Cabinet
5 February 2020

EASTBOURNE Borough Council

Working in partnership with **Eastbourne Homes**

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

Membership:

Councillor David Tutt (Chair); Councillors Alan Shuttleworth (Deputy-Chair) Margaret Bannister, Jonathan Dow, Stephen Holt, Colin Swansborough and Rebecca Whippy

Quorum: 3

Published: Tuesday, 28 January 2020

Agenda

1 **Minutes of the meeting held on 23 October 2019** (Pages 5 - 8)

2 **Apologies for absence**

3 **Declaration of members' interests (Please see note at end of agenda)**

4 **Questions by members of the public**

On matters not already included on the agenda and for which prior notice has been given (total time allowed 15 minutes).

5 **Urgent items of business**

The Chairman to notify the Cabinet of any items of urgent business to be added to the agenda.

6 **Right to address the meeting/order of business**

The Chairman to report any requests received to address the Cabinet from a member of the public or from a Councillor in respect of an item listed below and to invite the Cabinet to consider taking such items at the commencement of the meeting.

7 **Portfolio progress and performance report 2019/20- Quarter 3** (Pages 9 - 30)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Colin Swansborough

8 **General fund budget 2020/21 and capital programme** (Pages 31 - 52)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

9 **Treasury Management and Prudential Indicators 2020/21, Capital Strategy & Investment Strategy** (Pages 53 - 100)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

10 **Housing Revenue Account (HRA) 30-Year Business Plan Update** (Pages 101 - 116)

Report of Chief Finance Officer and Director of Regeneration and Planning
Lead Cabinet member: Councillor Alan Shuttleworth

11 **Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2020/21 and HRA Capital Programme 2019-23** (Pages 117 - 130)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

12 **Council tax and business rate base 2020/21** (Pages 131 - 140)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

13 **Corporate Plan 2020-24** (Pages 141 - 162)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor David Tutt

14 **Eastbourne Carbon Neutral 2030** (Pages 163 - 168)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Jonathan Dow

15 **Downland Whole Estate Plan** (Pages 169 - 232)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Jonathan Dow

16 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).

17 Community grants programme - small grants (Pages 233 - 246)

Report of Director of Regeneration and Planning
Lead Cabinet member: Councillor Alan Shuttleworth

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.

Filming/Recording: This meeting may be filmed, recorded or broadcast by any person or organisation. Anyone wishing to film or record must notify the Chair prior to the start of the meeting. Members of the public attending the meeting are deemed to have consented to be filmed or recorded, as liability for this is not within the Council's control.

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: Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

Democratic Services

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

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EASTBOURNE
Borough Council

Working in partnership with **Eastbourne Homes**

Cabinet

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 23 October 2019 at 6.00 pm

Present:

Councillor David Tutt (Chair)

Councillors Alan Shuttleworth (Deputy-Chair), Margaret Bannister, Jonathan Dow, Colin Swansborough and Rebecca Whippy

Officers in attendance:

Robert Cottrill (Chief Executive), Homira Javadi (Chief Finance Officer), Ian Fitzpatrick (Deputy Chief Executive and Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery), Peter Finnis (Assistant Director for Corporate Governance), Jane Goodall (Strategy and Partnership Lead, Quality Environment), Jo Harper (Head of Business Planning and Performance), Matt Hitchen (Senior Planning Policy Officer), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)) and Simon Russell (Committee and Civic Services Manager)

32 Minutes of the meeting held on 11 September 2019

The minutes of the meeting held on 11 September 2019 were submitted and approved and the Chair was authorised to sign them as a correct record.

33 Apologies for absence

An apology for absence was reported from Councillor Holt.

34 Declaration of members' interests

None were declared.

35 Local Council Tax Reduction Scheme

The Cabinet considered the report of the Director of Service Delivery seeking Cabinet's recommendation to Full Council that the 2019/20 Local Council Tax Reduction Scheme be adopted as the 2020/21 scheme.

Recommended to Full Council (Budget and policy framework):

(1) That Cabinet recommend to Full Council that the 2019/20 Local Council Tax Reduction Scheme be adopted as the 2020/21 scheme

(2) That the Exceptional Hardship Scheme be continued in 2020/21

Reason for decisions:

The 2019/20 scheme meets the principles of supporting the most vulnerable, with the Exceptional Hardship scheme providing an extra level of support for those most affected.

36 Eastbourne Local Plan - Issues and Options Report

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning seeking their approval to publish the Eastbourne Local Plan Issues and Options report for public consultation between 1 November 2019 and 10 January 2020.

Visiting members, Councillors Smart and Freebody addressed the Cabinet on this item.

In response to comments raised by visiting members, the Deputy Chief Executive and Director of Regeneration and Planning advised that the Council would make contact with Sovereign Harbour Residents Association to ensure they are fully engaged in the process.

The Cabinet expressed their thanks to Matthew Hitchen and Tondra Thom and the Planning team for their work in producing the report.

Resolved (Key decision):

(1) That Cabinet approve the publication of the Eastbourne Local Plan Issues & Options Report (Appendix 1) for public consultation between Friday 1st November 2019 and Friday 10th January 2020.

(2) The Cabinet delegate authority to the Director of Regeneration and Planning, in consultation with the Cabinet Member for Place Services, to make minor changes to the Issues and Options Report prior to publication if necessary.

Reason for decisions:

(1) To meet the requirements of Regulation 18 of the Town & Country Planning (Local Planning) (England) Regulations 2012 (as amended) in the preparation of a Local Plan.

(2) To ensure that the Eastbourne Local Plan is progressed in accordance with the timetable set out in the Eastbourne Local Development Scheme.

(3) To ensure that any minor or typographical errors can be corrected prior to the Issues & Options Report being published for consultation.

37 Disability Inclusion Fund

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning seeking their approval to establish a fund to improve disability inclusion in the borough.

Resolved (Non-key decision):

(1) To approve an allocation of £20k in 2019/20 for a Disability Inclusion Fund to be distributed as set out in the report;

(2) To approve the establishment of a Disability Inclusion Task Group to consider applications for payments from the Fund.

(3) To grant delegated authority to the Deputy Chief Executive to decide, in consultation with the other members of the Disability Inclusion Task Group, on individual allocations from the Fund.

Reason for decisions:

A Disability Inclusion Fund could support and kick-start interventions to help tackle the barriers experienced by disabled children and adults in actively participating in all aspects of life.

38 Property Disposal and Transfer Policy Revision

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning seeking their agreement to revisions to the Property Disposal and Transfer policy to include reference to Community Asset Transfer.

Visiting member, Councillor Freebody addressed the Cabinet on this item.

The Deputy Chief Executive and Director of Regeneration and Planning advised that an update on transferred community assets and the due diligence undertaken would be reported to Cabinet through the Strategic Property Board.

Resolved (Key decision):

To agree and adopt the revisions to the Policy Disposal and Transfer Policy to include provision for Community Asset Transfer.

Reason for decision:

The Policy Disposal and Transfer Policy needs to be updated to include provision for Community Asset Transfer.

39 Exploring Opportunities to Develop a Micro-Brewery Joint Venture

The Cabinet considered the report of the Deputy Chief-Executive and Director of Regeneration and Planning setting out options for the Council to consider establishing a micro-brewery and developing efficiency in supply chains through local partnerships.

Resolved (Non-key decision):

(1) To agree to engage with interested parties in the development of a micro-brewery and supply chain partnership and to undertake a Soft Market Testing process.

(2) To agree to the development of a working group with experts from across the fields of brewing, service delivery, property, agriculture and the business and community to be engaged in process.

(3) To agree to a £5K enabling fund which will be utilised to commission expert brewing support and development of the project with Project Management support.

Reason for decisions:

To set out a framework where the community have the opportunity to engage in the process of developing a microbrewery for the town whilst also provide enabling funding to fully explore the opportunity further.

The meeting ended at 6.30 pm

Councillor David Tutt (Chair)

Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Portfolio Progress and Performance Report 2019/20- Quarter 3 (1 October-31 December 2019)**
Report of:	**Director of Regeneration and Planning**
Cabinet member:	**Councillor Colin Swansborough, Cabinet member for Place Services and Special Projects**
Ward(s):	**All**
Purpose of report:	**To consider the Council's progress and performance in respect of key projects and targets for the third quarter of the year (October- December 2019) as shown in Appendix 1. Performance out-turn of the second quarter is also contained in this report as this was not presented at the usual time due to purdah (December General election).**
Decision type:	**Non-key**
Officer recommendation(s):	**To note progress and performance for Quarter 3 and 2**
Reasons for recommendations:	**To enable Cabinet members to consider specific aspects of the Council's progress and performance.**
Contact Officer(s):	**Name: Millie McDevitt** **Post title: Projects and Performance Lead** **E-mail: Millie.McDevitt@lewes-eastbourne.gov.uk** **Telephone number: 01273 085637 / 01323 415637**

1 Introduction

1.1 The Council has an annual cycle for the preparation, implementation and monitoring of its business plans and budgets. This cycle enables us regularly to review the Council's work, and the targets it sets for performance, to ensure these continue to reflect customer needs and Council aspirations.

1.2 It is important to monitor and assess progress and performance on a regular basis, to ensure the Council continues to deliver priority outcomes and excellent services to its customers and communities.

1.3 This report sets out the Council's performance against its targets and projects for the third quarter of 2019/20 (the period running from 1st October to 31 December 2019).

2 Themes and Priority Visions

The Corporate Plan was developed with four themes to focus delivery of improvement activity for the borough. Each of these themes had its own priority vision for how the authority and its stakeholders wanted Eastbourne to develop. Performance is measured against these themes and objectives.

3

3.1 Appendix 1 provides a high level summary of progress and performance arranged by Cabinet portfolio. The summary shows where performance and projects are 'on track/on target' and where there are areas of risk, concern or under-performance. Where performance or projects are 'off track/below target', an explanation of the management action being taken to address this is also provided.

3.2 Detailed project/performance tracking information is recorded in the Council's performance management information system (Pentana (formerly known as Covalent). The system uses the following symbols to indicate the current status of projects and performance targets:

3.3 **Community Ward Projects - Devolved Budget**

The last section of Appendix 1 details the devolved budget spend by ward and the projects that have been supported through this scheme so far this year. Each ward has a total of £10,000 available to spend each year on schemes requested by the local community.

4 Financial Appraisal

4.1 Project and performance monitoring and reporting arrangements are contained within existing estimates. Corporate performance information should also be considered alongside the Council's financial update reports (also reported to Cabinet each quarter) as there is a clear link between performance and budgets/resources.

5. Legal Implications

5.1 Comment from the Legal Services Team is not necessary for this routine monitoring report.

6 Risk Management Implications

6.1 It is important that corporate performance is monitored regularly otherwise there is a risk that reductions in service levels, or projects falling behind schedule, are not addressed in a timely way.

7 Equality Analysis

7.1 The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports or as part of programmed equality analysis. The equality implications of projects that form part of the Joint Transformation Programme are addressed through separate Equality and Fairness assessments.

