadcast into the EU. •	• There are no direct implications for local authorities	
42	Meeting business regulations	BEIS	Exhaustion of intellectual property rights if there's no Brexit deal	• UK to continue to recognise EEA regional exhaustion regime. • No change for importation of goods to UK, but need to check with EU right holders to see if permission is needed to import goods to EEA.	• The government is currently considering all options for how the exhaustion regime should operate after this temporary period. • Businesses may find that they need the right holder's consent to export intellectual property-protected goods that have been legitimately put on the market in the UK to the EEA.	
43	Meeting business regulations	BEIS	Merger review and anti-competitive activity if there's no Brexit deal	• The UK will cease to be part of the EU competition regime. • The Competition and Markets Authority will continue in its investigatory role for mergers and	• There are no direct implications for local authorities	

				anti-competitive conduct with effects on UK markets. • The domestic UK competition regime will remain in place. • UK will not be part of the EU Civil Judicial Cooperation regime.		
44	Meeting business regulations	BEIS	[Patents if there's no Brexit deal]()	• Existing systems to stay in place. • If Unified Patent Court comes into force then there will be implications.	• There are no direct implications for local authorities	
45	Meeting business regulations	BEIS	[Trademarks and designs if there's no Brexit deal]()	• Businesses, organisations or individuals that have applications for an EU trade mark or Community design which are ongoing at the point of the UK's exit from the EU will have a period of nine months from the date of exit to apply in the UK for the same protections. • Unregistered Community will continue to be protected.	• Businesses should register a trade mark or registered design protection in the UK, if previously in the EU, which can be done via post or online nine months after leave date.	Weights and Measures is the enforcing authority
46	Meeting business regulations	DCMS	[What telecoms businesses should do if there's no Brexit deal]()	• Parts of the UK electronic communications regulatory framework would no longer be appropriate without corrections. • We intend to make secondary legislation under the EU Withdrawal Act 2018 later this year, which would bring these corrections into force in March 2019.	• There are no direct implications for local authorities	
47	Money and tax	HMT	[Banking, insurance and other financial services if there's no Brexit deal]()	• UK firms' position in relation to the EU would be determined by the relevant member state rules and any applicable EU rules that apply to third countries (countries outside of the EEA) at that time. • The UK will in general, default to treating EEA states and EEA firms largely as it does other third countries. There will be instances	• There are no direct implications for local authorities	

				where we diverge from this approach in order to ensure that a functioning legislative regime is in place, to minimise disruption and avoid material unintended consequences for the continuity of financial services provision, to protect the existing rights of UK consumers, or to ensure financial stability.		
52	Protecting the environment	DEFRA	Upholding environmental standards if there's no Brexit deal	• The EU Withdrawal Act 2018 will ensure all existing EU environmental law continues to operate in UK law. • UK government will establish a new, independent statutory body to hold government to account on environmental standards in relation to England.	• There should be no immediate implications for councils	
53	Protecting the environment	DEFRA	Using and trading in fluorinated gases and ozone depleting substances if there's no Brexit deal	• Majority of the requirements in the EU ODS and F gas Regulations will continue to apply in the same way after the UK leaves the EU. • UK to set up its own quota systems. • New UK IT systems would be established and administered by the Environment Agency (EA).	• There are no direct implications for local authorities	
54	Regulating energy	BEIS	Civil nuclear regulation if there's no Brexit deal	• A new domestic nuclear safeguards regime will come into force. • EURATOM ownership of special fissile material in the UK will end. • Euratom Supply Agency approval will no longer be required for contracts agreed by UK-established operators, except where these involve an EU27-established operator.	• There are no direct implications for local authorities	

				• The Notice to Importers 2867 will be updated in time for Exit Day to set out the arrangements that will apply. • Bilateral Nuclear Cooperation Agreement arrangements with priority countries are on track to be completed before the UK leaves the EU.		
55	Regulating energy	BEIS	[Generating low-carbon electricity if there's no Brexit deal]()	• Great Britain will continue to recognise Guarantees of Origin issued in Northern Ireland and EU countries. • Renewable Energy Guarantees of Origin issued in EU countries will continue to be recognised. • UK will continue to recognise installer certificates issued by European Economic Area states which meet certain criteria.	• There are no direct implications for local authorities	
56	Regulating energy	BEIS	[Nuclear research if there's no Brexit deal]()	• The UK would leave EURATOM. • Continued commitment to domestic research, as well as its other international partnerships, to ensure the UK retains its world leading position in this field. • Commitment to continue funding its share of Joint European Torus costs until the end of 2020. • Government will guarantee EU projects agreed before we leave the EU. • UK government to discuss with International Thermonuclear Experimental Reactor opportunities for UK researchers, companies, and institutions, to collaborate on Fusion for Energy.	• There are no direct implications for local authorities	

				• Beneficiaries of Euratom Research & Training grants should continue to receive payments unaffected.		
57	Regulating energy	BEIS	[Running an oil or gas business if there's no Brexit deal]	• The established regime for hydrocarbon licensing and environmental issues will continue to operate.	• There are no direct implications for local authorities.	
58	Regulating medicines and medical equipment	DHSC	[Batch testing medicines if there's no Brexit deal]	• UK would no longer be part of the European Medicines Agency. • UK will continue to accept batch testing of human medicines carried out in countries named on a list set out by the Medicines and Healthcare products Regulatory Agency (MHRA). • UK will also continue to accept batch testing of Investigational Medicinal Products. • For human medicines manufactured in the UK, we will continue to require a UK-based QP. • Where human medicines are manufactured in a third country but are imported into the UK from a country on a separate list maintained by MHRA, UK will require no further certification. • Human medicines manufactured in a country on the MHRA's QP list will require no further certification.	• There are no direct implications for local authorities	
59	Regulating medicines and medical equipment	DHSC	[Ensuring blood and blood products are safe if there's no Brexit deal]		• There are no direct implications for local authorities	
60	Regulating medicines	DHSC	[How medicines, medical devices and clinical trials]	The MHRA would take on the functions currently undertaken by the EU for medicines on the UK market. This would	• There are no direct implications for local authorities	

	and medical equipment		would be regulated if there's no Brexit deal	require changes to UK law, via the Human Medicines Regulations 2012 (HMRs). The MHRA is planning a public consultation in early autumn on some of the key proposed legislative changes. The UK will recognise medical devices approved for the EU market and CE-marked		
61	Regulating medicines and medical equipment	DHSC	Quality and safety of organs, tissues and cells if there's no Brexit deal	UK law already implements the EU directives, so the safety standards would not change. The UK would, however, become a 'third country' and the law would be amended under the EU (Withdrawal) Act to reflect this change.	• There are no direct implications for local authorities	
62	Regulating medicines and medical equipment	DHSC	Submitting regulatory information on medical products if there's no Brexit deal	UK would no longer be part of the EU medicines and medical devices regulatory networks. The sharing of these common systems, and the associated exchanges of data, between the UK and EU/EEA countries would end. We would have our own processes and systems to manage UK human medicines and devices regulatory activities. To do this, some new systems are being developed for March 2019.	• There are no direct implications for local authorities	
63	Regulating medicines and medical equipment	HO	Trading in drug precursors if there's no Brexit deal	EU regulations would no longer apply to the UK and the UK would be treated by the EU as a 'third country' The UK is transposing the relevant EU regulation into UK law, to enable the drug precursor chemicals regulatory system to operate.	• There are no direct implications for local authorities	
64	Regulating veterinary medicines	DEFRA	Accessing animal medicine IT	UK would no longer be part of EU veterinary medicine regulatory networks.	• There are no direct implications for local authorities	

			systems if there's no Brexit deal	The sharing of common systems, and exchange and recognition of data submitted for regulatory activities, between the UK and EU Member States would cease. The VMD would provide a service to allow for the submission and exchange of information for veterinary medicine activities.		
65	Regulating veterinary medicines	DEFRA	Registration of veterinary medicines if there's no Brexit deal	Mutual recognition of batch testing of veterinary medicines between the UK and EU / EEA would cease on the date the UK leaves the EU. The mutual recognition of batch testing of veterinary medicines between the UK and third countries with which the EU has made appropriate arrangements would also cease, as would mutual recognition between the UK and EU/EEA Member States of batch certification of veterinary medicines by a QP	• There are no direct implications for local authorities	
66	Regulating veterinary medicines	DEFRA	Regulation of veterinary medicines if there's no Brexit deal	Sharing of common systems, and exchange and recognition of data submitted for regulatory activities, between the UK and EU countries would cease. This would require changes to the Veterinary Medicines Regulations with some implications for veterinary medicine pharmaceutical industry stakeholders.	• There are no direct implications for local authorities	
67	Satellites and space	BEIS	Satellites and space	Galileo: UK-based businesses, academics and researchers will not be	• There are no direct implications for local authorities	

			programmes if there’s no Brexit deal	eligible to bid for any future work on the EU Global Navigation Satellite System programmes. Copernicus: The UK will no longer be able to participate in the programme as an EU member state and will have no role in how it is run. The UK will not be eligible to participate in the EU Space Surveillance and Tracking programme.		
69	Seafaring	DfT	Recognition of seafarer certificates of competency (COC) if there’s no Brexit deal	If there’s no deal, endorsements issued before withdrawal by EU countries to seafarers holding UK COCs would continue to be valid until they expire In the event of no deal our intention is to: • continue recognising all certificates that we currently recognise, including those issued by EU and EEA countries after exit • seek third country recognition of UK certificates by the EU under the STCW convention	• There are no direct implications for local authorities	No comment
72	Travelling between the UK and the EU	DCMS	Mobile roaming if there’s no Brexit deal	• There are no direct implications for local authorities	• There are no direct implications for local authorities	
74	Travelling between the UK and the EU	HO	Travelling in the Common Travel Area (CTA) if there’s no Brexit deal	• No change to the reciprocal right associated with the CTA	• No change	

75	Travelling between the UK and the EU	HO	Travelling to the RU with a UK passport if there's no Brexit deal	• British passport holders will be considered third country nationals and will need to comply with different rules to enter and travel around the Schengen area	• There are no direct implications for local authorities	
77	EU-funded programmes	F& CO	Funding for British Overseas Territories if there's no Brexit deal	• The government has extended a guarantee that covers all projects which would have been funded by the EU under the 2014-2020 programme period. • This includes territorial allocations to the British Overseas Territories governments and the EDF regional and humanitarian allocations, but does not include finance interest subsidies and technical assistance through the European Investment Bank's Overseas Countries and Territories Investment Facility.	• British Overseas Territory participants, such as governments and organisations, will continue to receive funding over a project's lifetime if they successfully bid into EU-funded programmes while the UK remains a member of the EU, and, where access (for example as a third country) is available, before the end of 2020. • Precise arrangements for how our guarantee will operate for British Overseas Territories for the specific programmes to be confirmed.	
78	Driving and transport	DfT	Rail transport if there's no Brexit deal	• UK to pursue bilateral agreements with EU countries for cross-country services. • UK operator licences would not remain valid for operating in EU. EU licences to be recognised in UK. • UK will no longer be a member of the North Sea - Mediterranean rail freight corridor.	• Passengers and users should check insurance covers possible disruption. Rights to remain unchanged. • Operators in EU with UK licence will need to reapply for EU licence asap.	
79	Driving and transport	DfT	Meeting rail safety and standards if there's no Brexit deal	• UK to pursue bilateral agreements and mutual recognition of documentation with EU countries for cross-country services. • UK to continue to meet obligations as a member of the Convention concerning international carriage by rail (COTIF).	• Passengers and users should check insurance covers possible disruption. • UK operators running domestic service in EU should re-apply for a Part A safety certificate in an EU country asap. • Holders of UK ECM certificates would need to apply for a certificate from a national safety authority in	

				• UK operator licences would not remain valid for operating in EU. EU licences to be recognised in UK. • UK to only diverge from EU rules and standards if clear reasons. • UK to not seek formal participation in the European Union Agency for Railways (EUAR). • Certification from a UK notified body would not be valid for interoperability constituents placed on the EU market after EU exit.	an EU country to maintain a freight in EU. • Operators in EU with UK licence will need to reapply for EU licence asap.	
83	Farming and fishing	DEFRA	[Breeding animals if there's no Brexit deal]	• UK-recognised breed societies and operations involved in the trade and movement of purebred livestock and germinal products would no longer be recognised societies or operations in the EU. • Societies will no longer be automatically entitled to enter their pedigree breeding animals into an equivalent breeding book in the EU or to extend breeding programme to EU. • UK zootechnical businesses that meet EU requirements would be treated as third country breeding bodies.	• Defra will shortly contact Zootech stakeholders directly to discuss the steps they need to take to plan for March 2019.	
84	Importing and exporting	FSA	[Exporting GM food and animal feed products if there's no Brexit deal]	• Businesses will need to be established in the EU or EEA, or have a representative that is established in the EU or EEA if they wish to trade in the EU. • Businesses should also consider the implications where they currently act as representative for companies in non-EU countries.	• Businesses should take steps to appoint a representative that is established in the EU or EEA if they wish to trade in the EU, and provide details of the representative to the European Commission. • Businesses will need to inform the establishments they represent that they will no longer be able to act as their representative and advise	

					them that they will need to appoint a representative based in an EU country or the EEA.	
85	Importing and exporting	DCMS	[Exporting objects of cultural interest if there's no Brexit deal]	• A new Statutory Instrument will be laid that will revoke the relevant EU regulations in relation to the cultural objects export licensing system on exit day. • UK to stop issuing EU licenses. • Arts Council England to produce guidance document. • Further information will follow in the New Year about whether and how the UK export licensing system will have regard to legal and definitive dispatch from other countries.	• Exporters should take steps to ensure uninterrupted compliance with the EU and individual EU countries' licensing regimes, as appropriate.	
88	Importing and exporting	DIT, DID and F&CO	[Existing free trade agreements if there's no Brexit deal]	• Arrangements to be put in place with partner countries so that the UK is treated as an EU member state for the purposes of international agreements, including trade agreements. • Government to seek to bring into force bilateral UK-third country agreements from exit day. • New agreements should replicate existing EU agreements and the same preferential effects with third countries as far as possible. • If agreements not in place, World Trade Organization (WTO) Terms will apply until such a new arrangement has been implemented. • Ongoing negotiations for UK to become independent members of the WTO Agreement on Government Procurement.	• Users of current EU free trade agreements should be aware that there may be practical changes to how they make use of preferences under these new agreements. • Traders should be aware that they may have to pay the applied Most Favoured Nation tariff.	