8 Appendices

8.1 Appendix 1 – Portfolio Progress and Performance Report (Quarter 3 2019/20)

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Appendix 1

Eastbourne Borough Council Corporate Performance Report Q3 2019-20

1. Growth & Prosperity

1.1 Growth & Prosperity Projects & Programmes

1.2 Growth & Prosperity Key Performance Indicators

2. Housing

2.1 Housing Projects & Programmes

2.2 Housing Key Performance Indicators

3. Thriving Communities

3.1 Thriving Communities Projects & Programmes

3.2 Thriving Communities Key Performance Indicators

4. Quality Environment

4.1 Quality Environment Projects & Programmes

4.2 Quality Environment Key Performance Indicators

5. Best Use of Resources

5.1 Best Use of Resources Key Performance Indicators

Community Projects – Devolved Ward Budgets Q3

Key			
	Performance that is at or above target Project is on track		Performance that is below target Projects that are not expected to be completed in time or within requirements
	Project has been completed, been discontinued or is on hold		Performance that is slightly below target but is within an acceptable tolerance Projects : where there are issues causing significant delay, changes to planned activities, scale, cost pressures or risks
	Direction of travel on performance indicator : improving performance		Direction of travel on performance indicator : declining performance
	Direction of travel on performance indicator : no change		Data with no performance target

CPR Ebn 1 Growth & Prosperity 2019/20

1.1 Growth & Prosperity Projects & Programmes

1.2 Growth & Prosperity Key Performance Indicators

1.1 Growth & Prosperity Projects & Programmes

Project / Initiative	Description	Target completion	Status	Update
Sovereign Harbour Innovation Park (SHIP)	New contemporary business premises at Sovereign Harbour Innovation Park to be delivered by Sea Change Sussex.	Q4 2021/22		Occupancy of Pacific House remains at around 90%.
Eastbourne Town Centre Improvement Scheme (Town Centre Public Realm Improvements)	Significant improvements to the pedestrian environment in Terminus Road, Cornfield Road and Gildredge Road to be delivered alongside the extension to the Arndale. Joint Partnership Project with ESCC.	Q3 2019/20		Mildren were issued with their completion certificate on 13th December, marking the end of the work and the start of the 12 month defects (guarantee) period. The Project Director has agreed a list of snagging with Mildren and they will be working through as much of the snagging as they can. Any remaining snagging works will be undertaken in early January.
Extension to Arndale Shopping Centre (The Beacon)	Led and financed by Legal and General (Performance Retail Limited Partnership PRLP). An £85m scheme to provide 22 new retail units, 7 restaurants and multi screen cinema.	Q2 2019/20		The Council received the REVO gold award in the category of Regenerate.
Wish Tower Restaurant	Scheme to deliver a flagship restaurant	Q3 2019/20		Project complete. Bistrot Pierre opened to the public on 15 November 2019.
Devonshire Park Redevelopment	Significant investment to establish Devonshire Park as a premier conference and cultural destination to include: New welcome building: Restoration of Congress, Winter Garden and Devonshire Park Theatres: Improving Accessibility: Improving tennis facilities: New Conference/exhibition Space & Cafe: Public realm improvements	Q3 2020/21		Outstanding Vinci works of the Welcome Building and Congress Theatre are almost complete; a few issues remain. Winter Garden: production kitchen design progressing; scope of remaining work established however costs to be interrogated further prior to commencement. Live music potential to be investigated by soft market testing. Outstanding non-Vinci work streams ongoing (Highways revisions, external signage, planting, etc). Draft final account due end Q1 2020.
Sovereign Centre Review	Construction of new leisure centre on existing Sovereign Centre car park to provide leisure, 8 lane and diving/training pools, ten pin bowling and 'clip and climb' facilities, cafe; and children's zone. Project also includes reviewing options for site of existing facility.	Q4 2019/20		Planning documents prepared; application submission on hold pending feasibility study of SHARC energy scheme. EBC to review final CSF stage 2 proposals in Jan 2020. Awaiting final CSF stage 2 proposals.

Project / Initiative	Description	Target completion	Status	Update
Delivery of Community Centre to serve the Sovereign Harbour Neighbourhood	EBC working with Sea Change Sussex to deliver a Community Centre at Sovereign Harbour	Q4 2019/20		Project complete. The community centre has been handed over to Wave Leisure. Final snagging works are being undertaken. The Community Centre held a Local Plan consultation event on 5 December and was used as a polling station on 12 December.
Bedfordwell Road - EBC New Build Housing	One project within the Housing and Economic Development Programme to deliver refurbished and redeveloped housing within the Borough.	Q1 2025/26		Final phase of remediation works nearing completion - asbestos has been uncovered in the recently uncovered western section. Developer selection underway. Application to the Environment Agency for retaining stockpiles on site under a waste exemption has been submitted.
Hampden Retail Park	The acquisition and development of Hampden Retail Park as part of the Property Acquisition and Investment Strategy (PAIS).	Q2 2019/20		Stage 2 has been received and responded to. Currently negotiating with prospective tenants for occupation of units. Scheme expected to be received Q1 2020/21.

CPR Ebn 1 Growth & Prosperity 2019/20

1.1 Growth & Prosperity Projects & Programmes

1.2 Growth & Prosperity Key Performance Indicators

1.2 Growth & Prosperity Key Performance Indicators

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Town centre vacant retail business space	10.4%	5.35%	7.3%	**7.92%**	**10.4%**			Eastbourne Town Centre's shop vacancy rate was 7.9% at quarter 3, an increase of 0.62% from quarter 2. National Springboard Quarter 3 reporting fell to 10%. The council is working with local partners on initiatives to enhance footfall and attract new retailers to the town. Anticipating closure of Debenhams in Jan 2020 and the team are in close contact with the appointed agents for the Debenhams site.

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Increase numbers of bandstand patrons	43,000	18,555	60,251	5,088	n/a			The Bandstand extended the season this year and was open in October. A total of 5088 patrons attended the Tribute Shows on Fridays and Saturdays during this month.
Percentage of Council Tax collected during the year - Eastbourne	97.06%	28.38%	54.89%	**81.90%**	**82.44%**			Although collection is still below target by 0.54%, it has improved since Q2 when collection was 0.64% below target. There are 1,200 accounts with outstanding debts that will be sent to the enforcement agents in January to be recovered. We expect collection to further improve in the final quarter.
Percentage of Business Rates collected during the year - Eastbourne	98.50%	28.68%	53.73%	**79.05%**	**81.10%**			Whilst the collection rate is still below target, it has improved since last month when it was 2.21% below target. The expectation is that this will continue to improve during the course of quarter 4.
Number of visitors to Eastbourne (day visitors and staying trips) Annual	5,066,000	Not measured for Quarters		Not measured for Quarters				Annual PI - to be reported in Q4 1920
Total tourist spend in Eastbourne (Annual)	£357,442,000	Not measured for Quarters		Not measured for Quarters				Annual PI - to be reported in Q4 1920
Total day visitor spend in Eastbourne (Annual)	£145,747,000	Not measured for Quarters		Not measured for Quarters				Annual PI - to be reported in Q4 1920
Total holiday accommodation spend in Eastbourne (Annual)	£211,695,000	Not measured for Quarters		Not measured for Quarters				Annual PI - to be reported in Q4 1920

CPR Ebn 2 Housing 2019/20

2.1 Housing Projects & Programmes

2.2 Housing Key Performance Indicators

Project / Initiative	Description	Target completion	Status	Update
Housing Development Programme - Ebn	Deliver an ambitious programme of housing development and refurbishment that provides homes and makes a positive contribution to Eastbourne's economic future	Q4 2019/20		A report will be presented to February Cabinet finalising the method of delivery and budget on the development of Bedfordwell Road which will provide 96 new homes for the town.
Rough Sleeping Project	Reduce homelessness.	Q4 2019/20		The project continues to expand with weekend support provision being explored in partnership with the Community Safety Partnership. Funding for the project is until March 2020. The MHCLG are currently reviewing the RSI alongside sister projects. The 5 local authorities (including Eastbourne and Hastings) have submitted a joint bid to MHCLG for a further years RSI funding (March 2020 – March 2021). An increase in the Outreach service, emergency accommodation units and multi-disciplinary team has been proposed. Verified Rough Sleepers: Oct: 38 Nov:27 Dec:41

CPR Ebn 2 Housing 2019/20

2.1 Housing Projects & Programmes

2.2 Housing Key Performance Indicators

2.2 Housing Key Performance Indicators

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Number of new affordable homes	30	0	12	**17**	**17**			12 new homes were completed in Northbourne Road and 5 new homes acquired through Aspiration Homes LLP at St Luke's Terrace
(Ann) Net additional new homes provided	274							Annual PI - data due April 2020

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
DFGs - Time taken from council receiving a fully complete application to the council approving the grant	28 days	3 days	1 days	**1 day**	**28 days**			Performance output remains high
Number of Licensed HMO's Inspected per Quarter	At least 50	12	19	**15**	**At least 12.5**			Performance has exceeded the target
Taking everything into account, percentage of tenants satisfied or dissatisfied with overall Homes First service	90%	81%	87%	**93%**	**90%**			
Rent arrears of current tenants (expressed as a percentage of rent debit) (E)	2%	3.84%	4.07%	**4.68%**	**2%**			Universal credit has impacted on rent arrears due to varied payment dates. 72% of our Universal Credit Claimants are in rent arrears. We have added eight additional Direct debit dates to allow rent payments to be taken in line with the Universal credit payments. This also reported to EHL board which is aware of the issues that lead to tenant rent arrears and consideration is being given, by the board, how they can financially support additional resources to work with tenants who are having difficulties maintaining their rent payments. The expectation is that team performance will continue to further improve over the coming months. This will happen with the implementation an improvement plan focusing on greater caseworker ownership of their individual rent arrears caseload, with an emphasis on reaching a monetary team collection target by the 31st March 2020.
Average void relet time key to key (month & YTD) (E)	20.0	17.8	15.2	**18.2**	**21.0**			The re-let time for the quarter started off well below target in October. This continued in November. December was above target due to one property which had significant delays in re-letting as a result of unsuitable candidates and multiple refusals. The overall figure for the quarter is within target, which is a significant improvement in comparison to last year. We continue to monitor void and lettings during weekly meetings and this will continue in order to closely manage performance going forward.
Number of households living in emergency (nightly paid) accommodation (E)	0	158	181	**158**	**0- Data only**			At the end of Q3 there were 158 households in emergency accommodation in Eastbourne. This is down from 181 at the end of Q2, a reduction of 12.7%. Despite this, demand for housing and homelessness services remained high during

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
								this quarter. Between 1 October and 31 December 333 households presented to Eastbourne Borough Council in need of housing support. 193 of these 333 households were either homeless on the day or at immediate risk of homelessness (i.e. within the next two weeks). Out of these 193 households, 173 were provided with immediate housing solutions and 20 households were placed into emergency accommodation. Our Temporary Accommodation and Commercial Lettings team have moved 112 out of emergency accommodation. Work continues in the new year to reduce the overall number of households in EA. This includes reviewing our re-alignment of work streams, initially carried out in July 19, and reviewing our homelessness strategy.

CPR Ebn 3 Thriving Communities 2019/20

3.1 Thriving Communities Key Performance Indicators

3.2 Projects & Programmes

3.1 Thriving Communities Key Performance Indicators

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Average days to process new claims for housing/council tax benefit (E)	**22**	22	19	**19**	**22**			Performance remains ahead of target.
Average days to process change of circs (housing/council tax benefit) (E)	**8**	9	8	**7**	**8**			Performance remains ahead of target.
Improve our ranking compared to similar authorities in relation to all crime - Eastbourne	**5**	1	1	**1**	**5**			Eastbourne has maintained its ranking as the lowest area for crime per 1,000 population compared with other areas in its most similar group.

CPR Ebn 4 Quality Environment 2019/20

4.1 Quality Environment Projects and Programmes

4.2 Quality Environment Key Performance Indicators

4.2 Quality Environment Key Performance Indicators

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Increase the percentage of Major Planning Applications processed within 13 weeks	65%	100%	67%	**100%**	**65%**			3 major applications processed in Q3.
Increase the percentage of minor planning applications processed within 8 weeks	75%	82%	90%	**79%**	**75%**			31 of 39 applications processed within deadline.
Increase the percentage of other planning applications processed within 8 weeks	75%	90%	96%	**100%**	**75%**			All 54 applications received processed within 8 weeks.
Percentage of local searches that are returned within 10 working days of receipt	80%	98.69%	98.49%	**100%**	**80%**			Performance is above target.
Percentage of household waste sent for reuse, recycling and composting	38.00%	35.21%	36.69%	**tbc**	**38.00%**			TBC figures as used average of previous months to extrapolate Dec. Figures due from ESCC in Jan.
% Container Deliveries on Time	100%	New PI	28.45%	**49.03%**	**100%**			The team are presently delivering containers within the five day SLA. The challenge in Q3 was due to the fact EBC ran a successful campaign for additional recycling bins for households which saw an increase in demand (additional 1000) and helps improve recycling rates. In Q3 a total of 277 out of 565 bins were delivered on time.
Number of missed bins (per 100,000)	100	New PI	40.5	**36.33**	**100**			Total number of all (refuse, recycling & garden waste) missed bin collections per 100,000. The average for Q3 (36.3) is lower than the average of 40.5 for Q2.
Missed Assisted Collections	0%	New PI	0.12%	**0.09%**	**0%**			This is a holding figure from September as we collect the data. This reflects 21 missed assisted collections from over 22,000.
Total number of reported fly-tipping incidents	480	127	117	**155**	**80**			The total number of fly tips year to date is 399.

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
								The majority of the fly tips are of small van size and consist of household waste and domestic items such as mattresses and white goods in the town centre and appears mainly from areas where there are houses of multiple occupancy. They are to be encouraged to use the bulky waste collection facility available. A ward map review shows Devonshire, Hampden Park and Langney with the most reported fly tips. The total number of reports for Q3 has increased by 38 from Q2. Improvements to bring site bins, a poster campaign in partnership with Keep Britain Tidy and the purchase of two roaming cameras should see an improvement, moving forward.

CPR Ebn 5 Best Use of Resources 2019/20

5.1 Best Use of Resources Key Performance Indicators

5.2 Best Use of Resources Projects and Programmes

5.1 Best Use of Resources Key Performance Indicators

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
Number of new sign-ups to the Councils' social media channels	**600**	471	442	**532**	**150**			
Increase the percentage of calls to the contact centre answered within 60 seconds - Ebn	**80%**	47.33%	86.05%	**76.48%**	**80%**			The Customer Advisors continue to work hard on trying to maintain the improved stats from Q2 where we hit and exceeded the SLA of 80% of all calls answered within 60seconds for October but then dipped below for November and December where Quarter 3 as a whole was 76.48%. For the first 3 weeks of October (1st to 25th) we managed to hit and exceed our SLA by achieving 87.2% of calls answered within 60seconds. We were then unable to achieve these stats for the remaining week of October after the election was called, the whole of November and then the first 12 days of December until the election took place – this was in despite of additional measures being put in place to bring up the call performance; for example reduced staff in the contact centres and post room as well as enforced half an hour lunches to all Customer Advisors. From the 12th to the 31st December we were then able to achieve and exceed our performance SLA by reaching 87.9%. Although we were just shy of hitting out SLA for Q3 this was largely down to the snap General Election which put a lot of additional pressure on the call and contact centres where we already had a 9FTE vacancy or in training on top of long term sick. We are hopeful that as we enter the new calendar year and Quarter 4, our stats will improve greatly without the pressure of the Election and our remaining new staff finishing their training. **Performance Improvement Plan:** To ensure our continued projected increase in performance, our last recruitment round saw our then current vacancies filled with start dates agreed from the 6th January. In addition to another recruitment round new 2FTE vacancy, we will be exploring the additional help of Agency Staff to help handle the influx of calls from January to March as we approach Garden Waste

KPI Description	Annual Target 2019/20	Q1 2019/20	Q2 2019/20	Q3 2019/20				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
								renewals and Annual Billing - which saw 250k+ letters being issued in March 2019 alone.
Average days lost per FTE employee due to sickness (J)	**8.0 days**	2.2 days	2.1 days	2.72 days	**2.0 days**			Q3 sickness absence increased from Q2, although we would expect an increase during the winter months. It is less than Q3 2018-19 which was 2.79 days. Removing LDC Waste Services (we have jointly report Eastbourne/ Lewes staffing0, the Q3 figure reduces to 2.29 days. Waste Services on its own is 5.46 days. Sickness absence rates remained high in Q3 at over 2 days per full time equivalent employee. HR Business Partners continue to support managers in robustly managing attendance issues. There is a range of support offered to those staff absent from work due to sickness including our employee assistance programme which which is designed to support employees with all sorts of work life issues providing support and guidance on a range of issues – 24 hours a day, 365 days a year. We also ensure that absent employees receive regular communication from their line manager, have welfare visits and that we obtain professional medial advise. It remains noting that the average national public sector sickness absence for 2017/18 was 8.5 days (these are currently the most up to date figures published) and that absence rates nationally remain considerably higher.
Social media responsiveness rate	**80%**	89.67%	87%	**95%**	**80%**			'Response rate' is the percentage of new messages received via our Facebook page that we respond to on the day the message is received.

Devolved ward budget scheme 2019/2020 - Summary by ward to end of Quarter 3 – (1 April - 31 December 2019)

Ward	Project	Description	Project Spend to Date
Devonshire	Allchorn Pleasure Boat	Restoration of Allchorn Pleasure Boat	£1,250.00
	Friends of Prince Park Fun Day	Funds to provide gazebos and entertainment for the annual Friends of Prince Park Fun Day	£750.00
	Community Stuff	Funding for a gazebo during rainy days for Community Stuff's holiday activities.	£631.94
	Pride 2019	Funding towards Eastbourne Pride event (20th July 2019), the annual march and party to be held in Princes Park.	£2,000.00
	Holding Space	Holding space will provide a safe and support space for families whose child has mental illness. There will be access to support treatment, information and therapies. Holding Space will educate and empower children and their families to manage their mental health.	£1,000.00
	Friends of Seaside Rec	The money will assist with the cost of a security door on the proposed cafe area.	£1,000.00
	Trees	Replacement tree at Tideswell Road	£250.00
		Total spend to end of Quarter 3:	**£6,881.94**
Hampden Park	Trees Community Association Summer Fun Event	An event that aims to offer a low cost and fun event that grows community spirit and hopefully raise some funds for volunteer-led community activities.	£700.00
	Age Concern	Shed project in Brassey Parade run by Age Concern	£1,800.00
	Defibrillators	Up keep of Defibrillators in Hampden Park	£300.00
	Trees	To plant 8 trees and create a bee friendly flower bed at the top of Lottbridge Drive.	£2,000.00
	Bear Workshops	Parenting classes	£350.00
		Total spend to end of Quarter 3:	**£5,150.00**
Langney	Diversionary Sports	Funding for Shinewater Diversionary Sports Summer 2019. Tuesday, Wednesday and	£1,500.00

Ward	Project	Description	Project Spend to Date
		Thursday through school summer holidays from 23rd July to 31st August 1pm – 3pm. This would encourage youngsters to participate in sports activities.	
	Shinewater Woodland Project	Woodland Adventurers at Shinewater Primary School. Outdoor Learning Project. This includes a Woodland Tots programme for pre-school children and their parents from the Shinewater wider community to join in. Woodland site is used every day. Funding will go towards purchase of woodchips.	£440.00
	Theatre Project	Opportunity for schoolchildren from Shinewater Primary School to visit Royal Hippodrome for a Christmas performance of family show “The Lost Toys Big Christmas Adventure”. Access to the arts for children who may not otherwise get the opportunity to experience live theatre.	£500.00
	Community Garden	Community Garden at The Causeway School. To develop wider community involvement and make the area adapted for disability friendly especially for pupils from Hazel Court school.	£1,000.00
	Defibrillators	Replacement pads and batteries for Langney defibrillators.	£500.00
		Total spend to end of Quarter 3:	**£3,940.00**
Meads	Eastbourne Heritage Centre	Funding towards the 2019 exhibition	£600.00
	Little Chelsea Traders Association	Funding towards Little Christmas 2019	£1,000.00
	ROMPA Defibrillator	External cabinet for defibrillator at ROMPA tennis club to enable public access 24/7.	£595.14
	Silver Sunday	Silver Sunday event 6th October 2019: National initiative on social prescribing through Lighthouse Medical Practice who will nominate 100 of their patients to participate in a special afternoon to appraise them of a wide range of activities in which they might participate to combat social isolation.	£200.00
	MCA Christmas Lights	Additional Christmas light for Meads St.	£150.00

Ward	Project	Description	Project Spend to Date
	Just Friends	Just Friends Christmas lunch for people living alone	£250.00
	Meads Village Allotments	To assist in the purchase of the Meads Village Allotments by a Community Interest Company to preserve the allotments for the residents of Meads in perpetuity	£4,000.00
	Helen Gardens Defibrillator	To install a defibrillator at Helen Gardens through the EBC Seafront Office	£500.00
	A Band of Brothers	To help the "Band of Brothers" in Eastbourne with their rites-of-passage mentoring programme (Quest) to young men involved with the Criminal Justice System	£2,000.00
	Eastbourne Society	The Eastbourne Society need a high quality wireless radio microphone	£470.00
		Total spend to end of Quarter 3:	**£9,765.14**
Old Town	Pashley Down Infant School	Pashley Down, a vibrant and popular community school here in Old Town, are seeking funding to replace elements of their outside learning space.	£500.00
	Noah's Ark Playgroup	Noah's Ark is a longstanding playgroup in Old Town that runs weekly during term time for children up to school age. They use their premises free of charge, but much of the play equipment is tired and well beyond its useful life. A small amount from the devolved budget would have a large impact on the enjoyment of the children and the range of equipment able to be offered.	£250.00
	Bear Workshops	Bear Workshops – a specific resource for soon-to-be-dads to allow them to be trained and prepared for fatherhood and the birth of their baby. The places on the course funded by this application to the devolved budget will be reserved for dads who live in Old Town who otherwise wouldn't be able to attend such a course. In this way the project will enhance community facilities and accessibility in the	£250.00