90	Labelling products and making them safe	DEFRA	Control on mercury if there's no Brexit deal	• Mercury export from EU to UK prohibited. • EU could accept Mercury waste exports from UK. • Restrictions on the imports of Mercury to UK to remain same. • Storage requirements of Mercury and Mercury waste to continue to be same. • UK will continue to be a party to the Minamata Convention in its own right. • Same procedure for initial notification of a new mercury-added product or process but carried out at the national level in the UK with criteria for authorisation unchanged.	• Business operators should continue to obtain written consent to import mercury or the mixtures of mercury for a use allowed in the UK. • Businesses should assess the impact of exports of Mercury from EU to UK being prohibited.	
91	Labelling products and making them safe	DEFRA	Control on persistent organic pollutants if there's no Brexit deal	• Obligations, existing protections and competent authorities to be retained. • Criteria for managing existing substances and new substances exhibiting characteristics of POPs would remain the same. • Exemptions from control measures to remain the same.	• No substantial impact.	
93	Labelling products and making them safe	H&SE	Classifying, labelling and packaging chemicals if there's no Brexit deal	• UK to establish an independent standalone chemicals regime and adopt globally harmonised system. • Main duties for suppliers to remain the same. • All labelling, packaging and testing requirements to remain in place.	• Companies would be required to engage with, and use new UK arrangements and IT tools provided by HSE.	
95	Labelling products and making them safe	H&SE	Export and import of hazardous chemicals if there's no Brexit deal	• UK to establish its own independent standalone regime initially based on EU regime.	• UK-based companies would no longer have access to ePIC and would need to use the UK's new system for notifying exports. • Companies exporting to UK would have to start to notify these to HSE	

96	Meeting business regulations	BEIS	[Accounting and audit if there's no Brexit deal]()	• As far as possible, the same laws and rules that are currently in place continue to apply. • Corporate reporting will remain unchanged. • Additional Audit requirements for companies operating across borders. • UK and EU to accept each other's audit qualifications for a transition period. • Certain exemptions in the Companies Act 2006 will no longer be extended to companies with parents or subsidiaries incorporated in the EU. • UK qualifications may not be automatically recognised in EU.	• UK businesses with a branch operating in the EU will become third country businesses and will be required to comply with specific accounting and reporting requirements for such businesses in the Member State in which they operate. • There could be need for changes to the compliance statements which are required within the annual accounts submitted to listing authorities. • In transition period until 2020 Auditors with EU qualifications will have to apply to be recognised as auditor in UK.	
98	Meeting business regulations	BEIS	[Structuring your business if there's no Brexit deal]()	• Companies incorporated in UK operating in EU will face changes to cross-border regimes. • EU companies to become third party and subject to different information and filing. • Likely changes to UK businesses operating in EU. • Cross-border mergers involving UK companies will no longer be able to take place. • European Economic Interest Groupings, European Public Limited-Liability Companies (or Societas Europaea) and European Groupings of Territorial Cooperation will no longer be able to be registered in the UK.	• UK citizens may face restrictions on their ability to own, manage or direct a company registered in the EU. • UK citizens and businesses operating in the EU may wish to seek professional advice or contact the government of the country in which they operate for more information. • UK companies that are undertaking a cross-border merger will need to ensure that they can complete the merger before exit. • European Economic Interest Groupings registered in the UK may want to consider transferring their official address to another EU member state and should make themselves aware of the timeframes for so doing.	

99	Personal data and consumer rights	BEIS	Geo-blocking of online content if there's no Brexit deal	• UK version of the Geo-Blocking Regulation will cease to have effect in UK law. The original EU Regulation will continue to apply to UK businesses operating within the EU, and indeed all other non-EU businesses selling goods and services into the single market.	• Traders from the UK, EU and third countries would not be prohibited from discriminating between EU customers and UK customers. • UK businesses and traders who wish to continue selling goods and services into the EU will need to continue to comply with the Geo-Blocking Regulation after exit.	
100	Personal data and consumer rights	BEIS	Consumer rights if there's no Brexit deal	• Consumers' protections when buying goods and services in the remaining Member States may change. • UK consumers will also no longer be able to use the UK courts effectively to seek redress from EU based traders. • Textile labelling regulations retained but will only apply to products on UK market. • 'Responsible person' definition in relation to footwear products will be changed.	• Consumers should continue to check the terms of consumer protection offered by the seller and the Member State the seller is located in. • Businesses selling into EU countries should keep apprised of any future changes in EU Member State laws. • Some UK-based businesses responsibilities will change. It will now include ensuring the accuracy of the labelling of footwear imported from the EU.	
101	Protecting the environment	BEIS	Meeting climate change requirements if there's no Brexit deal	• UK to be excluded from participating in the EU Emissions Trading System. • UK Gov to maintain Monitoring, Reporting and Verification arrangements for transparency over Greenhouse gas emissions. • UK government will initially meet its existing carbon pricing commitments via the tax system, taking effect in 2019.	• Government has brought forward the 2018 compliance year deadline for operators to report their 2018 emissions and surrender allowances. • Penalty to be retained for failure to surrender allowances for the 2018 compliance year. • UK government will publish more details of how it will initially apply a carbon price in a 'no deal' scenario at Budget 2018.	
102	Regulating energy	BEIS	Trading gas with the EU if there's no Brexit deal	• EU energy law will no longer apply to the UK.	• Mechanisms of cross-border trade are not expected to fundamentally change.	

				• Changes to access rule approval and trading arrangements. • Changes to Transmission System Operator certification.	• Interconnector operators should engage with the relevant EU national regulators (in Ireland, the Netherlands, or Belgium) in good time ahead of the UK's exit from the EU to confirm whether those countries intend to continue using the Capacity Allocation Mechanisms Code as the basis for their trading with the UK. • Interconnectors, code administrators and UK market participants will need to carry out contingency planning for a 'no deal' scenario in line with the full advice in the Technical Note.	
103	Regulating energy	BEIS	Trading electricity if there's no Brexit deal	• EU energy law will no longer apply to the UK. • Cross-border flows across electricity interconnectors will no longer be governed by EU legislation. • Regulators in the UK and EU to approve new access rules. • Government to take all possible measures to maintain the Single Electricity Market – impact on Northern Ireland if not possible. Contingency planning taking place.	• Market participants will need to register with an EU regulatory authority. • Market participants will need to make use of the alternative arrangements developed for purchase and sale of power cross-border. • Interconnectors, code administrators and UK market participants will need to carry out contingency planning for a 'no deal' scenario in line with the full advice in the Technical Note.	
104	Sanctions	F&CO	Sanctions policy if there's no Brexit deal	• UK to implement UN sanctions in UK domestic law with legislation before parliament before March 2019. • UK to carry over all EU sanctions at the time of our departure. •	• Organisations and individuals should not assume that all aspects of existing EU sanctions will be replicated exactly. Check new legislation and ensure you comply with its requirements, and check future guidance when we publish it.	

105	Travelling between the UK and the EU	DEFRA	[Taking horses abroad if there's no Brexit deal]	• Horse or other equine would need an appropriate ID document and appropriate health documentation to travel from UK to EU. • UK applying to be listed EU third country but if not equine movement to the EU could not take place. • Import of equines from EU to UK will not immediately change.	• Equine ID will still be used and in some cases a new UK Gov issued ID required. • Export Health Certificate would be required for export to EU. • Additional action from vets to confirm absence of equine disease.	

<u>Newhaven Port Health Authority Risk Analysis of a No-Deal Brexit</u>

Risk	**Mitigation**
A more significant presence at the port likely to be required by qualified food inspectors possibly covering up to 4 crossing a day	Shift and rotas being explored. Contingency to have mutual aid or contractors for food enforcement. Qualified officer supported by caseworkers?
Number of current qualified food inspectors is 4 increasing to 5 in March impact on other work	Shift and rotas being explored. Contingency to have mutual aid or contractors for food enforcement Qualified officer supported by caseworkers?
New Import Notification System (INS) required for import controls	Currently investigating how we would access this
Requirement to undertake physical checks of high risk imported food 20% sample	Staff attending training and documents to be produced
No offices/IT currently in Port	Able to hire portacabin with office and dry good storage for £75 p.w.
No food detention facilities at Port	Able to hire portacabin with office and dry good storage for £75 p.w.
No refrigeration facilities at Port	Possible ability to share Border Force container
Export Certificates will need to be produced for unknown number of exporters no longer able to us EC mark	Staff attending training and documents to be produced
Take time away from other BAU activities	Backfill with qualified officers
Bigger impact of transit food stuffs originating outside EU	Staff attending training and documents to be produced
Facilities will require water, electricity and WIFI to allow temporary office	Newhaven Port and Properties can provide this at cost.

Port Health Authority Cost Estimates under a No-Deal Brexit

Activity	Cost
Office Space / Portacabin at Port	£250 per month
Supply Connections (Water/Power)	£500 one off
Additional Port health Officers – Number required depends on deal or no deal	£5000 per Specialist per month
4G Broadband Dongle	£25 per month
Fixed Broad Band	£400 one off + £25 per month
Electric Heating	£50 one off then cost per month
Furniture	£100 one off
PPE	£250 one off

Report to:	**Cabinet**
Date:	**11 February 2019**
Title:	**Consideration of options to ban the release of sky lanterns and helium balloons**
Report of:	**Catherine Knight, Assistant Director Legal and Democratic Services**
Cabinet member:	**Councillor Isabelle Linington, Cabinet Member for Environmental Impact**
Ward(s):	**All**
Purpose of report:	**To consider banning the release of sky lanterns and helium balloons from public land in the Lewes district**
Decision type:	**Non-Key**
Officer recommendation(s):	**(1) That Cabinet grants the Director of Service Delivery delegated power to introduce a new condition into the Council's event hire licences, banning the release of lighted sky lanterns and the release of helium filled balloons.** **(2) That the Director of Service Delivery monitors the level of complaints relating to the use of sky lanterns and helium balloons in the Lewes district and, if necessary, reports back to Cabinet in six months' time with a recommendation for any further or alternative regulatory measures that may be required.**
Reason for recommendations:	**To introduce a reasonable and proportionate measure to prevent the nuisance associated with the release of sky lanterns and/or helium balloons from public land in the Council's area.**
Contact Officer(s):	**Contact Officer(s):** **Name: Oliver Dixon** **Post title: Senior Lawyer** **E-mail: oliver.dixon@lewes-eastbourne.gov.uk** **Telephone number: 01273 085881**

1 Introduction

1.1 At the Cabinet meeting on 5 December 2018 an urgent item was raised by the Leader of the Liberal Democrat Group, Councillor Osborne, concerning issues arising from the release of "Chinese" lanterns and balloons, which were a particular concern around Christmas and New Year celebrations. Cabinet agreed to look into this urgently, with input from Officers on the options for enforcing a ban on the release of such lanterns and balloons from Council owned land and further.

1.2 “Chinese” lanterns are referred to in this report as ‘sky lanterns’, being small hot air balloons typically around 100 cm high and with a diameter of approximately 60 cm, and made of paper with an opening at the bottom where a small fire is suspended.

1.3 In most areas of the country the issue with balloons has concerned helium balloons which are balloons made of latex or foil, inflated with helium gas and typically 25-30 cm in height. This report deals with sky lanterns and this particular type of balloon.

1.4 Many local authorities have looked at ways of regulating the use of sky lanterns, as there have been several significant fires nationally which have been attributed to their use. Further, the sky lanterns can be a risk to coastal rescue services as they may be mistaken for a flare. In addition it is widely reported that sky lanterns and helium balloons create a risk to livestock and animal health, cause littering, and can be a risk to aviation. This view has been supported by, amongst others, the RSPCA, the National Farmers Union, the Civil Aviation Authority, the Marine Conservation Society and some Fire Services. That said, the Government does not advocate a complete ban on the release of sky lanterns and/or helium balloons.

1.5 Other local authorities have taken a range of responses to this issue dependent upon how significant a problem it is in their area. Whilst there have been no recorded formal complaints to this Council about any harmful effects of the release of sky lanterns and/or helium balloons, a small number of representations have been made by members of the public, urging the Council to implement a ban on the release of sky lanterns.

2 Steps taken to date

2.1 On 23 December 2018 the Council issued a press release (see Appendix 1) and posted the same information on its website on 7 January 2019, warning of the problems that can arise from releasing sky lanterns. This was intended to discourage their use and is an approach used by many local authorities including Suffolk County Council (December 2014) and Northamptonshire County Council (July 2013).

3 Options for dealing with this issue

3.1 Cabinet is invited to consider the following three options.

Option One: Insert a new condition into event hire licences

3.2 In conjunction with the publicity to discourage use, as outlined above, add a condition to the Council’s event hire licences, making it a breach of contract for those hiring the Council land to release any lighted sky lantern or helium balloon.

Breaching this condition may result in any deposit being retained and the licence holder being refused an event licence in the future.

Option Two: Introduce a Public Spaces Protection Order ('PSPO')

3.3 Make a PSPO, prohibiting the release of lighted lanterns and/or balloons in specified public locations, including Council-owned land.

3.4 This option could be pursued **only** if the statutory criteria for making a PSPO are met. These are, in brief, that the behaviour or activity to be restricted is:

- having, or are likely to have, a detrimental effect on the quality of life of those in the locality
- persistent or continuing in nature; and
- is unreasonable

3.5 Breaching a PSPO without reasonable excuse is a criminal offence punishable by a fixed penalty notice or prosecution. A PSPO can last for a maximum of three years but may be renewed if justified.

3.6 However, it is doubtful that the first (and most important) of the statutory criteria above would be met, since the Council has received no complaints about sky lanterns or helium balloons actually causing any damage or annoyance.

3.7 In any case, before a PSPO is considered the Council should always look into less restrictive ways of addressing the activity in question.

3.8 Lastly, it should be noted that any action which potentially makes the release of lanterns and balloons a criminal offence would be controversial as some individuals release lanterns and balloons on the death of a loved one.

Option Three: Variation of existing byelaws

3.9 Vary the existing byelaws for pleasure grounds, public walks and open spaces by adding a prohibition against the release of lanterns and balloons.

3.10 The advantage of this option is that byelaws can be enforced immediately, whereas other interventions may require evidence of a persistent nuisance.

3.11 However, Government guidance is clear that byelaws should be only considered when there is an existing problem and not in those cases when behaviour is just likely to be a problem as seems to be the case in relation to lanterns and balloons. Research suggests that no other local authority has introduced such a byelaw.

3.12 Further, byelaws should always be proportionate, reasonable and adopted only if the Council is satisfied that no other reasonable measure would have the desired effect. As the Council has not yet piloted the event hire condition set out above, it would not be appropriate to pursue a byelaw at this stage.

4 Proposal

4.1 For the reasons given above, option one is preferred. Accordingly, it is recommended that–

(1) Cabinet grants the Director of Service Delivery delegated power to introduce a new condition into the Council's event hire licences, banning the release of lighted sky lanterns and the release of helium filled balloons.

(2) The Director of Service Delivery monitor the level of complaints relating to the use of sky lanterns and helium balloons in the Lewes district and, if necessary, reports back to Cabinet in six months' time with a recommendation for any further or alternative regulatory measures that may be required.

5 Outcome expected and performance management

5.1 Inclusion of the new condition in event hire licences should prevent the release of lanterns and balloons from those events on Council land.

5.2 Recommendation (2) would, if approved, involve the Director of Service Delivery monitoring complaints of any ongoing nuisance and bringing back further proposals to Cabinet if warranted.

6 Consultation

6.1 As this Report involves the consideration of options to progress, no external consultation has yet taken place, although relevant Officers have been canvassed for their views.

7 Corporate plan and council policies

7.1 Any of the options would be in line with the Council's aim of maintaining the quality of public parks and community spaces.

8 Business case and alternative option(s) considered

8.1 The three options for addressing the potential issues associated with the release of lanterns and/or balloon are evaluated in paragraph 3 above.

9 Financial appraisal

9.1 Option one would involve the inclusion of a new condition in council event hire licences, the drafting of which would require input from the Council's lawyers which will be absorbed within current resources.

9.2 Options two and three would be significantly more resource-intensive in terms of the making of the PSPO or revision of the byelaw. In addition, there would be significant cost implications, in terms of Officer resources, to monitor any breaches of a PSPO or revised byelaw and to take enforcement action for non-compliance including prosecution.

10 Legal implications

10.1 It is within the Council's powers to make any of the three options detailed in paragraph 3 above.

10.2 As regards option 1, the Council would need to draw the attention of the hirer to the new condition of contract. This is particularly important in respect of persons who frequently hire Council land for external events, as the condition concerning sky lanterns and balloons will be a departure from the standard wording.

10.3 For option 2, the Council would take its powers from section 59 of the Anti-Social Behaviour, Crime and Policing Act 2014, but could lawfully proceed to make a PSPO only if the criteria mentioned in paragraph 3.2 were met.

10.4 As regards option 3, the Public Health Act 1875 and the Open Spaces Act 1906 permit the Council to make and amend byelaws relating to pleasure grounds and open spaces. Common law rules on reasonableness and proportionality may restrict what can be included within a byelaw, or preclude such a measure at all.

Lawyer consulted 21.01.19 *Legal ref: 007899-LDC-MW*

11 Risk management implications

11.1 Measures to address any problems arising from the release of sky lanterns or helium balloons should be proportionate to the likelihood of these problems occurring and the impact they might have. There is a known risk associated with the release of these objects generally (see paragraph 1.4 above) but until the risk specific to the Lewes district can be quantified, only option one would be considered a proportionate response for this Council.

12 Equality analysis

12.1 There is no evidence that the release of sky lanterns or helium balloons is especially associated with one or more groups of persons with a characteristic that is protected under the Equality Act 2010. Nor are such groups any more likely than persons without a protected characteristic to hire land from the council for outdoor events.

12.2 Accordingly, implementing option one is not considered to have any significant equality implications.

13 Appendices

- Appendix 1 - Council press release of 23 December 2018

14 Background papers

The background papers used in compiling this report were as follows:

- Sky lanterns and helium balloons: An assessment of impacts on livestock and the environment (Defra, May 2013)
- Local Government Legislation: Byelaws - https://www.gov.uk/guidance/local-government-legislation-byelaws
- Briefing Paper (December 2015) - House of Commons Library - Local Authority Byelaws https://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN01817#fullreport
- Anti-social Behaviour, Crime and Policing Act 2014. Statutory Guidance for Frontline Professionals. December 2017: Home Office. https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/679712/2017-12-13_ASB_Revised_Statutory_Guidance_V2.1_Final.pdf

Appendix 1

Press Release

Councillor calls for lanterns to be grounded

Councillors at Lewes District Council have agreed to consider curbing the use of Chinese lanterns on council owned land. The lanterns are already banned in some areas in the UK due to the environmental risks that they pose.

Councillor Sarah Osborne raised the issue at a recent Cabinet meeting and received unanimous backing from the committee.

Councillor Osborne said:

“The lanterns can float for miles and when they come down can cause dreadful injuries to animals and present a real fire risk. There are so many cases of wildlife and livestock accidently eating the lanterns or becoming entangled in them, people should think twice before buying a Chinese lantern.

“It’s no surprise an increasing number of individuals and groups are calling for an outright ban.”

The RSPCA, Civil Aviation Authority, the Marine Conservation Society and National Farmers’ Union are just some of the national organisations that are campaigning to have Chinese Lanterns outlawed.

Councillor Andy Smith, Leader of Lewes District Council, said:

“I’m quite sure many people that use Chinese lanterns release them into the night sky and don’t give much thought to what goes up, must come down.

“The list of highly respected organisations that want them banned continues to grow, so I would urge people to use different methods to celebrate events.”

Council officers will now review the options the council has for enforcing a ban on releasing Chinese lanterns on council owned land.

Published 7 January 2019

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Report to:	**Cabinet**
Date:	**11th February 2019**
Title:	**East Sussex Business Rates Pilot 2019/20**
Report of:	**Homira Javidi, Chief Finance Officer**
Cabinet member:	**Councillor Bill Giles, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To update members on the East Sussex Business Rates Pilot bid for 2019/20.**
Decision type:	**Non Key**
Officer recommendation(s):	**1. The Cabinet agrees that Wealden District Council be nominated as the lead authority;** **2. Agree that Lewes District Council pilots 75% business rates retention resulting in an additional anticipated gain of £0.1m over current pooling arrangements;** **3. Agree that the basic principle that no authority will receive a lower level of funding than they would have received without the pool;** **4. Agree to split resources gained on the growth in business rates on the basis of the split being 26% to ESCC, 5% to the Fire authority and the remaining 44% split amongst the District/Borough Councils;** **5. Agree the financial stability and economic development split of funding; and** **6. Agree that the finalisation of the Memorandum of Understanding is delegated to the Chief Finance Officer.**
Reasons for recommendations:	**The Government has invited councils to apply to be pilots of 75% rates retention. Based on the independent assessment carried out by LG Futures, the Council is anticipated to benefit from the proposed arrangements. This report sets out the background to the pilot and informs Cabinet of the latest position.**
Contact Officer(s):	**Name: Homira Javadi** **Post title: Chief Finance Officer** **E-mail: Homira.Javadi@lewes-eastbourne.gov.uk** **Telephone number: 01323 415512**

1 Introduction

1.1 A new funding regime was introduced on 1 April 2013 whereby local authorities effectively retain a proportion of any additional business rate income collected (above inflation) or conversely will experience a reduction in resources if the business rates base declines.

1.2 Under the scheme 50% of business rates is localised through a system of top-ups and tariffs that fix an amount to be paid to high yield authorities and distributed to low yield authorities – the amount being increased annually by inflation (RPI). The proportion retained by individual collection authorities in East Sussex is 40%, 9% is payable to East Sussex County Council, and 1% to the Fire and Rescue authority.

1.3 The 50% central government share is distributed through the formula grant process (now termed Settlement Funding Assessment) – this enabling the government to control the overall amount received by local authorities. Where there is disproportionate growth this will be used to provide a safety net for those authorities experiencing little or negative growth and allows the treasury to top slice business rates income. A reset mechanism will be in the place with the first reset in 2020 and periods of 10 years thereafter.

2 Business Rates Retention Pilot

2.1 The Government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020.

2.2 In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20.

2.3 To ensure that piloting in 2019/20 closely reflects the government's proposals to date for a reformed business rates retention system, authorities selected as pilots in 2019/20 will be expected to forego Revenue Support Grant (RSG) and Rural Services Delivery Grant (RSDG).

2.4 To help East Sussex councils develop a greater understanding of the potential financial implications of the pilot, LG Futures was commissioned to collate and advise on the financial viability of the scheme, modelling the key risks and identifying appropriate governance arrangements.

2.5 Based on the data, a report on the potential for East Sussex being a 75% Business Rates Retention Pilot was considered by Chief Executives/Directors of respective Councils and the Fire Authority where is was agreed unanimously that an application should be submitted on the basis of the arrangement and recommendations in this report.

2.6 It was announced alongside the Local Government Finance Settlement on

6 December that the East Sussex bid was successful.

3 Outcome expected and performance management

3.1 For the 2018/19 financial year, the County Council, Districts and Boroughs and the Fire Authority are in a 50% Pool. This brings additional resources to the County area as it allows the pool to retain the levy otherwise charged on business rates. Under this arrangement, the retained levy (which is equal to 20% of the total growth) is split 40:50:10 across the County Council, Districts and Boroughs Councils and Fire authority respectively. The split of this gain within a pool area is agreed locally. Without a pool the 50% retained rates growth would be split 9:40:1 respectively, with Districts and Boroughs having to pay 50% of their growth back to central government.

3.2 Table 1 below shows an analysis, based on District and Boroughs (National Non Domestic Return) NNDR1 - January 2018 forecasts, of business rate income in 2018/19 across authorities. Table 2 then shows the potential pilot gain over and above the pool by using the proposed pilot arrangements

Table 1 Current Pooling Gains

Authority	Forecast income £m	Pooling Gain Redistributed £m
	NNDR1 18/19	18/19 Pool Calculation
Eastbourne BC	15.6	0.3
Hastings BC	9.4	0.1
Lewes DC	11.0	0.3
Rother DC	8.4	0.3
Wealden DC	14.7	0.6
East Sussex Fire	1.5	0.3
East Sussex CC	13.3	1.3
TOTAL	**73.9**	**3.2**

Table 2 Potential Pilot Gains

Authority	Current Pool Split with Levy	Split	Pilot income 2019/20 £m	Pilot Gain £m
Eastbourne BC	30%	44%	5.0	0.5
Hastings BC			5.1	0.1
Lewes DC			3.2	0.4
Rother DC			3.4	0.4
Wealden DC			4.7	0.8
East Sussex Fire	3%	5%	8.0	0.3
East Sussex CC	17%	26%	81.8	1.7
TOTAL	**50%**	**75%**	**111.2**	**4.2**

3.3 In brief the financial case for a pilot is compelling, the gain for Lewes from the above modelling results shows that there could be an additional £100,000 for 2019/20.

3.4 The pilot retention percentage related to growth only, not all rates. When agreeing to become a pilot, grant income relating to RSG and RSDG will be rolled in for East Sussex. Therefore the risk is that retained growth does not cover the guaranteed grant income and the area could be worse off than if it operated under 50% arrangements.

3.5 There will be a Safety Net set at 95%, to reflect the additional risk locally that 75% retention introduces, and this will apply pilot wide and not to individual authorities. The safety net under the 50% scheme is 92.5.%.

3.6 The business rate base in East Sussex is largely supermarkets and retail and there is no one single or few large hereditaments that make up this yield. This means for East Sussex there would have to be a national event for business rates to fall significantly.

4 Splitting the Gains/Losses form Pooling

4.1 The allocation of resources is based on the following principles and are set out in the Memorandum of Understanding agreed by all the participating authorities.

4.2 Each individual authority, if resources allow, will receive at least the same level of funding they would have received without the 75% Pool (i.e. Authorities acting as a 50% pool).

4.3 Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to rewarding members of the pool for achieving business rate growth.

4.4 The underlying basis of allocation is as follows:

a) The running costs of the pool, if any, will be initially paid by the lead authority and will be paid to them on a pro rata basis (based on the increased resources from being in the pool)

b) If after (a), there are still resources to be distributed, then authorities will retain their own growth, based on the following local shares:

Tier	Proportion
County	26%
District	44%
Fire	5%
Total	**75%**

c) Where the pool makes a loss, the loss will be funded by each Pool Member proportional to the cash amount that would have been received from central government if the Pool arrangement was not in operation from the business rate retention scheme.

4.5 Wealden DC is currently the lead authority for the current pooling arrangement and are prepared to undertake that role for the 75% Pilot. It has already been agreed that LG Futures will be contracted to advise the pool in 2019/20, and this will provide a degree of objectivity and impartiality for all parties, the very limited costs being shared equally between the seven authorities.

4.6 The government have an expectation that pilot Councils will demonstrate how they will use the gains to benefit their local area. In relation to the Lewes District Council, the Chief Finance Officers recommend the following:

a) Financial Stability Element - equivalent to 50% gain under the current pooling arrangements – (£300,000)

b) The Economic Development Element – this will be the 25% additional gain from the pool – (£100,000)

5 Financial appraisal

5.1 There are some very significant additional resources available as identified in this report. A pan East Sussex pilot is seen as ideal given the potential use of some or all of the monies for economic development within the area.

5.2 The latest modelling indicated that Lewes District Council could receive an additional £100,000 from being a member of an East Sussex Business Rates Pilot.

6 Legal implications

6.1 Rates Pooling is permitted by virtue of Part 9, Schedule 7B, Local Government Finance Act 1988 as amended.

7 Risk management implications

7.1 The key risk revolves around the reduction in the business rate taxbase. This could arise as a result of recession, companies closing down, or the level of rating appeals that are still outstanding resulting in larger then estimated reductions in rateable values. The report by LG Futures considers that the risk of an overall loss from losing two of the highest ratepayers for a region, without warning, and for a whole year, is unlikely. Likewise in terms of the economic picture, this is currently improving with growth in the business rates base being forecast locally in 2019/20.

7.2 The level of risk is linked to the size of the forecast gain, with the higher forecast gain, the lower the risk.

7.3 The pool is treated as single authority and all risks and rewards are shared, therefore any loss by one member will reduce the income of the others.

8 Equality analysis

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8.1 There are no equality implications to this report.