Ward	Project	Description	Project Spend to Date
		ward. There are very few courses that specifically address dads and what they can do and the part they can play in the arrival of a baby and the months after.	
	Tree Planting	Tree planting on Greenfield Road, near the junction of Greenfield Road and Green Street. The aim is to replace recently removed trees, due to disease.	£250.00
		Total spend to end of Quarter 3:	**£1,250.00**
Ratton	Ratton School Garden	Funds allocated to make a garden for local residents to sit in	£400.00
		Total spend to end of Quarter 3:	**£400.00**
St Anthony's	Defiant Sports	Funding assistance for the delivery of outreach sports opportunities provided via 'Defiant Sports', specifically the provision of an adult football group and the Children with SEND football sessions.	£250.00
		Total spend to end of Quarter 3:	**£250.00**
Sovereign	**No schemes to end of Quarter 3**		
		Total spend to end of Quarter 3:	**£0**
Upperton	Holding Space	"Holding Space" provides a safe space for families caring for a child with mental illness. They provide advice, support and information.	£500.00
	Memory Lane	"Memory Lane Eastbourne" provides social activities for people with dementia and their carers	£200.00
	Community Wise	Upperton Neighbourhood Panel - Empowering the community giving people the help needed to manage their own community. To meet four times a year at Community Wise.	£100.00
	Heart Beat Fund	Eastbourne Defibrillator Partnership - "The Heart Beat Fund" - Replace Electropads and Batteries in four public access defibrillators in Upperton	£500.00
	Children's Climate Library	Funding for books and trolleys to take to	£150.00

Ward	Project	Description	Project Spend to Date
		creative sessions and events.	
	Heart of Eastbourne Project	Bringing life to the "Heart of Eastbourne" Project. This will encourage wildflower growth, providing nesting boxes for swifts, encourage biodiversity.	£1,000.00
		Total spend to end of Quarter 3:	**£2,450.00**

Number of schemes to end of Quarter 3	**39**
All wards total spend to end of Quarter 3	**£30,087.08**

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Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**General Fund Revenue Budget 2020/21 and Capital Programme**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To agree the updated General Fund budget and updated MTFS, together with the updated Capital Programme position.**
Decision type:	**Budget and policy framework**
Officer recommendation(s):	**Members are asked to recommend the following proposals to Full Council:**

i) The General Fund budget for 2019/20 (Revised) and 2020/21 (original) Appendix 1 including growth and savings proposals for 2020/21 as set out in Appendix 2.

ii) An increase in the Council Tax for Eastbourne Borough Council of 2% resulting in a Band D charge for general expenses of £251.71 for 2020/21.

iii) The revised General Fund capital programme 2020/21 revised as set out in Appendix 3.

Reasons 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 Officer(s):	**Name: Homira Javadi** **Post title: Chief Finance Officer** **E-mail: Homira.Javadi@lewes-eastbourne.gov.uk**

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1. Background

1.1 The Council published its draft Medium Term Financial Strategy (MTFS) for 2019/20 to 2023/24 in July 2019. This is a key document, which demonstrates alignment with the Council Corporate Plan, and how the Council plans to target its financial resources in line with its key priorities and stated aims and objectives.

1.2 The MTFS included a set of financial assumptions and forecasts up to the financial year 2023/24, based on the most up to date information available at the time.

1.3 This report presents the updated forecast financial position for 2020/21, taking into account the capital strategy and programme approved by Council in February 2019, budget changes identified since the publication of the MTFS and the latest intelligence regarding the 2020/21 local government funding settlement following the Comprehensive Spending Review announcement on 19th December 2019.

The recent snap Parliamentary election called for 12th December 2019, had a significant impact on our normal practice of engagement with members through the draft budget process, due to the requirements to observe purdah protocols in the lead up to the election.

Whilst purdah does not prevent meetings taking place where urgent decisions are required, it does restrict our ability to provide information or engage with politicians on matters which can then be used to advantage, or to the disadvantage of other parties, in election campaigning. Thus, our normal practice of engagement on emerging draft budget proposals, both at informal briefings and at public Scrutiny Committee, Cabinet and Council meetings during the late November/December period was not possible and has resulted in much later and more condensed engagement after the Christmas and New Year period.

2. Key Factors

Comprehensive Spending Review 2019

2.1 Local government in general and district councils in particular continue to operate within a severely challenging financial environment. There have been three Comprehensive Spending Reviews since 2010, each of which has had an impact upon local government's strategic financing:

- **Spending Review 2010:** published in October 2010, established the initial path of reductions to local government grant funding and the introduction of Council Tax Freeze grant. At the same time as the SR10 took effect, New Homes Bonus was launched for the period of the SR.
- **Spending Review 2013:** published in June 2013, continued with the reductions to local government grant funding; the rolling forward of the Council Tax Freeze grant; and the introduction of the Better Care Fund.
- **Spending Review 2015:** published in November 2015, again continued with reductions to local government grant funding; introduced reforms to New Homes Bonus; ended Council Tax Freeze grant, set council tax referendum limits at 2% per annum or £5 for District Councils (whichever was higher); and introduced the Social Care Precept at 2% per annum.

In 2019/20, additional one-off funding was provided for social care and council tax referendum limits were increased to 3%.

As a result of these changes to the local government financial system the Council no longer receives central Government funding in the form of Revenue Support Grant (RSG).

2.2 **The Local Government Finance Settlement** for 2018/19 announced that by 2020/21 local Councils will retain 75% of business rate revenues. However, the timetable for introducing these changes has now been pushed back to 2021/22 and the Government are yet to publish detailed proposals. For the purposes of the Medium Term Financial Strategy the minimum baseline has been assumed.

Economic Outlook

On 16 December 2019, the Office for Budget Responsibility (OBR) published its restated March 2019 economic and fiscal outlook.

> The economy ended 2018 growing a little less strongly than expected in October. Survey indicators of current activity have weakened materially, in part reflecting heightened uncertainty prior to the General Election related to Brexit. As a result, the OBR has revised their forecast for Gross Domestic Product (GDP) growth this year down to 1.2% – more than reversing the upward revision they made in October in response to the Government's discretionary fiscal loosening in the Budget. They have not altered their assessment of the outlook for potential output, so the medium-term forecast is little changed: GDP growth still settles down to around 1.5% a year.
>
> They now expect public sector net borrowing to come in at £22.8 billion (1.1% of GDP) this year, down £2.7 billion since October thanks primarily to higher income tax receipts and lower debt interest spending. By 2023/24 the improvement since that October estimate is £6.3 billion, again thanks primarily to higher income tax receipts and lower debt interest spending.
>
> These downward pressures on borrowing are partially offset by the £2.1 billion net cost of 20 policy decisions announced since the Budget – notably the £1.7 billion of additional planned public services spending announced at the Spring Statement. This leaves the expected deficit in 2023/24 at £13.5 billion (0.5% of GDP).
>
> Consumer Price Index (CPI) inflation was above the 2% target throughout 2018, averaging 2.5%. In the fourth quarter of 2018 it had fallen back to 2.3%. CPI inflation fell further in January 2019 to 1.8%, largely reflecting lower gas, electricity and petrol price changes. This was the first time in two years that inflation was below the 2% target. The OBR has revised down their forecast for CPI inflation since October, dipping to 1.9% in 2020, returning to the 2% target thereafter. They have made a larger downward revision to RPI inflation due to the much weaker outlook for house prices in 2019 and 2020.

2.3 On 4 September 2019 the Chancellor delivered his 2019 Spending Round. The key points that are relevant to Local Government are as follows:

a) Confirmation that the Fair Funding Review, Business Rates Review and business rates reset has been deferred by 12 months to 2021/22.

b) £2.9 billion increase in Core Spending power overall. Most of the additional funding is for adults' and children's services, but there is £54m for Homelessness.

c) Funding to remove negative RSG has been continued for 2020/21.

d) 75% business rates pilots will come to an end and there are no new pilots planned for 2020/21.

e) £40m additional funding for Discretionary Housing Payments.

f) £23m to fund a range of measures around Universal Credit – whilst this won't come to districts it will be a positive support for people in the area.

g) Continuation of the Discover England Fund to promote inbound tourism.

h) £241m in 2020/21 in the Towns Fund to regenerate high streets, town centres and local economies.

i) Additional £30m for the Business, Energy, & Industrial Strategy (BEIS) to accelerate the development of decarbonisation schemes.

3. Provisional Finance Settlement

3.1 The Provisional Finance Settlement was announced on the 20 December 2019, whilst there is new money from Central Government this has been prioritised for adult and children's social care.

The settlement provides no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (commonly called the Fair Funding Review). However the settlement confirmed that the next business rates revaluation is planned for 2021 and from then on the Government intends to move to a three-yearly revaluation cycle.

The headlines are as follows;

a) No change to the New Homes Bonus threshold of 0.4%. The 2020/21 element of NHB will be paid for one year only. The legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21. The Government will consult on the future of the housing incentive in the Spring. The Written Ministerial Statement says this will include moving to a new, more targeted approach which is aligned with other measures around planning performance and confirmed that the payments will be phased out;

b) The Rural Services Delivery Grant will remain unchanged at £81 million in 2020/21. The Government is minded to retain the current method of distributing the grant but will consult on this;

c) Business rates baseline will rise in line with inflation;

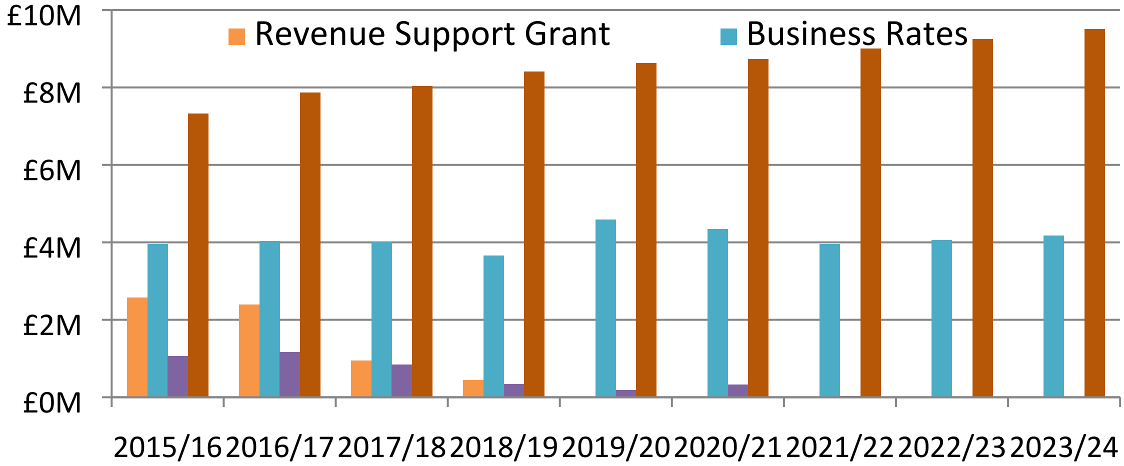
d) £400m compensation for under-indexing the business rates multiplier will be distributed to all councils, The Council's share of this will be confirmed later in the process;

e) Continuation of the option for shire districts with the lowest council tax levels to increase council tax by the higher of 2% or £5. The Government will continue with its policy of not setting referendum limits for parish and town councils, which they will keep under review for future years.