9 Appendices

Appendix 1 - East Sussex Business Rate Pool – Memorandum of Understanding

10 Background papers

None

Appendix 1

East Sussex Business Rate Pool

Memorandum of Understanding

This Memorandum of Understanding is made between

- East Sussex County Council
- East Sussex Fire Authority
- Eastbourne Borough Council
- Hastings Borough Council
- Lewes District Council
- Rother District Council
- Wealden District Council

(Together referred to as the 'Pool' or 'Pool Members').

1. Purpose

1.1 The main aim of the pool is to maximise the retention of locally generated business rates. The modelling work that has been undertaken by the Pool Members demonstrates that financially the pool area would retain a greater share of business rates revenue through pooling than it would otherwise do, as long as it experiences economic growth. This will act as a further incentive for all the pooling authorities to proactively work together to drive economic growth within the pool.

1.2 It is the purpose of this Memorandum of Understanding to act as a Statement of Intent that will support the realisation of these benefits. The Pool Members have agreed to enter into this Memorandum of Understanding to formalise their commitment and to set out their respective roles and responsibilities.

2. Glossary of Key Terms

2.1. There are a number of technical terms used throughout this document. The meanings of these terms are as follows:

Levy

A formulaic mechanism to pay a percentage of additionally raised local business rates income over to central government when a target (set nationally for each billing authority) has been exceeded.

Pool

A voluntary arrangement amongst a group of local authorities to pool the business rates generated locally to allow a greater proportion of business rates growth is retained locally.

Safety Net

The additional funding received by an authority, from central government, if, in the government's opinion, the decline in business rates in any year would leave an authority with insufficient resources. Calculated using a national formula.

Lead Authority

The Pool member who will act as the lead in managing the Pool's resources and being the key contact between central government and the Pool

Schedule of Payments

The Lead Authority will prepare an annual schedule that reflects all the financial payments to be processed through the pool, clearly indicating the amount, timings of each payment and who needs to make what and payment to whom.

3. Key Principles

3.1. The Pool Members agree that they will operate the Pool in accordance with the following principles:

Increase in Resources

The Pool Members recognise that the fundamental objective of the Pool is to generate increased resources for the area, and individual Pool Members

Risk Management

The Pool Members agree to protect and mitigate as far as possible the risks associated with the level of business rate income. Income streams to the Pool Members may be more volatile, whether as the result of a one-off event (for example a successful large appeal) or something structural within an area (for example the closure of a major plant). The pooling arrangements should reduce this volatility.

Fairness

The Pool Members agree to share the costs, risks and benefits of local business rate retention proportionately. Pool Members should be no worse off than if they were outside the Pool.

Transparency, Openness and Honesty

Pool Members will be open and trusting in their dealings with each other, make information and analysis available to each other, discuss and develop ideas openly and contribute fully to all aspects of making the Pool successful. It also includes sharing data and intelligence outside of the formal reporting mechanisms on any substantive issues relating to business rate retention within their area.

Reasonableness of Decision-Making

Pool Members agree that all decisions made in relation to this Memorandum of Understanding shall be made by them acting reasonably and in good faith.

4. Binding Memorandum

4.1. This Memorandum of Understanding is produced as a Statement of Intent and, with the exception of Sections 5, 10 and 11, is not intended to be legally binding.

4.2. Sections 5, 10 and 11 are intended to be legally binding and to create obligations between Pool Members with immediate effect from the execution of this Memorandum of Understanding.

4.3. Pool Members have approved this Memorandum of Understanding in advance of the Secretary of State designating the Pool for the purposes of the Business Rates Retention Scheme. If the Secretary of State adds conditions to the designation, either initially or at any point in the future an immediate review of this Memorandum of Understanding, as outlined in Section 12, will be triggered.

5. Term of Memorandum

5.1. This Memorandum of Understanding is for the financial year April 2019 to March 2020.

- Written notice is given to other Pool Members and MHCLG in at least sufficient time for the Pool to remain in place for the remaining Pool Members, should they wish it to continue. Sufficient time is taken to be at least the time specified by MHCLG in regulations and/or guidance.
- All liabilities to and from the Pool are paid.

6. Decision-Making

6.1. The statutory finance officers (Chief Finance Officer) from each Pool Member shall collectively be responsible for overseeing the operation of the Pool and making recommendations to their respective authorities about the way forward.

6.2. The Lead Authority shall ensure that reports are sent to the Chief Finance Officer of each Pool Member at least on a quarterly basis updating them of the performance of the Pool and advising them of any issues. These reports should be available within six weeks of the quarter end.

6.3. The Lead Authority is able to appoint external support in order to assist with the undertaking of its responsibilities (as per section 9 below) on behalf of the pool. The costs incurred by the lead authority will be shared across the group, as outlined in section 11 below.

6.4. For the avoidance of doubt, any substantive decision e.g. commitment of resources, changes in governance or major operational changes shall be referred to each Pool Members' decision-making regime.

7. Dispute Resolution

7.1. The Pool Members shall attempt in good faith to negotiate a settlement to any dispute arising between them arising out of or in connection to this Memorandum of Understanding. If this cannot be resolved by the Chief Finance Officers it will be referred to a meeting of all Member authorities Heads of Paid Service for resolution.

8. Resourcing

8.1. Each Pool Member will provide the appropriate resources and will act with integrity and consistency to support the intention set out in this Memorandum of Understanding.

8.2. In the event that the Lead Authority needs to incur additional expenditure in order to administer the pool, any reasonable costs agreed by pool members should be the first call on additional business rates income retained by the pool (above what would have been received if the authorities had acted individually).

9. Lead Authority

9.1. Wealden District Councilwill act as the Lead Authority for the Pool.

9.2. The responsibilities of the Lead Authority are:

To make payments on behalf of the Pool to central government and Pool Members on time and in accordance with the schedule of payments,

To liaise with and complete all formal Pool returns to central government on behalf of Pool Members,

To keep Pool Members informed of all communications with central government,

To manage the resources of the Pool in accordance with this MoU,

To prepare quarterly reports and consolidate intelligence on future resource levels on behalf of the Pool,

To convene an urgent meeting of the Chief Finance Officers if there is the possibility that the pool could make a loss.

To prepare the annual report of the Pool's activity,

To co-ordinate the annual review and refresh of the Pool's governance arrangements and the methodology for the allocation of resources,

To consult on and administer a schedule of all payments in respect of all financial transactions that form part of the Pool's resources, and

To lead on the timely provision of the information required, by Pool Members, in preparing their annual Statement of Accounts in relation to the activities and resources of the Pool.

9.3. To assist the Lead Authority in fulfilling this role, the responsibilities of individual Pool Members are:

To make payments on time and in accordance with the schedule of payments,

To provide accurate, timely information to the Lead Authority to enable all formal Pool returns to central government to be completed,

To inform the Lead Authority, as soon as is practical, of any intelligence that may impact on the resources of the Pool either in the current year or in future years,

To provide such information as the Chief Finance Officers agree is reasonable and necessary to monitor/forecast the Pool's resources within the timescales agreed, To provide such information as the Chief Finance Officers agree is reasonable and necessary on the use of the Pool's resources for inclusion in the Pool's annual report, and

To provide accurate and timely information on the end of year financial performance of the business rates collection fund to enable the Lead Authority to calculate the end of year accounting entries needed.

10. Cash Management

10.1. The governing principle for the cash management of the Pool is that no individual Pool Member, including the Lead Authority, should incur a cash flow gain or loss as a result of the transfer of funds between Pool Members.

10.2. The Pool will receive/pay interest annually on any retained resource at the average investment rate of the Lead Authority.

10.3. Interest will be calculated on an annual basis and allocated to Pool Members based upon a method agreed by the Chief Finance Officers.

10.4. Where the Pool is required to make a payment to the Secretary of State, each authority in the Pool is jointly and severally liable to make that payment.

10.5. Any late payment may be subject to a late payment interest charge at base rate plus 4%.

11. Allocation of Pool Resources

Principles

11.1. The allocation of resources will be based on the following principles:

Each individual authority, if resources allow, will receive at least the same level of funding they would have received without the Pool.

Any additional resource that is generated will be shared by pool members using the basis of allocation below. This allocation methodology looks to reward members of the pool for achieving business rate growth.

Basis of Allocation

11 .2. The underlying basis of allocation is as follows:

A: The running costs of the pool, if any, will be initially paid by the lead authority and will be paid to them on a pro rata basis (based on the increased resources from being in the pool.

B If after A, there are still resources to be distributed, then authorities will retain their own growth, based on the following local shares:

District Councils	44%
County Council	26%
Fire authority	5%

C: Where the pool makes a loss, the loss will be funded by each Pool Member proportional to the cash amount that would have been received from central government if the Pool arrangement was not in operation from the business rates retention scheme.

12. Review Arrangements

12.1. The pool is for 2019/20 only. If required during this period, the lead authority can undertake a review on behalf of the Chief Finance Officers and in sufficient time for any changes to be in place before the end of the following financial year.

13. Signatories on behalf of the Pool Chief Finance Officers:

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Report to:	**Cabinet**
Date:	**11 February 2019**
Title:	**Voluntary Sector Support**
Report of:	**Ian Fitzpatrick, Director of Regeneration and Planning**
Cabinet member:	**Councillor Tony Nicholson, Cabinet Member for Customers and Partners**
Ward(s):	**All**
Purpose of report:	**1. To seek Cabinet approval for amendments to the Council's policy on grants to voluntary organisations.** **2. To report on the performance of those voluntary organisations funded by the Council in 2018/19.** **3. To agree grant funding for 2019/20.**
Decision type:	**Key decision**
Officer recommendation(s):	**1. To approve the proposed policy on grant funding, as set out in Appendix A.** **2. To approve an extension to the grant awarded to BHT in 2018/19 for their support to Lewes District residents needing to claim Universal Credit.** **3. To agree the allocation of funding to voluntary organisations for 2019/20 as set out in paragraph 2.24 subject to the grant conditions set out in Appendix A.**
Reasons for recommendations:	**The Council may choose to give grants to voluntary organisations and currently funds a small number of strategic voluntary sector organisations which provide a range of essential services to our residents which address key council priorities.** **The proposed amendments to the Council's Voluntary Sector Grants Policy are designed to ensure that awards of grants comply with current European State Aid regulations and with Data Protection legislation.** **The proposed grants are in line with the Council's Voluntary Sector Grants policy and Cabinet decisions made on 5 February 2018.**

Contact Officer(s): **Name: Pat Taylor**
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1 Introduction

1.1 The Council makes funding available to voluntary organisations each year in line with its Voluntary Sector Grants Policy. The Council recognises and highly values the significant contributions that the community and voluntary sector play in delivering services to our residents. Partnership working is a key priority for Lewes District, and the council is committed to working with voluntary and community organisations through the giving of community grants. This helps support a thriving voluntary sector in the Lewes District. In addition, the giving of funding to such groups can also provide a cost effective way of delivering the Council's objectives.

1.2 At its meeting on 5 February 2018 Cabinet agreed a Voluntary Sector Grants Policy setting out the key principles and standards which underpin decisions to award grants. The proposed additions to the policy are set out in full in Appendix A. In summary, the additions:

- clarify the basis for the allocation of funding to voluntary and community organisations
- set out the requirements of the European Union relating to State Aid and the process the council will follow for ensuring compliance with these
- address potential data protection issues which may need be covered by data sharing agreements within the grant funding agreements or as separate documents when required.

1.3 The grants proposed at paragraph 2.26 are those agreed in principle by Cabinet in 2018 subject to compliance with the terms of a grant agreement, satisfactory delivery of the services supported by the grant and the availability of funds along with an extension of the £30,000 allocated to BHT during 2018/19 for work on Universal Credit.

1.4 All grants are subject to grant agreements covering the specific services funded and outcomes to be delivered. These provide a mechanism for the Council to monitor the organisations' performance and delivery closely through written reporting and review meetings. The agreements specify the amount of funding, what activities the grant can be used for, minimum legal and service requirements, monitoring and evaluation processes. It should be noted, however, that all grant agreements contain clauses enabling review, termination and/or renegotiation of terms should the need for the service change or to address any performance issues encountered.

2 Proposal

Additions to Policy

2.1 Cabinet is asked to approve the additions, specified in paragraphs 2.2 to 2.4

below, as incorporated into the amended Voluntary Sector Grants Policy attached at Appendix A to this report.

2.2 The legal basis for local authority grant-making has been added as an introduction to the policy.

2.3 Sections on State Aid have been added to the policy. These explain the European Union regulations relating to the use of public funding to support economic activity and the need to apply to the EU Commission for approval to implement aid where this exceeds certain thresholds. The policy sets out the process which officers will follow in liaison with the council's Legal Services to ensure compliance with the regulations before making a grant payment.

2.4 The policy also recognises the need in some cases for personal data to be shared between the organisation being awarded a grant and the council. To ensure that data processing is carried out in accordance with data protection legislation, primarily the General Data Protection Regulation (EU 2016/679) and the Data Protection Act 2018, the Council will, where necessary, enter into a data sharing agreement with the grant recipient. Such agreements would be prepared in consultation with the Council's Information Governance Manager or Data Protection Officer and may be incorporated within the grant agreement or drafted as a stand alone agreement.

Performance 2018/19

2.5 Monitoring data is provided by funded organisations by the end of the month following completion of the previous quarter and is available, at the time of writing, for Quarter 2 – July to September 2018.

Lewes District Citizens' Advice

2.6 The Lewes District Citizens' Advice helps people resolve their legal, money and other problems by providing free, independent and confidential advice**.** The most recent quarterly monitoring figures show that 898 residents used the service between July and September 2018 seeking advice on 2,528 issues. Of these, the largest proportion related to welfare benefits, most relating to Personal Independent Payments (258) and Employment Support Allowance (157). A high proportion of customers have long-term health conditions.

2.7 During 2018 Lewes District Citizens' Advice moved to its new premises in Newhaven. The move was designed to ensure advice services were easily accessible to residents in an area of need and has achieved a higher proportion of service use by residents from Newhaven and the surrounding coastal area. Monitoring data for Quarter 2 showed that 170 clients were from Newhaven, compared with 139 from Seaford, 113 from Peacehaven, 112 from Lewes, 35 from Telscombe and 60 from other parts of the district.

2.8 Advice services have a positive impact on the lives of individual clients, but also contribute to the Council's own services. In the first half of the year, for example, 28 council tenants benefited financially from the specialist Benefits Advice service with a total financial gain from benefits of £149,966. This supports council tenants to meet their housing costs and pay their Council Tax. In the same period from April to September, 16 were helped to manage their debts.

3VA

2.9 3VA provides support for voluntary and community organisations across the Eastbourne, Lewes District and Wealden areas of East Sussex. They provide a range of practical support to charities and community groups including start-up support, funding advice, help with governance and training. Their services help to inform, sustain and develop the voluntary and community sector in the area.

2.10 In Quarter 2, 3VA provided 'group support' with information, advice, guidance and extended support to 18 different groups based in Lewes. In addition, they continued to publish their weekly e-news to subscribers updating them on current funding opportunities, consultations, training, events and jobs in the sector. Their ongoing work also includes training provision and the development and support of networks. They currently work with the Locality Link teams bringing together health and social care services to deliver quarterly network meetings for voluntary organisations in Lewes and the Havens and in Seaford.

2.11 As part of their monitoring reports, 3VA highlight current trends and needs. Over the last year these have focused particularly on social isolation and loneliness, and, more recently, on the difficulties many smaller groups face recruiting and supporting volunteers. They continue to support two Dementia Action Alliances in the district.

Action in Rural Sussex

2.12 AiRS is the Rural Community Council for Sussex. The organisation's purpose is to provide practical help and support to rural communities across both East and West Sussex enabling them to be vibrant, living and working places. The funding provided by the Council is specifically to support the organisation's work with the village halls and community buildings in the Lewes district.

2.13 The Council awards a grant of £3,500 each year and asks for an annual monitoring report and meeting. In 2017/18 AiRS provided information and support to 8 subscriber groups managing village halls in Barcombe, Cooksbridge, Ditchling, Kingston, Newick, Ringmer and Wivelsfield and consultancy services to groups in Barcombe, Ditchling, Ringmer and Wivelsfield. They also ran 6 workshops and seminars, provided training on portable appliance testing and held an East Sussex Village Halls and Community Buildings Conference.

Sompriti

2.14 Sompriti supports black and minority ethnic (BME) communities and individuals across East Sussex. They work with individuals from a range of different backgrounds and heritage, organising community events, and providing bilingual support to residents in a variety of community languages.

2.15 Over the last year, Sompriti has focused on supporting BME residents in the Lewes district to access a range of employability, health and wellbeing, and social activities, including 'Let's Get Working', World Kitchen and Grub Club and one-off events such as a Family Fun event at half-term. They have supported eighteen BME residents with employability services; between five and twenty people at different health and wellbeing events and activities; and twelve people with advice services. They also support individual BME residents with advice and interpreting services.

Lewes District Churches Homelink

2.16 This service provides housing deposits and rent in advance to homeless households and those at risk of homelessness referred by the Council's housing needs officers. The grant is supplemented by a grant of £13,200 from East Sussex County Council. This service is a key part of the Council's work to prevent and relieve homelessness. Officers refer those households who are not covered by the Council's own statutory duties for rehousing, such as those who do not have a priority need for rehousing under the terms of the Housing Act 1996. Under the terms of the grant agreement, this funding may only be used for essential costs, such as rent deposits.

2.17 Lewes District Churches Homelink has provided this service to 50 different households in the period April to September 2018 with loans totalling £75,658. In addition to the funding secured from the councils, these loans are financed by repayments from existing and previous loans, and from the group's own fundraising.

Funding to meet the needs of Universal Credit claimants

2.18 At its meeting on 6th December 2017, Lewes District Council resolved to allocate £30,000 in 2018/19 to award as grant to a voluntary organisation to help mitigate the impact of the rollout of Universal Credit Full Service scheduled to begin in September 2018. This allocation was intended as a one-off grant for one year only.

2.19 In February 2018 Cabinet agreed that a specification for a service be drawn up and bids invited from suitably qualified voluntary organisations to undertake this work. Based on the proposals received and interviews with the short-listed organisations, the funding was awarded to BHT Eastbourne Advice to deliver a casework service to Lewes residents focusing particularly on homeless households, those at risk of homelessness, council tenants and residents in rural areas. It was agreed that this service should start at the end of September when the full roll-out of Universal Credit began.

2.20 To date, since the service started at the end of September 2018, BHT have assisted sixteen households needing support to claim Universal Credit. A further six were advised that they did not need to claim Universal Credit. As well as supporting residents to complete claims for Universal Credit, BHT have been able to offer wider advice on benefit entitlements, such as Council Tax reduction. Five of those supported were tenants of Lewes District Council and two were homeless households.

2.21 BHT have done extensive publicity work, using leaflets and attending meetings with council staff teams, local Job Centres, Lewes District Councillors and tenants' meetings. They will also be attending the Tenants Conference in

January to promote the service. However, the number of referrals in the first three months was small, reflecting the fact that the roll-out of Universal Credit is gradual, occurring only when people need to make a new claim or have a specific change in their circumstances. There were seven referrals in December compared with two in September and four in October.

2.22 Given the slow start to Universal Credit roll-out and the number of people seeking support specifically for help with this, BHT, working closely with council officers, have taken a proactive approach seeking out those with wider needs. In particular, they have worked with council tenants known to have significant rent arrears and be at risk of losing their homes. This has uncovered a wider need for support to tenants on claiming benefits to which they are entitled and some cases where tenants are not yet claiming Universal Credit but could increase their income by doing so.

2.23 It is expected that demand will increase as the number of people required to claim Universal Credit rises over the coming year and it would be helpful to build on the work BHT has carried out to date, laying strong foundations for a proactive service available to all residents needing support with their benefit claims. It is therefore proposed that a further £30,000 is awarded to BHT to continue its work.

Grant allocations 2019 to 2020

2.24 In February 2018 Cabinet allocated the grants for 2018/19 as set out in the table at paragraph 2.26 and agreed that grant be allocated for the following three years, 2019/20 to 2021/22, subject to compliance with the terms of a grant agreement, satisfactory delivery of the services supported by the grant and the availability of funds.

2.25 Cabinet also agreed that grant agreements be reviewed annually to ensure best use is made of the grants budget. Based on the performance of the voluntary organisations supported in 2018/19, Cabinet is asked to confirm the same level of funding for 2019/20.

2.26

Organisation	2018/19 grant (£)	2019/20 proposed (£)
Lewes District Citizens Advice	Core Grant 140, 340 (HRA benefits advice) 17,500 (HRA money advice) 17,500 175,340	Core Grant 140, 340 (HRA benefits advice) 17,500 (HRA money advice) 17,500 175,340
3VA	28,000	28,000
Action in Rural Sussex	3,500	3,500
SCDA – Sompriti	10,000	10,000

Lewes District Churches Homelink	11,800	11,800
BHT Eastbourne Advice – Universal Credit service	30,000	30,000

3 Outcome expected and performance management

3.1 The amendments proposed to the Voluntary Sector Grants Policy are designed to ensure the Council meets its legal requirements under GDPR and the Data Protection Act 2018, and European Union regulations on State Aid.

3.2 The allocation of grants reflects the Council's recognition of the financial and social challenges which some of our residents face and the continuing importance of voluntary sector involvement in supporting those people most at risk in our communities.

4 Consultation

4.1 The provision of grant funding is based on regular discussion with voluntary sector agencies, including surveys of local voluntary organisations carried out each year by 3VA. Of the 48 organisations who responded to this survey in 2018, 31 identified secure, long-term funding as a priority.

5 Corporate plan and Council policies

5.1 The proposed allocations comply with the Council's Voluntary Sector Grants Policy and will contribute to the Corporate Plan strategic outcomes for resilient, healthy and engaged communities underpinning our work with our voluntary sector partners delivering key advice and support services.

6 Business case and alternative option(s) considered

6.1 Grant aid to voluntary and community organisations enables to council to meet the needs of residents whilst maximising the contributions of voluntary activity. This approach provides excellent value for money and reduces the demand on the Council's own services and resources.

6.2 Regular monitoring and reviews area carried out to ensure best use is made of council funds and that only those organisations which provide high quality services and value for money are awarded funding.

7 Financial appraisal

7.1 The proposal to extend the grant of £30,000 to BHT for a further year requires a further one-off growth to the grants budget in 2019/20.

8 Legal implications

8.1 Section 137 of the Local Government Act 1972 and section 1 of the Localism Act 2011 permit the Council to make community grants to the voluntary sector.

8.2 The legal position on state aid is set out in the policy document appended to this report.

8.3 The UK is scheduled to leave the EU on 29 March 2019. If there is an Implementation Period, the State Aid rules will continue to apply as now and will be subject to control by the EU Commission as at present. If the UK leaves the EU without a negotiated Withdrawal Agreement, the Government has announced its intention to transpose EU State Aid rules into UK domestic legislation, with only technical modifications to correct deficiencies with the transposed EU law to ensure the regime continues to operate effectively in a domestic context.

Lawyer consulted 03.01.19 *Legal ref: 007954-LDC-OD*

9 Risk management implications

9.1 If Cabinet does not allocate the funding it has budgeted for grants there are risks both to the Council's reputation in relation to this high profile activity and to the Council's own services which could experience increased demand from customers who would normally use those services provided by voluntary organisations.

9.2 Reviewing the Council's policies and performance on a regular basis provides an assurance that the Council is fulfilling its functions in a way that complies with current legislation. The proposed policy amendments are designed to reduce the risk to the Council of being in breach of legislation governing Data Protection and State Aid.

10 Equality analysis

10.1 An Equality and Fairness Analysis was completed in February 2017 and is available from the report author. The analysis identified a need to ensure grant recipients' equality policies were in place and compliant with the Equality Act. These policies were provided and checked as part of the grant agreement process.

10.2 An Equality and Fairness review of the Council's grants policies and procedures has been carried out and presented to the Equality and Fairness Stakeholder Group. The review is available from the report author.

11 Appendices

- Appendix A – Proposed Voluntary Sector Grants Policy

12 Background papers

The background papers used in compiling this report were as follows:

- Lewes District Council Voluntary Sector Grants Policy – https://www.lewes-eastbourne.gov.uk/community/lewes-voluntary-sector-grants/
- Equality and Fairness Analysis – available from report author

Appendix 1 - Lewes District Council Community Grants Policy

Introduction

The Council recognises and highly values the significant contributions that the community and voluntary sector play in delivering services to our residents. Partnership working is a key priority for Lewes District, and the Council is committed to working with voluntary and community organisations through the giving of community grants. This helps support a thriving voluntary sector in Lewes District. In addition, the giving of funding to such groups can also provide a cost effective way of delivering the Council's objectives.

Legal Framework

Section 137 of the Local Government Act 1972 applies to expenditure incurred or contributions made to charitable organisations or to not-for-profit organisations providing a public service. It states that a local authority may incur expenditure which in their opinion is '*in the interests of, and will bring direct benefit to, their area or any part of it or all or some of its inhabitants'.*

Section 1(4)(c) of the Localism Act 2011 permits a local authority to do anything that individuals generally may do, in any way whatever, including power to do it for, or otherwise than for, '*the benefit of the authority, its area or persons resident or present in its area.'*

Policy

1) The Council's policy is to offer grant funding to a small number of organisations which provide essential services to our residents, particularly those experiencing hardship or disadvantage, or which play a key role providing infrastructure services to enable and support a thriving community and voluntary sector in the District.

2) The Council only offers grants to organisations which are well embedded in the Lewes District and are able to deliver services which build on strong links with local communities.

3) Organisations funded must be fully inclusive, and in a position to deliver services across the whole geographical area.

4) Grants will only be given to organisations which have a need for grant funding; which have sound governance arrangements and financial management; which can demonstrate good value for money and a significant use of volunteers in the delivery of their services; and which have clear policies on safeguarding where appropriate and on equality and inclusion covering service users, volunteers and staff and encompassing, as a minimum, all those groups protected under the Equality Act 2010.

5) Given current constraints on all Council budgets, the Council will not make any allowance for inflation.

State Aid

1) Background:

   a) Article 107(1) of the Treaty on the Functioning of the European Union provides that:

      "*Save as otherwise provided in this Treaty, any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, in so far as it affects trade between Member States, be incompatible with the common market"*

   b) Grants awarded from public funds may constitute 'state aid' and, where the grant is to be used to support 'economic activity', are subject to rules under (1) EU Regulation 1407/2013 governing De Minimis aid and (2) EU Regulation 800/2008 – The General Block Exemption Regulation (GBER).

   c) Unless the de minimis rule or GBER applies, it is likely that state aid will be unlawful until it has been notified and, in the case where European Commission approval is required, approved - even if the aid is in fact compatible.

2) Mitigation:

   a) Prior to making any grant payment, the council will carry out a simple assessment to check whether it is:
      - state aid and;
      - if so, whether it is exempt from prior notification under the de minimis provisions or a block exemption. If not, the grant may require notification to the European Commission.

   b) Council officers will, in consultation with Legal Services where appropriate, complete the State Aid Checklist (based on the 4 characteristics of State aid) below and will require recipients to sign the De Minimis Declaration (also below) confirming that the grant will not breach the relevant de minimis threshold.

<u>Data Protection</u>

1) The making of community grants may involve the transfer, receipt or sharing of personal data to, from or between the Council and the grantee. Where this occurs, the parties will consider entering into a data sharing agreement setting out the nature and scope of any personal data processing, and how both parties will ensure that processing is carried out in accordance with the General Data Protection Regulation (EU 2016/679) and the Data Protection Act 2018.

2) Any such data sharing agreement may be incorporated within the grant funding agreement or prepared as a discrete document, as appropriate.

3) Data sharing agreements must be prepared in consultation with the Council's Information Governance Manager or Data Protection Officer.

Policy agreed at XXX

State Aid Checklist

The four characteristics of State aid:

1) State aid is granted through state resources.
2) State aid favours certain undertakings, or the production of certain goods.
3) State aid distorts competition (or threatens to do so).
4) State aid affects trade between member states

State Aid – De Minimis Declaration

Please refer to the State Aid Guidance issued with your application pack (available on-line at State aid - GOV.UK).

I declare that the grant offered by the Council will comply with the law on State Aid on the basis that, including this grant, …………………………………… (*name of organisation) shall not receive more than €200,000 in total of de minimis aid within the current financial year or the two previous financial years*.