Table 1: Provisional Finance Settlement and Other Funding Resources

	2019/20 £m	**2020/21 £m**	**2021/22 £m**	**2022/23 £m**	**2023/24 £m**
Business Rates	4.844	4.346	3.956	4.066	4.180
Business Rates – (Deficit)	(0.250)	-	-	-	-
New Homes Bonus	0.183	0.332	0.026	0.011	-
Council Tax	8.579	8.772	9.010	9.254	9.505
Council Tax Surplus/(Deficit)	0.058	(0.060)	-	-	-
Other Government Grants	0.132	0.132	0.132	0.132	0.132
Total Resources	**13.546**	**13.522**	**13.124**	**13.463**	**13.817**

Graph: Core Funding from 2015/16 to 2023/24 (projected)



Note the above includes annual surpluses and deficits relating to business rates and council tax.

4. Council Tax

4.1 The proposal is for an increase in council tax of 2% for 2020/21 which results in a Band D rate of £251.71 for Council services.

4.2 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 the also current ceiling on rises that would otherwise require a referendum.

4.3 Within this context, for 2020/21, the Council will raise £8.8mM 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 £251.71 per annum.

4.4 In addition, there is a deficit of £0.060M payable by EBC to the collection fund due to an overall collection fund deficit of £0.480M.

5. 2018/19 Financial Outtrun

5.1 The Council achieved a balanced revenue outturn position for 2018/19 after the flexible use of capital receipts, benefiting from reallocation of £1.1M grant funding and planned used of reserve £1.2M. However, this position masked a number of significant pressures – notably are the significant cost of temporary and emergency accommodation and the impact of economic slowdown on commercial income and business rate.

Table 2: 2018/19 Outturn Variances

Analysis of Major Variances	£000
Increase in homelessness demand costs	663
Corporate landlord expenditure on necessary works to properties	359
Re-profiling of the in-year savings and some transitional costs	336
Business Rates section 31 grant income lower than estimated	333
Pensions costs for Leisure staff transferred to Serco	163
Contribution from Reserves	300
Contribution received from funding reallocation	(1,100)
Interest payments lower than budget due to continued low interest rates, together with additional interest earnings on advances made	(371)
Recovery of associated costs with WEL	(250)
Additional income from Solarbourne	(81)

6. 2019/20 Revised Budget

6.1 As part of the budget setting process and subject to approval, 2019/20 estimates will be adjusted to address structural imbalance in some operational budgets (largely relating to non-achievement of income and increased demand for housing need services). Healthy income from the chargeable garden waste service contributed to a more robust revenue budget position. However, some areas of the Council's revenue budget remain under pressure and will require careful monitoring.

6.2 Like most authorities, the Council is faced with a requirement to live within its means and improve and transform services whilst still operating in an environment of Government resource constraints and uncertainty about future funding prospects.

Table 3: 2019/20 Key Movements

Analysis of Major Movements	£000
Tourism & Enterprise – Net additional service cost	521
Corporate Landlord – Reduced rental income	985
Corporate Landlord – Additional running costs	680
Specialist Advisory – Additional Hsg Benefit Subsidy costs	1,452
Housing Needs & Standards – Hsg Bad Debt Provisions	235
Use of Housing Reserves	(1,600)
Specialist Advisory – Additional waste contract costs	200
Bereavement Services – Reduced Crematorium income	200
Corporate Savings – all services	(1,711)
Other net service costs	108
	1,070

6.3 Due to the pre-election period, 'purdah' and the requirement to reschedule committee meetings, the Council's quarterly monitoring report for Q2 was superseded by the in-depth work undertaken on the 2019/20 revised budget.

7. Medium Term Financial Position

7.1 The MTFS sets out the Council's four-year spending and funding plans, and is the financial framework for the development of the detailed 2020/21 budget.

The latest MTFS, as approved by Cabinet on 9th July 2019, forecast budget gaps in each of the next four financial years as follows:

Table 4: Previous MTFS Forecasts

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Budget Forecast	13,883	14,480	15,535	16,615
External Funding	(13,114)	(12,970)	(12,917)	(12,910)
Annual Budget Gap	**769**	**1,510**	**2,618**	**3,705**
Cumulative Budget Gap	**769**	**2,279**	**TBC**	**TBC**

7.2 The MTFS has been updated with the latest forecast position. This incorporates the on-going impact of any pressures and mitigations identified in the first quarter's budget monitoring from 2019/20 and newly identified budget pressures. The forecast budget gap for 2020/21 has increased to £4.146M, largely due to the impact of continuing housing demand, economic uncertainty and reduction on some key income streams.

A summary of the revised position, including the updated savings requirement, is shown in following sections.

Table 5: Summary of the Revised MTFS Position

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Adjusted Base Budget	14,616	15,698	13,034	14,766	15,585
Additional budget pressures/savings		(2,232)	1,732	819	859
Initial Budget Forecast	**14,616**	**13,466**	**14,766**	**15,585**	**16,444**
External Funding	(13,546)	(13,522)	(13,124)	(13,463)	(13,817)
Initial Budget Gap	**1,070**	**(56)**	**1,642**	**2,122**	**2,627**
Funding Reallocation	(420)				
Business Rates Retention – Pilot	(200)				
Devonshire Park Reserve	(450)				
Cumulative Budget Gap / (Surplus)	**0**	**(56)**	**1,642**	**2,122**	**2,627**

8. Financial Planning Cycle

8.1 A typical financial planning cycle for a local authority is a continual process of review and challenge of future years' budget assumptions over a medium term horizon. This is based on performance against the current year's budget, incorporating the costs and benefits of business change and responding to political and economic factors within the external environment.

Following the publication of this report, work will continue to further validate and monitor delivery against all of the key budget assumptions for 2020/21 and beyond.

Since the publication of the MTFS in July, the Council has reviewed its 2020/21 budget following consideration of the following areas:

- Priority objectives and service plan delivery;
- Planned business change and opportunities for increased value for money;
- Current levels of service demand and performance against budget; and
- The statutory environment that each directorate operates in.

8.2 The key financial assumptions within the MTFS have been refreshed to include the impact of:

- The capital strategy and rolling capital programme approved by Council in February 2019;
- Demographic and service demand pressures, which have been reviewed based on the latest national and local trends and management information available.
- Expenditure and income inflation indices, which have been reviewed using the latest economic data and contract information.
- An assessment of changes to government grants and funding;
- The Council's operational and financial performance in 2018/19 and 2019/20 with due regard given to the on-going impacts in 2020/21
- Validation of MTFS savings proposals.

Full details of the updated financial assumptions are contained within Appendix 4.

9. Capital Programme

9.1 As part of the budget setting process, the Council is required to agree a programme of General Fund Capital Programme expenditure for the coming four years (Appendix 3). The capital programme plays an important part in the delivery of the Council's Corporate Plan and Medium-Term Financial Strategy (MTFS), which in turn supports wider service delivery.

Capital expenditure within the Council is split into two main components, the General Fund Capital Programme and the Housing Revenue Account (HRA) Capital Programme.

9.2 Capital programme recognises the spending limitations within the Finance Settlement for 2020/21 on the resources available. Therefore, the programme prioritises delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's Corporate Plan. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

The programme has been compiled taking account of the following main principles, to:

- maintain an affordable four-year rolling capital programme;
- ensure capital resources are aligned with the Council's Corporate Plan,
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they are realised.

The current economic climate also places further emphasis on ensuring that the levels of capital receipts are maximised through improved asset management and through the sale of surplus and underused assets. The Council recognises disposal of its surplus assets key to its overall financing of capital investment and at the same time reduced the demand on the revenue costs of capital.

9.3 Capital Funding Sources - The capital investment proposals contained within this MTFS rely upon an overall funding envelope made up of several sources, including borrowing, capital receipts, capital grants and revenue contributions.

Borrowing - The local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council must complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue payment (MRP) each year is considered when drafting the Budget and Medium-Term Financial Strategy. Over the course of this MTFS, prudential borrowing of £73.5M has been assumed for the General Fund Capital Programme.

The Council's General Fund external authorised borrowing limit for 2020/21 is set at £260.6m with an estimated borrowing of £134.6m as at 31 March 2021. The HRA has no borrowing limit/cap as it takes its income from rents and services charges collected from tenants, and spends this money exclusively on building and maintaining housing. Councils are able to borrow money within their HRAs in order to build more homes to provide more income, or even to refurbish or regenerate existing homes. The 2020/21 HRA borrowing is estimated as £43.6m.

Capital Receipts - These are generated when a non-current asset is sold, and the receipt is more than £10K. Capital receipts can only be used to fund capital expenditure or repay borrowing. In determining the overall affordability of its capital programme, the Council is taking a prudent approach of not including anticipated capital receipts as a source of funding in the programme until such a time when the income is received and realised.

9.4 Capital Grant - The Council receives additional grant funding for a variety of purposes and from a range of sources. These include the Ministry of Housing, Communities and Local Government (MHCLG) funding for Disabled Facility Grants and Environment Agency funding for Coastal Management projects.

9.5 Revenue Contributions - Although the Council can use its General Fund to pay for capital expenditure, as it has done in the past, the current financial constraints that are on the Revenue Budget means that this option is limited in the medium term.

9.6 General Fund Capital Reserves - Capital Short Life Asset Reserve – It is anticipated that this reserve will continue to fund assets with a life of less than 10 years, primarily being IT equipment and vehicles purchases.

9.7 HRA Right to Buy (RTB) Capital Receipts – The Right to Buy scheme helps eligible council tenants to buy their home with a discount of up to £84,200 (2020/21). The Council receives the sale proceeds of the Council House.

9.8 HRA Other Capital Receipts - These are generated when a fixed asset is sold, and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure.

9.9 HRA Contributions – Funding for capital expenditure on housing can be met from within the HRA. The future funding requirements will be informed by the Council's newly revised 30-year HRA business plan.