Signed ……………………………………………….Date ……………….
(to be signed by an authorised officer)

Position in organisation…………………………………………………………………

Company/Organisation (*full Legal Name*)…………..…………………………………………

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Report to:	**Cabinet**
Date:	**11 January 2019**
Title:	**CIL Spending Recommendations**
Report of:	**Ian Fitzpatrick, Director of Regeneration and Planning**
Cabinet member:	**Cllr Tom Jones, Cabinet Member for Planning**
Ward(s):	**All wards that lie wholly or partially outside the South Downs National Park**
Purpose of report:	**To seek Cabinet approval to release CIL funds, as recommended by the CIL Executive Board, to assist in the delivery of certain infrastructure projects in the area of the district for which Lewes District Council is the local planning authority.**
Decision type:	**Key**
Officer recommendation(s):	**To agree the release of funds from the CIL governance pots as recommended by the CIL Executive Board.**
Reasons for recommendations:	**To support the delivery of the right level and type of infrastructure to support the growth identified for the local planning authority in the adopted Joint Core Strategy.**
Contact Officer(s):	**Name: Emma Kemp** **Post title: Senior Planning Policy Officer (Infrastructure)** **E-mail: Emma.Kemp@lewes-eastbourne.gov.uk** **Telephone number: 01273 085756**

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1 Introduction

1.1 The Community Infrastructure Levy (CIL) is a charge that local authorities can impose on new development to help raise funds to deliver infrastructure that is required to support development and growth in their area. The Lewes District CIL Charging Schedule came into force on 1 December 2015 and applies to liable developments granted permission on or after this date in the area of the district for which Lewes District Council is the local planning authority. CIL is payable when works to implement a planning permission commence. As at 27th December 2018, the Council has collected £3,379,682.87 of CIL apportioned as follows between the difference pots in line with the CIL Regulations 2010 (as amended), the National Planning Practice Guidance (2014) and the Council's bespoke CIL governance (2014, 2016):

	Collected	Process
CIL Admin	£170,116.98	Applies to cost of administrative expenses for collection and enforcement in line with Regulation 61
Neighbourhood Portion	£507,862.25	Passed to Town and Parish Councils twice yearly (April, October) who must spend it in line with Regulation 59C
County Pot	£1,634,616.22	Infrastructure providers will be invited to bid to help deliver strategic infrastructure identified as fundamental to support development. The CIL Executive Board will make spending recommendations to Cabinet
District Pot	£544,872.07	Infrastructure providers will be invited to bid to help deliver local and community infrastructure. The CIL Management Board will make spending recommendations to be reviewed by the CIL Executive Board and subject to Cabinet's approval
Community Pot	£544,872.07	

1.2 Cabinet agreed the creation of two CIL boards. Each board is made up of Members and officers to ensure consistent assessment of bids, aligning the district's infrastructure needs with the requirements of the CIL Regulations. The bespoke governance arrangements allow Members to participate in the process of assessing the infrastructure bids. Other stakeholders as necessary may be invited to provide comments to feed into the assessment process.

1.3 The CIL Regulations determine that CIL receipts received by the planning authority must be applied to the provision, improvement, replacement, operation or maintenance of infrastructure that is required to support development. It should be noted that Town and Parish Councils have more flexibility as to how they spend their neighbourhood portion, they can also spend it on anything else that is concerned with addressing the demands that development places on an area.

1.4 CIL is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development. It can however be used to increase the capacity of existing infrastructure or repair failing existing infrastructure, if it can be demonstrated that these works are necessary to support new development.

2 Proposal

2.1 Bids were invited from infrastructure providers from 10 September until 22 October 2018. An initial SWOT (Strengths, Weaknesses, Opportunities, and Threats) assessment was carried out by officers and presented to the relevant board for further discussion.

2.2 The CIL Management Board assessed the bids received in the District and Community pots and made recommendations for spending to the CIL Executive Board. The CIL Executive Board reviewed the recommendations of the CIL Management Board, assessed the bids received in the County Pot and made the final recommendations for spending the CIL revenue to Cabinet.

2.3 Infrastructure providers were encouraged to provide as much detail as possible to support their bids. The form appended to the CIL Governance report (2016) was made available through our consultation software. The following information was required to allow each bid to be assessed:

- What is the infrastructure project;
- What is the timetable for delivery;
- What is the overall cost and outline breakdown of costs;
- Is the project in the Council's IDP and/or Regulation 123 List;
- What is the relationship to development recently permitted in the area;
- What other source of funding are contributing to the project;
- What consultation has been undertaken and what is the level of stakeholder support.

2.4 When reviewing the bids, the following criteria were considered:

- Is the project *'infrastructure'* as defined by the CIL Regulations;
- Is the project deliverable, with or without CIL funding;
- What are the public benefits of the project and what level of community support has the project received;
- How does it fit within the Council's priorities (does it deliver what is absolutely critical to deliver the Core Strategy growth); and
- Does it make use of 'match funding' or dovetailing of funding from other sources.

2.5 The recommendations from the CIL Executive Board for funding approval are presented by Governance pot from which the funds would be released. The more detailed SWOT analysis can be found in Appendix A.

2.6 Where bids have been unsuccessful at this round of assessment feedback has been provided to the bidder. Where insufficient evidence has been provided to support funding feedback includes how the bid could be strengthened for a future resubmission.

2.7 <u>Recommendations for spending from the County Pot</u>

Project (description)	**Amount allocated**
East Sussex County Council – **New form of entry at the Seahaven Academy, Newhaven**. Release	£1,200,000.00

of funds are conditional on Planning Permission being granted and up to date quotes being received and reviewed.	

2.8 Recommendations for spending from the District Pot

Project (description)	**Amount allocated**
Wivelsfield Village Hall Improvements- up to date quotes required prior to release of funds.	£173,000.00
Newick Village Hall Improvements - up to date quotes required prior to release of funds.	£25,000.00
Salts Recreation Ground – New concrete table tennis tables. up to date quotes required prior to release of funds.	£3000.00
Newhaven High Street – installation of bespoke benches and planters. up to date quotes required prior to release of funds.	£8975.00

2.9 Recommendations for spending from the Community Pot

Project (description)	**Amount allocated**
Rowe Avenue Doctors Surgery – Refurbishment of flooring in treatment rooms and re-newal of emergency exit doors. The release of funds are conditional on up to date quotes and the implementation of this work within 6 months of being approved due to the length of lease left on this contract.	£12,000.00

2.10 The table below provides a summary of the amount of CIL funds that this report is recommending for spending from each CIL pot and the amount remaining available as at 27th December 2018 if the recommendation of this report is approved.

	Total recommendation for spending	**Total of Bids approved in April 2018**	**Total available as at 27th December if recommendation is approved**
County Pot	£1,200,000.00	£300,00.00	£134,616.22
District Pot	£209,975.00	£115,109.00	£219,788.07
Community Pot	£12,000.00	£17,000.00	£515,872.07

2.11 Prior to funding being released up to date quotes (quotes received within 30 days) will be required to be reviewed by the Planning Policy Officer and Finance Officer to ensure the project is still in line with the information provided at the time the bid was submitted and that the work is still able to be successfully implemented.

3 Outcome expected and performance management

3.1 It is expected that the projects receiving funding will be implemented in a timely manner. The CIL Officer will monitor the progress of projects and report to the Head of Service as required.

4 Consultation

4.1 Not Applicable

5 Corporate plan and council policies

5.1 The current adopted corporate plan for 2016-2020 states: We recognise the need for infrastructure improvements to support new and existing homes and businesses. Our planning policies and the operation of the Community Infrastructure Levy are aimed at securing such improvements.

5.2 The release of funds that have been generated from the Community Infrastructure Levy to support the projects identified in this report is therefore in line with the current Coprporate Plan for Lewes Disrict Council.

6 Business case and alternative option(s) considered

6.1 Not Applicable

7 Financial appraisal

7.1 The timeframe of the release of the funds will be agreed with the successful bidders to ensure the deliverability of the projects as well as minimising the risk for the Council. Monitoring the delivery of projects will rest with the Senior Planning Policy Officer (Infrastructure) and will be overseen by Finance.

8 Legal implications

8.1 Section 216(2) of the Planning Act 2008 and regulation 59 of The Community Infrastructure Levy Regulations 2010 provide that a Council that charges CIL must apply it, or cause it to be applied, to supporting development by funding the provision, improvement, replacement, operation or maintenance of infrastructure. In this context, “infrastructure” is defined as:-

(a) roads and other transport facilities,

(b) flood defences,

(c) schools and other educational facilities,

(d) medical facilities,

(e) sporting and recreational facilities, and

(f) open spaces

8.2 Planning Practice Guidance states that this definition allows the levy to be used to fund a very broad range of facilities such as play areas, parks and green spaces, cultural and sports facilities, academies and free schools, district heating schemes and police stations and other community safety facilities. This flexibility gives local areas the opportunity to choose what infrastructure they need to deliver their relevant. Charging authorities may not use the levy to fund affordable housing.

8.3 Local authorities must spend the levy on infrastructure needed to support the development of their area, and they will decide what infrastructure is needed. The levy is intended to focus on the provision of new infrastructure and should not be used to remedy pre-existing deficiencies in infrastructure provision unless those deficiencies will be made more severe by new development.

8.4 The levy can be used to increase the capacity of existing infrastructure or to repair failing existing infrastructure, if that is necessary to support development.

8.5 There are no detailed legal requirements as to how the funding decisions are to be made, although a CIL Governance Framework for Lewes District Council was approved by Cabinet in November 2016.

Legal Implications Checked 16.01.18 007202-LDC-JCS

9 Risk management implications

9.1

Risks	Mitigation
• Critical infrastructure will not be delivered in time to support development identified in the development plan; • Projects supporting the community may not get delivered; • Some projects have secured partial funding which may be subject to clawback if not spent within a certain timeline; • There could be adverse effects to the Council's image and bespoke CIL governance agreed by the Council if where and when possible the Council did not release CIL revenue	That the recommendation of this report is approved

10 Equality analysis

10.1 The information gathered does not identify negative impacts on any of the protected characteristic groups . The EaFA is currently with Stakeholders for comment and if required actions will be taken to address these.

11 Appendices

- Appendix 1 - Bid Assessments by Senior Planning Policy Officer October 2018

12 Background papers

The background papers used in compiling this report were as follows:

- Lewes District Local Plan Part 1: Joint Core Strategy 2010-2030, May 2016 http://www.lewes-eastbourne.gov.uk/_resources/assets/inline/full/0/257159.pdf
- Infrastructure Delivery Plan, November 2018 https://www.lewes-eastbourne.gov.uk/_resources/assets/inline/full/0/262899.pdf
- Regulation 123 List, November 2015 http://www.lewes-eastbourne.gov.uk/_resources/assets/inline/full/0/255393.pdf
- Newick Neighbourhood Plan, July 2015
- Ringmer Neighbourhood Plan, January 2016
- Hamsey Neighbourhood Plan, July 2016
- Wivelsfield Neighbourhood Plan, December 2016
- Plumpton Neighbourhood Plan – Referendum version, March 2018
- Ditchling, Streat and Westmeston Neighbourhood Plan – Adopted May 2018 http://www.lewes-eastbourne.gov.uk/planning-policy/neighbourhood-planning/
- Cabinet report – Community Infrastructure Levy Governance. November 2014 https://democracy.lewes-eastbourne.gov.uk/Data/Lewes%20District%20Council%20Cabinet/201411201430/Agenda/2b1KknIlKm8nnObiQYSSm4byT9Tw3.pdf
- Cabinet report – Community Infrastructure Levy Governance Review, November 2016 report https://democracy.lewes-eastbourne.gov.uk/Data/Lewes%20District%20Council%20Cabinet/201611161430/Agenda/Jt6ocM0Ahw2ARi0bHWorFUuca5QKZK.pdf and appendices https://democracy.lewes-eastbourne.gov.uk/Data/Lewes%20District%20Council%20Cabinet/201611161430/Agenda/iFRRDudBfLOzIn2qMmIg7lhIMUpFo1.pdf

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Appendix 1

Community Pot Recommendations for Spending

Rowe Avenue Doctor Surgery

Leading Organisation	GP Rowe Avenue Practice

Project Description	**Location**
Refurbishment of Doctor's Surgery – re-flooring in treatment rooms and replacing old emergency exit doors.	17 Rowe Avenue Peacehaven BN10 7PE

Type of Infrastructure	**Ward**
Health	Peacehaven

Finance

Overall cost of the project	**% Cost Secured**
~£22,000.00	40% £10,000.00 this is part of a larger refurbishment project which the partners are adding in £10,000.00 of their own money
Amount Sought	**% of Total Cost**
£12,000.00	60%

Unlock additional funding / Projects

Commitment	**Project Partners**
Fully committed	High Weald , Lewes Havens CCG – Advisory East Sussex Healthcare NHS Trust – overseeing medical body
Constraints	
No constraints identified	
Timescale	
Immediate	

Project support

IDP (weighting) / 123 List	**Comments for District Councillors**
Broadly on 123 list as capital expenditure to improve facilities	
Community Support	
Improvements are supported by the community	

Governance
Project is approved and overseen by NHS in conjunction with the Havens and High Weald CCG

Officer's assessment:

Strengths		Weaknesses	
Community Support and broadly on 123 list Project Part Funded Project Committed and ready for delivery Strong governance arrangements			
Score	4	Score	0
Opportunities		**Threats**	
		Renewal of lease upon expiry in 2025 and longevity of premises if merger with Meridian Surgery goes ahead.	
Score		Score	-1
Overall score			**3**

Clear Governance is now in place with the NHS approving bids and overseeing spending if bid is successful. Project can proceed quickly without any need for Planning Permission. £12,000.00 requested is for door and carpet replacement, other redecorating costs of the project are to be funded by the partners. The partners are submitting £10,000.00 of their own funding. Officers concerns are around the period left upon the lease (6 years) and how the surgery continues in the proposed merger with the Meridian Surgery.

Supporting Documents

Emergency Exit Door and treatment room pictures

Plans for replacing carpets

Plans for replacing doors

CIL Management Board's recommendation:

Rowe Surgery – conditional support

- recommended for conditional release of funds subject to early delivery
- recommend investigation of lease respect of dilapidation clauses

District Pot Recommendations for Spending

Wivelsfield Village Hall

Leading Organisation	Wivelsfield Village Hall & Recreation Ground Committee (WVHRGC)

Project Description	**Location**
Wivelsfield Village Hall Improvement Project This Phase 1 bid is for a contribution to a project with total cost of £433,000 and focuses on; new entrance hall, toilets, Reading Room extension, energy efficiency, disabled access and fire safety improvements. Future Phases/CIL bids will include; enhanced community hub, Parish Council office, public toilets, kitchen refurbishment and additional storage facilities for hall users.	Eastern Road, Wivelsfield, RH17 7QG

Type of Infrastructure	**Ward**
Community Facilities – Village Hall	Wivelsfield

Finance

Overall cost of the project	**% Cost Secured**
£433,000.00	61%
Amount Sought	**% of Total Cost**
£173,000.00	39%

Commitment	**Project Partners**
committed	Wivelsfield Parish Council
Constraints	
None noted	
Timescale	
Within the next 12 months	

Project support

IDP (weighting) / 123 List	**Comments for District Councillors**
no	
Community Support	
Letters of support from Parkinson's UK, Wivelsfield Playgroup, St Peter and St John the Baptist Church, Wivelsfield WI, Wivelsfield Films, Wivelsfield Historical Society and many community comments.	