9.10 HRA Capital Reserves – Although the HRA subsidy system has ceased to exist, transitional arrangements allow the Council to continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve. This is exclusively available for use on HRA capital expenditure.

10. Financial Appraisal

10.1 The Chief Finance Officer is required by the Local Government Act 2003 (Section 25) to report on the following matters:

• the robustness of the estimates made for the purposes of the calculations
• the adequacy of the proposed financial reserves.

This will be included in the final budget report being presented to Full Council on 19 February 2020.

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 Appendix 4 provides an analysis of risks associated with the MTFS and mitigating actions.

13. Equality analysis

13.1 The equality implications of any individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

14. Conclusion

14.1 The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment.

15. Appendices

- Appendix 1 - Generl Fund Budget Suimmary
- Appendix 2 – Savings and Growth Proposals
- Appendix 3 – Capital Programme
- Appendix 4 – Risks

16. Background papers

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

- Provisional Local Government Finance Settlement 2020/21

FINANCIAL MONITORING POSITION AS AT 30 SEPTEMBER 2019

2019/20	Full Year Budget	Profiled Budget	Actual to 30th Sept 2019	Variance to date	Forecast Full Year Variances	Indicative Revised Budget
SUMMARY	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate Services	5,365	2,753	3,184	432	(1,429)	3,936
Service Delivery	4,947	(4,925)	(2,471)	2,454	337	5,284
Regeneration, Planning & Assets	(298)	(19)	857	876	1,372	1,074
Tourism & Enterprise Services	3,496	1,903	2,276	373	189	3,685
Total Service Expenditure	**13,510**	**(288)**	**3,847**	**4,135**	**469**	**13,979**
Efficiency Savings	(450)	87	120	33	601	151
Capital Financing and Interest	1,763	860	867	7	0	1,763
Contributions to/(from) Reserves	(1,277)	0	0	0	0	(1,277)
Net Expenditure	**13,546**	**659**	**4,834**	**4,175**	**1,070**	**14,616**
Forecast Increase on Original Full Year Budget						**1,070**

The above table shows a budget shortfall of £4.175M at the end of September 2019 which is forecast to reduce to £1.070M by the year end. Details of the latter are contained within the body of the report.

FORECAST 2020/21 BUDGET

2020/21	2019/20 Original Budget	Changes from Original Budget	Pay & Contract Inflation (to be allocated)	Capital Financing	Recurring Savings & Growth	Forecast 2020/21 Budget
SUMMARY	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Corporate Services	5,365	0	647	0	(2,620)	3,392
Service Delivery	4,947	1,773	0	0	(1,006)	5,714
Regeneration, Planning & Assets	(298)	711	0	0	95	508
Tourism & Enterprise Services	3,496	0	0	0	(804)	2,692
Total Service Expenditure	**13,510**	**2,484**	**647**	**0**	**(4,335)**	**12,306**
Budget Reallocation	(601)	601	0	0		0
Corporate Contingencies	151	0	0	0		151
Capital Financing and Interest	1,763	0	0	1,023	(500)	2,286
Contributions to/(from) Reserves	(1,277)	0	0	0		(1,277)
Net Expenditure	**13,546**	**3,085**	**647**	**1,023**	**(4,835)**	**13,466**

External Funding	**(13,522)**
Budget Surplus	**(56)**

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Appendix 2

2020/21 Savings and Growth

CORPORATE SERVICES

Savings	£000's
ICT Savings	(304)
Pensions - Lump Sum	(629)
Pay & Contractual Inflation	647
Further efficiency -CMT Savings	(461)
Insurance Savings	(100)
Funding reallocation	(400)
Salary Control - Vacancy Saving	(250)
Staffing Reductions	(500)
Occupational Health - service provision to LDC	(22)
Other smaller items less than £10k	(8)
Various service recharges	(171)
	(2,198)

Growth - Recurring	
Corporate initiatives	25
HR Admin	10
Occupational Health Contract	14
Training budget increase	30
Local Elections - Contribution to Earmarked Reserves	30
Printing Services, Internal Recharges Credit	43
FSS - computer software	24
Other Smaller Items - less than 10k	23
	199

Growth - Non-Recurring	
Project Postea - Project Manager	26
	26

SERVICE DELIVERY

Budget Changes	£000's
Housing Benefit Subsidy costs	1,215
Reduced Crematorium fees	150
Bed & Breakfast Costs	352
Reduced Searches Income	56
	1,773

Savings	
Efficiencies in waste disposal and increased Recycling	(300)
Car Parking	(100)
HRA Recharges	(100)
Grassed Areas, Contributions	(17)
Benefits Specialist Fees	(10)
Risk Verification Software	(12)
Magistrate Court costs	(26)
Ctax & NNDR Summons & Liability Order Income	(37)
Housing Needs Locata Annual Maintenance	(13)
GF Housing Repairs, Management Fee & Rents	(13)
Solarbourne	(76)
ESCC DESSS Grant for Housing Loans	(28)
Licence Fee Income - various	(16)
Other smaller items - less than £10k	(15)
	(763)
Further efficiency - CMT challenge	**(1,160)**
	(1,923)

Growth - Recurring	
Revenues, NNDR & Benefits Main Billing	10
SPD & NHB Review	31
Analyse Local Inform CPI	13
Neopost Lease	50
Homelink	12
Other smaller items - less than £10k	77
CCC Shared Staff Costs	67
CM Shared Staff Costs	53
Housing Needs Staff Costs	90
	403

Growth - Non-Recurring	
Additional housing bad debt provision	182
Additional waste contract costs	266
Housing Needs staffing	66
	514

2020/21 Savings and Growth

REGENERATION

Budget Changes	£000's
Corporate Landlord - Reduced rental income	380
Corporate Landlord - Additional running costs	331
	711
Savings	
Further efficiency - CMT challenge	**(105)**
Growth - Recurring	
Planning Policy - Emergence of Local Plan	**150**
Growth - Non-Recurring	
Sovereign Centre Contract	**50**

TOURISM & ENTERPRISE

Savings	£000's
Cultural Exemption	(500)
Heritage Tax	(250)
Catering Contract	(5)
Bandstand	(35)
Beach Huts and Chalets	(10)
Seafront Buildings and Facilities	(10)
Redoubt - Events	(22)
Events Development Support	(17)
Tourism Catering Administration	(2)
The Stage Door Pub	(25)
Redoubt Outpost - Catering	(1)
Airbourne Catering	(2)
	(879)
Further efficiency - CMT challenge	(735)
	(1,614)
Growth - Recurring	
Leisure Travel Marketing	32
Wave Contract	119
Sovereign Centre Contract	44
Golf Club - Golf	57
Beach Huts	44
Seafront Support Services	18
Other smaller items less than £10k	61
Victoria Mansions Heritage Exhibition	40
	415
Growth - Non-Recurring	
Soap Box Event	12
Devonshire Park Business Plan	383
	395

Appendix 3

Summary of Capital Programme 2019 to 2023

	Original Estimate 2019/20	Revised Estimate Total 2019/20	New bids for approval 2020/21	Revised Estimate Total (Excl new bids) 2020/21	Estimate Total 2021/22	Estimate Total 2022/23
Capital Programme		**£000**	**£000**	**£000**	**£000**	**£000**
Community Services	7,222	3,808	297	1,569	300	300
Tourism & Leisure	12,655	2,485	25	8,485	17,862	-
Corporate & Core Services	43,440	19,768	-	11,847	8,314	5,423
Asset Management	2,994	7,058	4,900	821	500	500
Pier Grant & Coastal Communites Grant	-	498	-	-	-	-
Total Programme	**66,311**	**33,617**	**5,222**	**22,722**	**26,976**	**6,223**
Financed By:-						
1-4-1 RTB Receipts	998	1,593	-	-	-	-
Capital Receipts GF	1,196	862	-	551	342	-
Grants and Contributions	8,162	3,054	-	1,300	300	300
Revenue Contribution to Capital	491	455	-	41	-	-
Section 106 Contributions	27	-	-	27	-	-
GF Borrowing (Committed)	29,041	27,653	5,222	11,206	20,362	750
GF Borrowing (Uncommitted)	26,396		-	9,597	5,972	5,173
Total Financing	**66,311**	**33,617**	**5,222**	**22,722**	**26,976**	**6,223**

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Appendix 4

Updated Financial Assumptions within the MTFS

The key financial assumptions included within the MTFS are set out below:

a) Pay assumptions:

General pay inflation - assumed at 2.5% from 2020/21 onwards.

Pension contributions - in line with other employers in the Local Government Pensions Scheme (LGPS) the Council makes an annual contribution payment to the Pension Fund to contribute towards the recovery of the deficit on the Fund. This contribution payment is set every three years as part of the triennial valuation of the Fund. Following discussions with the Fund's actuary the MTFS has been updated on the assumption that the contribution payment will reduce by 2% over four years. The employer's contribution rate does not affect individual employee's contributions or pension benefits.

b) Other pay considerations

The estimated cost of pay increments has been built into the MTFS.

c) Inflation Assumptions

Inflation has been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government.

d) Flexible Use of Capital Receipts

The Council has agreed a formal efficiency plan (Joint Transformation Programme). This enables the authority consider flexible use of capital receipts to finance qualifying expenditure in 2019/20. The use of these resources is 'one-off' and therefore does not form part of the Council's on-going base budget.

The MTFS has been updated to reflect the flexible use of capital receipts of £400K in 2019/20 but currently assumes no further application in 2020/21. Any new transformation projects that require the use of flexible capital receipts require full Council approval, and as such, an update will be provided as part of the final 2020/21 budget papers.

e) Fees and charges

The Council provides a wide range of discretionary services. It is expected that where possible a market driven pricing to be applied to support cost recovery. The MTFS assumes a 2% across the board increase in fees and charges for its discretionary services. This increase has not been applied to the following income budgets:

- Car parking charges
- Planning fees
- Land charges

Fees and charges assumptions will be fully reviewed in line with anticipated operational delivery and updated for the draft budget, which will include a full refresh of the Council's fees and charges schedule.

f) Funding

At the time of writing this report, it was anticipate that the final local government finance settlement for 2020/21 will be announced in January but currently no date has been provided. The provisional settlement was announced on 20 December 2019 which had inevitable been delayed due to the General Election.

The 2019/20 settlement was the final year of a four year settlement. It had been expected that a new 3 year Comprehensive Spending Review would take place this autumn, however due to continuing political and financial uncertainty surrounding Brexit, this has been postponed. Instead, a single year spending review was announced on 4th September 2019.

The government has announced an increase to current and capital spending of £13.4bn in 2020/21, compared to the OBR's forecast at Spring Statement 2019. Resource Departmental Expenditure Limits (DEL) (excluding depreciation) across government departments will increase from £330.8bn to £352.3bn, representing growth of 4.1%.