Governance
The project will be managed by Wivelsfield Village Hall & Recreation Ground (WVHRG) Charity (number 235098) with support from Wivelsfield Parish Council. The WVHRG management committee has 13 trustees and 6 other members including representatives from Wivelsfield Parish Council.

Supporting Documentation:

Letters of Support

Cost Detail and Funding Summary

Fundraising Targets Plan

Grant Funding and detailed plan and analysis

High Level Projection Plan

Wivelsfield Village Hall Meeting Minutes

Community Consultation

Photographs of Hall works required

Breakdown of entire plan into 4 subsequent phases

Officer's assessment:

Strengths		**Weaknesses**	
Planning permission granted – LW/18/0493 Community Support Project Part Funded Strong governance arrangements		Not on IDP or 123 list	
Score	4	Score	-1
Opportunities		**Threats**	
Generates further Community Opportunities			
Score	1	Score	0
Overall score			**3**

Officers Assessment

This is a robust bid from Wivelsfield Village Hall which has broken down the project into phases of which this Phase 1 has more than 50% matched funding including a substantial amount of Wivelsfield Neighbourhood CIL Portion being used.

Wivelsfield Village Hall have a large amount of support from many Community Groups and members and successfully acquired planning permission for this work.

Strong governance has been put in place which utilises the Parish Council to manage and oversee the project and if this bid were to be supported the project is ready to implement.

Officer's assessment concludes this bid would be supported.

CIL Management Board's recommendation:

- Wivelsfield Village Hall - **supported**
  - A much improved bid from last bidding round and the board commends the bidders on addressing the concerns from last round - providing improved detail and overcoming constraints

Newick Village Hall

Leading Organisation	Newick Village Hall Charity

Project Description	Location
Village Hall Refurbishment: 1) Stabilisation of old ceiling plaster work by the application of acoustic plaster board; 2) Rewiring and replacement of the central hall lighting to modern standards; 3) Redecoration of main hall.	Newick Village

Type of Infrastructure	Ward
Community Facilities	Newick

Finance

Overall cost of the project	% Cost Secured
£50,124.00	50%
Amount Sought	**% of Total Cost**
£25,000.00	50%

Unlock additional funding / Projects

Commitment	Project Partners
Fully committed	Newick Amateur Dramatic Society - financial support via donations Newick Community - feedback, donations and legacies; and Newick Parish Council - bid support on behalf of Newick community,
Constraints	
No constraints identified	
Timescale	
Immediate	

Project support

IDP (weighting) / 123 List	Comments for District Councillors
no	
Community Support	
Community support obtained via CIL Consultation event earlier in the year.	

Governance
A dedicated Project Manager will be reporting to the Charity Trustees on the hall Management Committee. There is Newick Parish Council representation on the Committee to provide support and feedback of the project to full Council meetings. There is a full financial governance structure in place (e.g. joint signatories on all payments) so invoices / stage payments will only be made on the approval of the Committee having being approved by the Project Manager. As a registered charity the hall is managed and governed in accordance with Charities

Supporting Documentation

Newick Neighbourhood Plan

Newick Village Hall Survey

AGM accounts

Summary of costs

Newick Village Hall Survey

Presentation to the community

Consolidated Quotes

Officer's assessment:

Strengths		**Weaknesses**	
Community Support Project Part Funded No constraints Strong governance arrangements		Not on IDP or 123	
Score	4	Score	-1
Opportunities		**Threats**	
Generates further community projects by improving the halls interior to attract a wider audience. Innovative renovation work to improve the halls acoustics and encourage more uses and safeguard longevity of the asset for future use.			
Score	1	Score	0
Overall score			**4**

Officers Assessment

Governance provided by the way of a Village Hall Committee and detailed requirements of what is required by a charity. This is a strong bid including detailed quotes and evidence of matched funding to provide 50% of the amount required for the work. There is Community Support and this project would eb ready to implement if the bid were to be supported.

This bid would be assessed to support.

CIL Management Board's recommendation:

- Newick Village Hall - **supported**
    - The bid provide much detail, had strong governance and is fully supported
    - Contingency 10% included therefore the Board requires confirmation of final costs

Newhaven

Leading Organisation	Newhaven Town Council

Project Description	Location
Public Realm Enhancements in Newhaven High Street. Planters and benches	Top end of Newhaven High Street west of junction with Meeching Road

Type of Infrastructure	Ward
Community Facilities	Newhaven

Finance

Overall cost of the project	% Cost Secured
£14,776 plus VAT	44%
Amount Sought	**% of Total Cost**
£8,975.00	56%

Unlock additional funding / Projects

Commitment	Project Partners
Fully committed	
Constraints	
115 and 171 Highways Application to be submitted	
Timescale	
Within the next 12 months	

Project support

IDP (weighting) / 123 List	Comments for District Councillors
no	
Community Support	
Community support obtained from the Environment and Amenities committee.	

Governance
Licences will be required for the planters and seats from East Sussex Highways. The project has been discussed with their Enforcement and Licensing Department, who have confirmed that they would not have any objection to these works being carried out in principle. Newhaven Town Council is a local parish council established by the Local Government Act 1972. It has financial regulations controlling expenditure which are based on the national model regulations for our sector. A copy of the town council's financial regulations is attached.

Supporting Documentation

Financial Regulations

Committee Meeting Minutes

Benches image

Benches quotation

Existing planters removal quote.

Officer's assessment:

Strengths		**Weaknesses**	
Community Support Project committed and ready to deliver Project Part funded Strong governance arrangements		Not on IDP or 123	
Score	4	Score	-1
Opportunities		**Threats**	
Encourages Community Engagement		Highways application not yet approved	
Score	1	Score	1
Overall score			**3**

Officers Assessment

This is bid is well supported by quotes obtained from the preferred supplier and a high amount of matched funding from Newhaven Town Council. The improvement of Newhaven Town Centre is supported by the community and therefore the officer's assessment would be to support the bid but propose to ring fence the money and not release until Highways licences are approved.

CIL Management Board's recommendation:

- Newhaven Town Centre improvements – **conditional support**
    - Board requested specialist input from Trees Specialist Advisor regarding the appropriateness of the planters around the tree trunks (1m) - Supported subject to ensuring no harm to the trees – clarification sought from Tree Specialist and confirmed they are happy with the design and there would be no risk to the existing trees.

- Clarification required on the Management Plan and maintenance arrangements – to be included in town centre maintenance plan, the planters are already maintained regularly as they are and this would continue.

Seaford Salts Recreation Ground

Leading Organisation	Seaford Town Council

Project Description	Location
To provide 2 prefabricated, concrete Table Tennis Tables to enhance the free facilities at the Salts Recreation Ground. These will be accessible to all ages and wheelchair accessible.	The Salts Recreation Ground, Seaford, East Sussex, BN25 1DR

Type of Infrastructure	Ward
Community Facilities	Seaford

Finance

Overall cost of the project	% Cost Secured
£4,100.00	27%
Amount Sought	**% of Total Cost**
£3,000.00	73%

Unlock additional funding / Projects

Commitment	Project Partners
Fully committed	
Constraints	
N/A	
Timescale	
Immediate	

Project support

IDP (weighting) / 123 List	Comments for District Councillors
IDP AND 123 LIST	
Community Support	
Community support obtained via the Salts Development Plan Public Consultation.	

Governance
STC is a statutory body with a full programme of Policies and Procedures adopted by Council. The project will be overseen by the Projects and Facilities Manager.

Supporting Documents

Salts Development Plan Public Consultation

Quotes for Table Tennis Tables

Officer's assessment:

Strengths		Weaknesses	
Community Support Project committed and ready to deliver Few constraints		Under 50% matched funding	
Score	3	Score	-1
Opportunities		**Threats**	
Provides opportunities for a diverse range of community groups to partake in sporting activities.			
Score	1	Score	0
Overall score			**3**

Officers Assessment

The Officers assessment would conclude that with the small amount of money requested some matched funding, the opportunity this provides to many groups to partake in sporting activity, the readiness of the project and the feature of the Salts Recreation Ground on the 123 and IDP list this bid would be supported.

CIL Management Board's recommendation:

- Seaford Salts Rec – **supported**
    - Board member queried the availability of Sport England grants to deliver this type of infrastructure
    - Match funding appeared low, however it was suggested that potentially other projects being undertaken at the Salts Rec with STC CIL money could have been included to show where STC contribution to projects at the Salts – this would have effectively increased the match funding overall.
    - Project would serve a wide range of community age groups and result in low maintenance infrastructure – full support from the Board.

County Pot Recommendations for spending

Seahaven Academy, Newhaven – ESCC Bid

Leading Organisation	East Sussex County Council

Project Description	**Location**
Phase 1 of delivering additional secondary school places to support development in Peacehaven, Telscombe and Newhaven. The project at Seahaven Academy will expand the school by one form entry (150 places) for September 2020.	Seahaven Academy, Newhaven.
Type of Infrastructure	**Ward**
Education	Newhaven

Finance

Overall cost of the project	**% Cost Secured**
£4,500,000.00	50-75% (£2.5 million)
Amount Sought	**% of Total Cost**
The maximum amount to be released – CIL officer would recommend £1.2 Million	Approx. 25%- remaining amount to be loaned to ESCC

Commitment	**Project Partners**
Committed – project approved through County Capital Expenditure Program	Lewes District Council East Sussex County Council
Constraints	
Planning Permission application yet to be submitted. Pre- app advice has been sought	
Timescale	
Immediate	

Project support

IDP (weighting) / 123 List	**Comments for District Councillors**
123 List and IDP	
Community Support	

Governance

The County Council has an approved Capital Programme to 2023, approved annually through the Reconciling Policy Performance and Resources (RPPR) process at Cabinet and Full Council, most recently on 6 February 2018. At Officer level the County Council's approved Capital Programme is managed and monitored through the Capital and Strategic Asset Board, chaired by the Chief Operating Officer. The School Basic Need capital programme forms part of the overall Capital Programme and is managed and monitored at a more detailed level of scrutiny through the Schools Capital Sub-Board.

Officer's assessment:

Strengths		Weaknesses	
On the 123 List AND IDP Over 50% matched funding Project Partner Committed		Planning Permission still to be approved	
Score	4	Score	-1
Opportunities		**Threats**	
		The borrowing ability of the outstanding funding requirement.	
Score		Score	-1
Overall score			**2**

The County Council bid this round has much improved since the last bidding round. At this stage the project has been split into phases with this bid being for Phase 1 – 1 new form of entry to be added. The project is match funded by S106 money from Development paid prior to CIL coming into force and a large Department of Education Grant standing at £2million. The remainder of the monies will be acquired via borrowing. With strong governance, a clear plan, matched funding and the position of this project on both the IDP and 123 list the Officer assessment would support the bid with the release of £1.2 Million leaving £80,000.00 in the County Pot and a whole year until the next bidding round for this pot to be re-filled.

Supporting Documentation

Education Commissioning Plan

Power point Presentation

Seahaven Academy Areas of new build

Additional Comments received from County regarding planning permission:

“We are literally just checking through the completed set of planning application documents with a view to submission in the next two weeks. This follows the usual pre-application discussions and meetings having been held with the key Officers (Planning, Highways etc) who have been indicated their general support for the proposals.

Work has also been undertaken to consult with the key immediate stakeholders such as the neighbouring primary school to ensure they have an understanding of the proposals and to attempt to ‘head off’ any objections as part of the formal planning process. In addition a public exhibition was held at the school on 18 October and again the proposals were generally well received, with the focus of conversation following the usual pattern at these events, namely traffic and parking in general rather than anything specifically related to this particular proposal”

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Report to:	**Cabinet**
Date:	**11 February 2019**
Title:	**Newhaven Enterprise Centre**
Report of:	**Ian Fitzpatrick – Director of Regeneration & Planning**
Cabinet member:	**Cllr Andy Smith – Leader of the Council and Cabinet Member for Regeneration and Business**
Ward(s):	**Newhaven Valley**
Purpose of report:	**To review future management operations for the Newhaven Enterprise Centre**
Decision type:	**Key**
Officer recommendation(s):	**(1) To authorise the Director of Regeneration & Planning, in consultation with the Chief Finance Officer, to settle the appropriate route to procure a suitable workspace provider to operate the Newhaven Enterprise Centre and to run a legally compliant process to appoint a contractor or concessionaire.** **(2) To note the importance of the provision of flexible, managed small business workspace to the Council's wider ambitions on Growth and Prosperity.**
Reasons for recommendations:	**1. To ensure that the Council continues to support small businesses and start-ups through the provision of a range of suitable and flexible managed workspace.** **2. To ensure that the Council receives Best Value for the management of its key property assets.**
Contact Officer(s):	**Name: Peter Sharp** **Post title: Head of Regeneration** **E-mail: peter.sharp@lewes-eastbourne.gov.uk** **Telephone number: 01273 085044** **Name: Bee Lewis** **Post Title: Head of Capital Development (Interim)** **e-mail: bee.lewis@lewes-eastbourne.gov.uk** **Telephone number: 01273 085521**

1 Introduction

1.1 Lewes District is an outstanding location for business and enterprise with a diverse community of over 4,800 businesses employing more than 35,000 people from a wide catchment area. Economic development and regeneration activities help to sustain our existing economic base as well as creating the conditions for further growth. This fits strongly within the Growth and Prosperity theme within the Council's Corporate Plan.

1.2 Newhaven Enterprise Centre is located on Denton Island and was opened in November 2007. The Centre provides more than 19,000ft² of lettable space for business start-ups and micro-businesses on flexible terms.

1.3 The Centre is managed by Basepoint Business Centres on behalf of the Council under an Operational Management Agreement (OMA). This is due to expire in November 2019.