Most of the additional funding announced has been allocated to the following priorities:
Health and social care – the government reaffirmed the existing five-year settlement for the NHS, with an additional £33.9bn more per year by 2023/24, compared to 2018/19 budgets, with a real terms 3.1% increase in Resources DEL in 2020/21. There will also be an additional £1bn for adult and children's social care and the government will be consulting on a 2% adult social care precept to enable councils to access a further £0.5bn.

Education and skills - the schools' budget will rise by £2.6bn in 2020/21, which will include per pupil funding of £3,750 at primary and £5,000 at secondary schools. The additional funding is inclusive of £700m more funding in 2020/21 to support children and young people with special educational needs. £400m of additional funding for Further Education has also been announced.

Tackling crime – an extra £750m for policing to pay towards the government's commitment to recruit an additional 20,000 officers by 2023, which forms part of a 6.3% real terms increase in Home Office funding;

Brexit - the Spending Round confirms £2bn of core funding provided to departments for Brexit in 2019/20 will be continued into 2020/21. This money will be used to help pay for the costs of establishing a new relationship with the EU. Brexit preparation grants announced in January 2019 are to be increased to £50,000 per authority.

Local government core spending power is set to increase by £2.9bn, from £46.2bn in 2019/20 to £49.1bn in 2020/21, a real terms increase of 4.3% and cash increase of 6.3%. This compares to a cash increase of £1.7bn between 2015/16 and 2019/20.

Business rates baseline funding will increase in line with CPI which is consistent with assumptions made in the current MTFS.

The Government has subsequently clarified that other than in areas with devolution deals existing business rates pilots (including the Stoke on Trent and Staffordshire pilot) will end in 2020/21.

A technical consultation on the spending review is expected shortly. To date there has been no announcement of the potential council tax referendum limit for 2020/21. However, the increase in Core Spending Power implies a limit of between 2.5% and 3.0%.

The following sections set out the specific funding assumptions that have been applied in the

MTFS in respect of grant funding, New Homes Bonus, Council Tax and Business Rates.

g) Grant funding

The Council no longer receives any Revenue Support Grant.

The existing MTFS includes a forecast reduction in housing benefit administration grant of £1.3M in each year of the MTFS, reflecting reduced caseloads following the introduction of universal credit. Grant funding for all other services has been assumed to remain at 2019/20 levels, except where there have been specific announcements.

The one year Comprehensive Spending Review for 2020/21 announced further funding of £54m in 2020/21 to help reduce homelessness and rough sleeping, this is in addition to the funding already provided in 2019/20. The allocation for the Council will not be determined until the time of the Final Local Government Finance Settlement – due to its one off nature, future provision has not been made for this in the MTFS.

Brexit preparation grant of £35,000 has been received to date by the Council, again further funding for 2020/21 has been committed to via the Comprehensive Spending Review – due to its one off nature provision has not been made for this in the MTFS.

h) New Homes Bonus

New Homes Bonus is paid on a 4 year rolling basis. Income from New Homes Bonus has been budgeted in line with the confirmed grant announcement, with a reducing balance over the medium term due to funding for earlier years dropping out. The MTFS has been updated to reflect current forecasts of house building activity.

i) Council Tax

Council Tax increases at the average Band D rate of £5 have been applied each year based on the current year level. The Council Tax Referendum level for 2020/21 has not been announced. However, implicit within the calculation of local authority core spending power announced as part of the 2019 Comprehensive Spending Review is an increase of between 2.5% and 3%. A 1% change in Council Tax equates to £0.077m in income.
Growth in the Council Tax Base (the number of Band D equivalent dwellings subject to Council Tax) has been applied based on available intelligence and historical trend data.

j) Business Rates

An additional £0.300m of income relating to Business Rates has been added to the funding budget. This additional funding is due to the Business Rates collection fund being in surplus at the end of 2018/19 and is net of additional provision for appeals.

It is anticipated that the Council's income from Business Rates will increase at an inflationary amount during future years, if there are significant developments undertaken within the District this is likely to increase future revenue in the form of growth. However, the timing and value of any benefit will be impacted by the baseline resets applied as part of the Business Rates Retention scheme

k) Business Rates Retention Pilot

The Council has for a number of years participated in a Business Rates pool with the local district and borough councils in East Sussex. The pool was successful in its application for a 75%

Business Rates Pilot for 2019/20 and this has resulted in a projected financial benefit to the Council of £0.200m in the current year. This additional money is 'one off' and is not included in the MTFS as an ongoing income.

Following the 2019 Comprehensive Spending Review announcement on 4th September the pool has now been informed that the current pilot will come to an end in 2019/20. Agreement has been reached with neighbouring authorities to continue the existing pooling arrangements for 2020/21, and the MTFS has been updated to reflect the impact of this.

Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Treasury Management and Prudential Indicators 2020/21, Capital Strategy & Investment Strategy**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Cabinet member for Financial Services**
Ward(s):	**All**
Purpose of the report:	**To approve the Council's Annual Treasury Management Strategy, Capital Strategy & investment Strategy together with the Treasury and Prudential Indicators for the next financial year.**
Decision type:	**Budget and policy framework**
Recommendation:	**Cabinet is asked to recommend the following proposals to full Council to :**

a. **Approve the Treasury Management Strategy and Annual Investment Strategy for 2020/21 as set out in Appendix A;**

b. **Approve the Minimum Revenue Provision Policy Statement 2020/21 as set out at paragraph 8;**

c. **Approve the Prudential and Treasury Indicators 2020/21 to 2022/23, as set out at paragraph 6;**

d. **Approve the Capital Strategy set out in Appendix E.**

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, Capital Strategy and Investment Strategy.**
Contact Officer:	**Ola Owolabi, Deputy Chief Finance Officer** **Telephone: 01323 415083** **E-mail address: Ola.Owolabi@lewes-eastbourne.gov.uk**

1. Introduction

1.1 The Prudential and Treasury Indicators and Treasury Strategy covers:

- the capital prudentail indicators;
- the 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 adopted CIPFA's Treasury Management code of Practice on 18 May 2010. This code is supported by treasury management practices (TMPs) that set out the manner in which the council seeks to achieve the treasury management strategy and prescribes how it manages and controls those activities.

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 The report include the Capital Strategy (Appendix E), which provide a longer-term focus on the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The aim of the capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite. The Capital Strategy covers 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.

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

The Council uses Link as its external treasury management advisorsm, and recognises that responsibility for treasury management decisions remains with the Council at all times. It also recognises that there is value in employing external providers of treasury management services in order to have 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.

2. 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.

3. Outcome expected and performance management

3.1 Loans, Investments and Prudential Indicators will be monitored regularly during 2020/21 and performance will be reported to members quarterly.

4. Financial appraisal

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

5. Legal implications

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

6. Equality analysis

6.1 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.

7. Minimum Revenue Provision (MRP)

7.1 A consultant was commissioned to review the Council MRP, which has resulted in a revision to the MRP methodology recommendation. The current methodology for borrowing incurred before 1 April 2008 is based on using an equal instalment method and other appropriate options. The alternative now proposed was an annuity method. Under this revised methodology, MRP will be lower in the early years and increases over time. This is considered a prudent approach as it reflects the time value of money (i.e. the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years. The revised MRP Policy Statement (Section 8) therefore reflects this change in policy which, if approved, will be introduced during 2019/20.

8. Conclusion

8.1 Capital prudential indicators are set to demonstrate plans for borrowing are affordable. The movement in the Capital Financing Requirement (CFR) forecasts for 2019/20, 2020/21, 2021/22 and 2022/23 are set as £27.1m, £25.7m, £36.0m and £7.9m respectively. 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.

8.2 The proposed Minimum Revenue Provision Policy is updated to ensure that prudent provision is made for the repayment of borrowing.

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

Appendices

A Treasury Management Strategy Statement, Minimum Revenue Provision and Annual Investment Strategy.
B The Treasury Management Role of the Section 151 Officer.
C Counterparty List.
D Link Asset Services on the Economic Background and Forward View.
E Capital Strategy.

Background papers

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;
- Treasury Management Strategy and Treasury Management Practices;
- Council Budget 5th February 2020;
- Finance Matters and Performance Monitoring Reports 2019;
- CIPFA Prudential Property Investment.

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

APPENDIX ‘A’

Treasury Management Strategy Statement,
Minimum Revenue Provision
and
Annual Investment Strategy.

2020/21

CONTENTS

1. INTRODUCTION

The Treasury Management Policy and Strategy is one of the Council's key financial strategy documents and sets out the Council's approach to the management of its treasury management activities.

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans, or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

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."

The Local Government Act 2003 and supporting regulations require the Council to 'have regard to' the CIPFA Prudential Code and the Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

The Act therefore requires the Council to set out its treasury management strategy for borrowing and to prepare an Annual Investment Strategy. This sets out the Council's policies for managing investments and for giving priority to the security and liquidity of those investments.

This strategy is updated annually to reflect changes in circumstances that may affect the strategy.

2. TREASURY MANAGEMENT REPORTING

The Council/Members are required to receive and approve, as a minimum, 3 reports annually which incorporate a variety of policies, forecasts and actuals as follows;

a. **Annual treasury strategy** (issued February and includes);

    a. A Minimum Revenue Provision (MRP) policy (this reflects capital expenditure previously financed by borrowing and how the principal element is charged to revenue over time);

    b. The treasury management strategies (how the investments and borrowings are to be organised) including treasury prudential indicators and limits;

    c. An investment strategy (the parameters on how investments are to be managed).

b. **Mid-year update** – (issued November / December and provides an);

    a. update for members with the progress of the treasury management activities undertaken for the period April to September and

    b. opportunity for amending prudential indicators and any policies if necessary.

c. **Annual outturn** – (issued June and contains);

    a. details of actual treasury operations undertaken in the previous financial year.

Each of the above 3 reports are required to be adequately scrutinised by the Eastbourne Borough Council Audit and Governance Committee before being recommended to the Cabinet and Council for final approval. This Council delegates responsibility for implementation and monitoring treasury management to Cabinet and responsibility for the execution and administration of treasury management decisions to the Section 151 Officer;

The Council has adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (Revised 2018) including the creation and maintenance of a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of the Council's treasury management activities.

3. TREASURY MANAGEMENT POLICY STATEMENT

The policies and objectives of the Council's treasury management activities are as follows:

a. This Council defines its treasury management activities as - *'The management of the authority's 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'.*

b. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council, and any financial instruments entered into to manage these risks.

c. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance management techniques, within the context of effective risk management.

4. CAPITAL STRATEGY

The CIPFA 2017 Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report (Appendix E) which will provide 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 on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

This capital strategy is reported separately from the Treasury Management Strategy Statement; non-treasury investments will be reported through the former. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The capital strategy will show:

- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance, CIPFA Prudential Property Investment and CIPFA Prudential Code have not been adhered to. If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the capital strategy.