1.4 There has been significant growth in the provision of managed workspace in recent years and there are now almost 800 registered centres across the UK. There are a range of active operators in the market, although there is a growing focus on market consolidation as reflected in the recent acquisition of Basepoint by IWG.

1.5 Most workspace providers are active in responding to market trends to maximise occupancy levels, this includes re-configuring units to meet demand for co-working space.

1.6 The primary future delivery options are set out in this report for Cabinet to assess.

2 Proposal

Newhaven Enterprise Centre

2.1 Newhaven Enterprise Centre is located on Denton Island and was opened in November 2007. The Centre was built using £4.75 million of funding secured from the now defunct South East England Development Agency (SEEDA). Subsequently, the Council was successful in a bid for just under £1.9 million towards the Newhaven Growth Quarter project, which included a significant extension to the Centre.

2.2 The Centre provides 19,111ft² of lettable managed business space across 60 incubator units for business start-ups and larger units aimed at micro-businesses[1]. The units are let on flexible "easy in, easy out" terms that are ideal for new businesses, and are a mixture of offices and workshops.

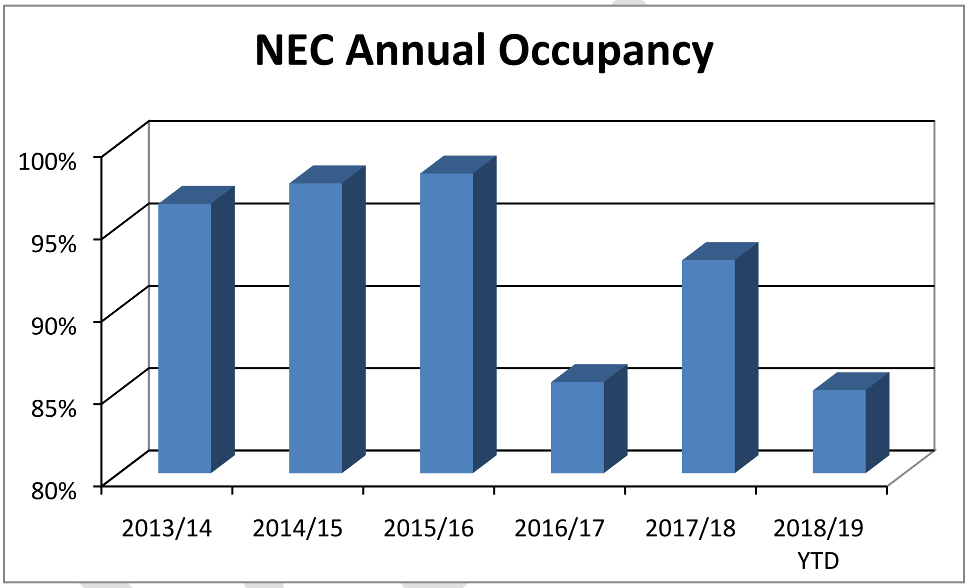
2.3 Newhaven Enterprise Centre is managed by Basepoint Business Centres on behalf of the Council under a 10-year Operational Management Agreement (OMA). Cabinet agreed to extend this agreement by two years in November

[1] Those employing up to 10 people.

2015 to reflect the construction activity undertaken as part of the Newhaven Growth Quarter project. The OMA is now due to expire in November 2019.

2.4 The OMA outlines the responsibilities of both parties, with the contractor (Basepoint) appointed to manage the Centre and perform the services for the benefit of the Council. This includes the provision of monthly financial reports and letting the units.

2.5 The graph below shows annual occupancy levels at the Centre over recent years[2].



It is worth noting the fall in occupancy in 2016/17 reflects the extension opening and considerably more lettable space becoming available.

2.6 Generally speaking, occupancy levels have remained consistently high in recent years, although the Newhaven Enterprise Centre has begun to see the effects of the wider economic uncertainty. Occupancy levels have fallen considerably in recent months, although these do appear to be mirroring wider market performance as businesses are increasingly reluctant to make any financial commitments until there is greater clarity nationally. Overall performance has, however, been positive and we would expect to see improved occupancy in line with wider economic performance moving forward.

Basepoint Business Centres

2.7 Basepoint Business Centres opened their first centre in Hampshire in 1994. Their portfolio now extends to 31 innovation and enterprise centres with over 700,000 ft² of lettable space across Southern England, the Midlands, East Anglia and Wales. These Centres are a mixture of owned (via leases) or managed (eg. Newhaven) by Basepoint.

2.8 Basepoint was previously wholly owned by The ACT Foundation – a charitable trust with a mission to "*enhance the quality of life for people in* need". However,

[2] 2018/19 figures show YTD (year-to-date) to end October 2018.

in August 2017 Basepoint was purchased by the International Workplace Group (IWG) for around £100 million[3]. This reflects forecasts that the future for the industry is one primarily of consolidation.

2.9 IWG operate a number of leading brands in the serviced workspace market including Regus and Spaces. Overall, IWG have 3,300 locations in 110 countries.

The Market for Managed Workspace

2.10 Managed workspace (also referred to as serviced workspace) provides business premises at an affordable rate for business start-ups, micro-businesses and SME's. Managed workspace typically differs from standard leased business premises in that it offers the option of 'easy in, easy out' tenancy agreements (usually requiring no more than one months' notice), and the workspace provider manages key services such as power, heating, security, telecoms and broadband.

2.11 Flexible managed workspaces are one of the fastest growing property sectors, with the Business Centre Association (BCA) now estimating that there are 774 such locations registered in the UK, hosting companies that employ a total of 141,000[4]. Recent years have seen a surge in demand, with more than 70 new centres opening in 2015 alone. Typically, such workspace providers constantly adjust their offer to capitalise on the latest trends (eg. the growth in demand for co-working space).

2.12 In the South East region there are 194 BCA-registered sites, of which 20 are located in East or West Sussex. These sites are managed by a total of eight different providers and vary significantly in size and scale. The table below shows those operators that have a presence within Sussex.

2.13 *Figure 1: Managed Workspace Providers with existing Sussex presence*

Operator	Sites in Sussex	No. of Centres	Average Floorspace m^2	Average Centre Size (No. Units)	Total Number of Centres Nationally
Basepoint#	Chichester, Crawley, Haywards Heath, Newhaven, Shoreham.	5	1,739*	61	31
Bizspace	Hove, Lewes, Littlehampton.	3	4,795	33	103
Chilgrove	Chilgrove.	1	598*	19	1
Citibase	Brighton, Burgess Hill, Horsham.	3	2,579	38	39
Flexspace	Crawley.	1	14,478+	40	57
Needspace	Three Bridges	1	1,563	31	10
Orega	Gatwick.	1	6,705	48	21
Regus#	Brighton, Crawley, Horsham.	5	18,343+	54	900+
Spaces#	Brighton.	1	29,999+	51	28
University of Sussex	Sussex Innovation Centre	1	*Data unavailable*	200	3

[3] Property Week, 25 August 2017

[4] The UK Business Centre Market, BCA, June 2017

2.14 Data provided by local property agents has shown that, even in nearby Brighton, demand for small office space on a traditional leasehold basis is dwindling, with the preference being for serviced workspace such as that offered in Newhaven.

3 Corporate Plan and Council Policies

3.1 The LDC Corporate Plan to 2020 identifies a number of commitments, including ‘Place’. Within this commitment is the objective of *Growth & Prosperity.* Lewes district is recognised as an outstanding location for business and enterprise and the Council recognises the importance of attracting inward investment and in enabling new and developing businesses.

3.2 The Newhaven Enterprise Centre enables new business start-ups and supports existing businesses to develop and grow, and is therefore a key element in achieving the growth and prosperity objective.

3.3 The Joint Corporate Asset Management Plan for Lewes District and Eastbourne Borough Councils is also of relevance, as the Centre is a key asset owned by the Council. This Plan identifies four key areas:

1. Improving yield from the investment portfolio
2. Reducing maintenance costs and liabilities
3. Delivering efficiencies through smarter procurement
4. Increasing the capital value of each Council’s asset base.

3.4 The Newhaven Enterprise Centre is a critical component of the Council’s business support infrastructure and is also an income-generating asset. In line with Council policies, the future operation of the Centre offers opportunities to maximise the return from this asset whilst continuing to provide flexible workspace for micro and small businesses locally.

4 Business case and alternative option(s) considered

4.1 The existing OMA is due to end in November 2019. As such, Officers have considered a number of options open to the Council. These options are:

1. Agree a new OMA with an external operator
2. Lease the Centre to an external operator
3. Bring the management of the Centre in-house
4. Let the building to a single occupier
5. Disposal / Sale of the Centre

5 Financial appraisal

5.1 The financial appraisal is contained within Appendix A – exempt – Options and Financial Appraisal.

6 Legal implications

New OMA

6.1 There are two procurement routes for a new OMA.

6.2 A new OMA would be a supplies or services contract for the purposes of the Public Contracts Regulations 2015. The procurement threshold for supplies or services contracts is £181,302. It is anticipated that the value of the OMA will exceed this threshold. Contracts with a value that exceeds the applicable threshold must be procured in accordance with the Public Contracts Regulations 2015 (i.e. a tender process).

6.3 There is an alternative route where the contractor is being granted a services concession contract to provide services to others. The main feature of a concession (the right to exploit the services) is the transfer to the concessionaire of an operating risk of economic nature involving the possibility that it will not recoup the investments made and the costs incurred in operating the services under normal operating conditions, even if a part of the risk remains with the Council. The part of the risk transferred to the concessionaire must involve real exposure to the vagaries of the market, such that any potential estimated loss incurred by the concessionaire shall not be merely nominal or negligible. This route is governed by the Concession Regulations 2016. An OJEU Competition is only required if the overall value of the concession is above £4,551,413.

6.4 Where the value of a service concession is below the threshold, there is only a need to run some form of open competition advertised Europe-wide if the contract is of a kind that will be of interest to undertakings in other Member States (ie. there will be cross-border interest). If not, then it is up to the Council to determine what sort of competition it undertakes or whether it runs a competition at all, We do not consider that the nature or value of the proposed contract will be of sufficient cross-border interest to require a Europe-wide competition to be held.

6.5 Consideration will have to be given to the procurement route. If a services concession contract is of interest, there will need to be detailed consideration as to whether the requirements of a concession contract can be met. If Members decide that a new OMA is the way forward, it is recommended that the Director of Regeneration & Planning be given authority to settle the appropriate procurement route and to run a legally compliant process to appoint a contractor or concessionaire.

Lease to External Operator, Letting to Single Occupier and Disposal/Sale of the Centre

(i) Funding Agreement – Newhaven Business Centre (2006)

6.6 In September 2006 LDC and South East England Development Agency (SEEDA) entered into a Funding Agreement in respect of Newhaven Business Centre, under which LDC received substantial funding from SEEDA for the new Centre.

6.7 The Funding Agreement contains provision for clawback of funding (ie. repayment of funding by LDC) and restrictions on how LDC can use the site and dispose of it. The terms of the Funding Agreement are complicated and to keep things simple this report focuses on the main clawback and use obligations. Any potential disposal would have to be checked in full against the detailed text of the Funding Agreement.

6.8 During the “Restricted Period”:

a) LDC shall not, without the prior written consent of SEEDA, dispose of the whole or any part of the site other than by way of a Permitted Disposal or by way of a freehold transfer of the whole of the site.
b) For any disposal (other than a Permitted Disposal), LDC must repay funding received from SEEDA.

6.9 Key terms are as follows:

- The “Restricted Period” ends in September 2021.
- A “disposal” includes a freehold transfer, grant of a lease and licence to occupy. “Permitted Disposal” means the granting to an occupier (being a Small or Starter Business) of a licence to occupy any part of the site for use falling within the definition of the Approved Purpose. Approved Purpose means the use and operation of the building (following completion of the works) as an Enterprise Business Centre within use classes B1 or B2 of the Town and Country Planning (Use Classes) Order 1987 as enacted at the date of the Funding Agreement.
- For any disposal (other than a Permitted Disposal), LDC has to pay to SEEDA a sum being the market value of the interest which LDC is disposing of less LDC’s proper and reasonable costs of disposal, subject to a maximum amount calculated as being the amount of funding paid to LDC by SEEDA under the Funding Agreement, and subject to a ceiling of the Maximum Sum of £4,503,158.

6.10 The Funding Agreement definition of SEEDA includes any statutory successors. Along with other Regional Development Agencies (RDAs) SEEDA was abolished in 2012. Our understanding is that land and property assets acquired by RDAs were transferred as a result of Government order. Assets went to the Homes and Communities Agency, which has now been replaced by Homes England and the Regulator of Social Housing. Subject to further investigation, it appears that Homes England is the successor to SEEDA for the purposes of enforcing the clawback terms of the Funding Agreement.

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6.12 Until expiry of the Restricted Period in September 2021, LDC is at risk of having to pay clawback if it disposes of an interest in the site other than by a Permitted Disposal.

6.13 Note that the current flexible letting of units at the Centre comes within the scope of Permitted Disposals.

(ii) Coastal Communities Fund Grant – Newhaven Growth Quarter (2014)

6.14 LDC received a grant from the Coastal Communities Fund for the Newhaven Growth Quarter project (see paragraph 2.1). Any lease, letting or disposal / sale of the Centre will have to take account of LDC's obligations under the grant conditions.

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7 Risk management implications

7.1 A detailed Risk Register was prepared at the time of construction of the Newhaven Enterprise Centre. This was debated by the Newhaven Enterprise Gateway Sub-Committee in July 2006 (Report No. 133/06).

7.2 In addition, there are a number of key risks that can be identified at this early stage. These are highlighted below.

Risk	Likelihood	Impact	Mitigation
Existing OMA expires and operator pulls out, leaving the Council liable for all costs	Medium	High	A good relationship is maintained with the existing operator and this report has been prepared with sufficient time to undertake a procurement exercise.
The Council does not follow appropriate procurement guidelines	Low	High	Officers have taken Legal advice and identified the appropriate procurement route.
The Council is unable to find an operator for the contract	Low	High	The Council has taken advice from a local commercial agent, as well as considering the market growth being seen in this sector.

7.3 A full risk register will be prepared once the most appropriate procurement route has been agreed by Members.

8 Equality analysis

8.1 At this stage, a full equality and fairness analysis is not required. However, subject to Cabinet's decision, clauses on equalities and fairness will be included as part of the procurement and tender assessment process.

9 Appendices

- Appendix A – Exempt – Options and Financial Appraisal

10 Background papers

None

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Agenda Item 23

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