Most of the capital expenditure incurred by authorities requires risks to be managed, particularly in relation to whether the assets acquired will provide the benefits projected for them and whether estimates of acquisition and running costings and income generation will be reliable. These considerations will impact on decisions regarding whether it would be prudent to borrow to fund such expenditure. Reductions in government funding have meant that local authorities have been under growing pressure to incur capital expenditure with the objective of generating revenue income that will compensate for reductions in government funding.

CIPFA concerns relating to the rapid expansion of acquisitions of commercial property and its relationship with CIPFA's statement in its Prudential Code that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Where authorities exceed the limits of the Prudential Code and the wider Prudential Framework this places a strain on the credibility of the Prudential Framework to secure the prudent management of local authority finances. The view expressed in the Prudential Code effectively reflects the circumstances where there is no specific or projected need to borrow but an opportunity has been identified to make an investment return greater than the authority's cost of borrowing. For local authorities, who have access to borrowing at relatively low rates, there are tempting opportunities to generate income at no net capital or revenue cost.

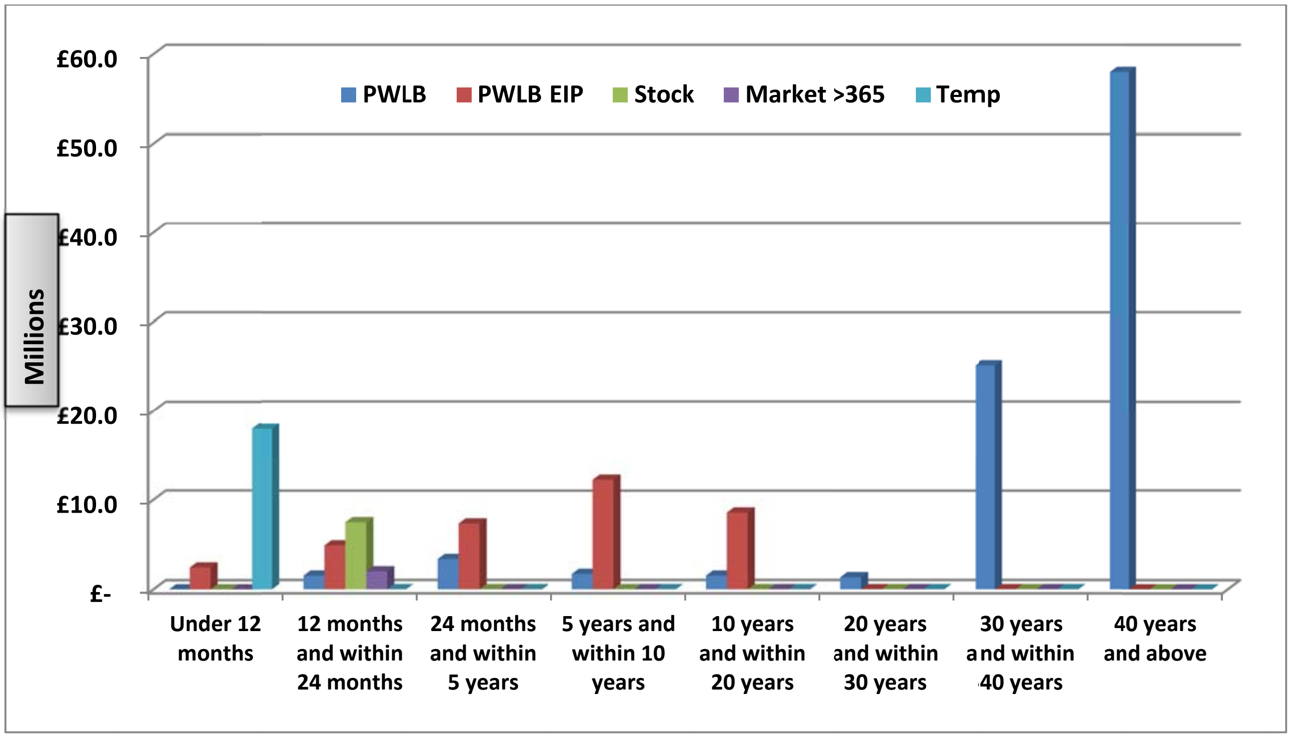
The Prudential Framework (including statutory guidance and the Prudential Code itself) allows local authorities the flexibility to take their own decisions; provided that the decisions taken are prudent, affordable and sustainable and that they have regard to the statutory guidance. However, local authorities will need to ensure if they acquire commercial property with substantial investment returns that they have a clear rationale for such acquisitions. If after having regard to the statutory guidance and the Prudential Code local authorities decide to depart from such guidance, they can only do so where a robust and reasonable argument can be put that an alternative approach will still meet the authority's various duties under Chapter 1 of the Local Government Act 2003.

5. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2020/21

5.1 Current Borrowing Position

The Council's long-term external borrowing (excluding finance lease arrangements) is projected to be £155.6m at 31 March 2020 with the majority sourced from the Public Works Loan Board (PWLB) at fixed interest rates of between 1.6% - 8.8%, with a weighted average rate of 3.7%. The PWLB allows local authorities to repay loans early and either pay a premium or obtain a discount according to a formula based on current interest rates.

The Council's debt maturity profile as at December 2019, showing the outstanding level of loans each year, is shown in **Graph 1** below:



5.2 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services central view.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time.

It has been little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and more recently, due to the impending general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth: if those uncertainties were to materialise, then it is likely the MPC would cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were an eventual Brexit with no agreement on the terms of trade between the UK and EU, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

Bond yields / PWLB rates. There has been much speculation recently that we are currently in a bond market bubble. However, given the context that there are heightened expectations that the US could be heading for a recession, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields. While inflation targeting by the major central banks has been successful over the last thirty years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the last thirty years.

During the first half of 2019-20 to 30 September, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels. There is though, an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this and how strong the correlation is likely to be is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.

The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

In addition, PWLB rates are subject to ad hoc decisions by **H.M. Treasury** to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 100bps within the next year or so, whether H M Treasury would remove the extra 100 bps margin implemented on 9.10.19.

Economic and interest rate forecasting remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

5.3 Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then jumped up by 100 bps on 9.10.19. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates requires a major rethink of local authority treasury management strategy and risk management. The gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%.

- While this authority will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

5.4 Borrowing Strategy for 2020/21

Capital Investment can be paid for using cash from one or more of the following sources:

- Cash from existing and/or new capital resources (e.g. capital grants, receipts from asset sales, revenue contributions or earmarked reserves);
- Cash raised by borrowing externally;
- Cash being held for other purposes (e.g. earmarked reserves or working capital) but used in the short term for capital investment. This is known as 'internal borrowing' as there will be a future needs to borrow externally once the cash is required for the other purposes.

Under the CIPFA Prudential Code an authority is responsible for deciding its own level of affordable borrowing within set prudential indicator limits (see section 6).

Borrowing does not have to take place immediately to finance its related capital investment and may be deferred or borrowed in advance of need within policy. The Council's primary objective when borrowing is to strike an appropriately low risk balance between securing low interest rates and achieving cost certainty over the period for which funds are required.

When MRP is not required to repay debt, it will accumulate as cash balances which will then be invested. **Graph 1** (on page 10) shows that most of the Council's debt is long dated and matures from May 2020 to September 2068. The Council's Draft Revenue Budget and Capital Programme 2020/21 to 2022/23 forecasts £106.4m of capital investment over the next three years with £32.9m to be met from existing or new resources. The amount of new borrowing required over this period is therefore £73.5m as shown in **Table 2** below.

Capital Expenditure **Table 2a**	**2018/19** **Actual**	**2019/20** **Estimate**	**2020/21** **Estimate**	**2021/22** **Estimate**	**2022/23** **Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund	37.6	14.6	16.2	19.0	1.0
HRA	4.7	6.5	12.7	18.6	14.1
Commercial Activities/non-financial investments	4.0	19.0	11.6	8.0	5.2
Total	**46.3**	**40.1**	**40.5**	**45.6**	**20.3**
Financed by:					
Capital receipts	9.2	3.0	2.3	1.5	6.1
Capital grants	4.2	3.1	1.6	0.3	0.3
Capital reserves	4.2	5.2	6.3	6.4	4.5
Revenue	0.5	1.1	3.7	0.1	0.1
Net borrowing needed for the year	**28.2**	**27.7**	**26.9**	**37.3**	**9.3**

As existing and forecast future resources are insufficient to meet the level of spend, the borrowing need might initially be met through internal borrowing. This is to use the Council's own surplus funds until external borrowing is required. Internal borrowing reduces borrowing costs and risk as there is less exposure of external investments. The benefits of internal borrowing need to be monitored and weighed against deferring new external borrowing into future years when long-term borrowing rates could rise.

Table 2b	**2018/19** **Actual**	**2019/20** **Estimate**	**2020/21** **Estimate**	**2021/22** **Estimate**	**2022/23** **Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
Capital Financing Requirement					
CFR – General Fund	103.3	115.4	147.5	176.1	183.4
CFR - housing	42.6	42.6	43.6	54.6	58.0
Commercial Activities/non-financial investments	4.0	19.0	11.6	8.0	5.2
Total CFR	**149.9**	**177.0**	**202.7**	**238.7**	**246.6**
Movement in CFR	**27.3**	**27.1**	**25.7**	**36.0**	**7.9**

Movement in CFR represented by					
Net financing needed for the year (above)	28.2	27.7	26.9	37.3	9.3
Less MRP/VRP and other financing movements	(0.9)	(0.6)	(1.2)	(1.3)	(1.4)
Movement in CFR	**27.3**	**27.1**	**25.7**	**36.0**	**7.9**

The amount that notionally should have been borrowed is known as the **capital financing requirement (CFR)**. The CFR and actual borrowing may be different at a point in time and the difference is either an under or over borrowing amount. The Council is required to repay an element of the CFR each year through a revenue charge. This is known as the minimum revenue provision (MRP) and is currently estimated (revised) to be £1.2m for 2020/21. MRP will cause a reduction in the CFR annually.

Table 3 below includes the figures from Table 2 and shows the actual external borrowing against the capital financing requirement, identifying any under or over borrowing.

Table 3	2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m	£m
External borrowing					
GF Borrowing at 1 April	58.6	81.0	108.7	134.6	160.9
GF Expected change in borrowing	22.3	27.7	25.9	26.3	5.9
Other long-term liabilities (OLTL)	0.5	0.1	-	-	-
Expected change in OLTL	(0.4)	(0.1)	-	-	-
GF Actual gross borrowing at 31 March	**81.0**	**108.7**	**134.6**	**160.9**	**166.8**
HRA Borrowing at 1 April	42.6	42.6	42.6	43.6	54.6
HRA Expected change in borrowing	-	-	1.0	11.0	3.4
HRA Actual gross borrowing at 31 March	**42.6**	**42.6**	**43.6**	**54.6**	**58.0**
Total Borrowing at 31 March	**123.6**	**151.3**	**178.2**	**215.5**	**224.8**
Total CFR – the borrowing need	149.9	177.0	202.7	238.7	246.6
Under/ (over) borrowing	26.3	25.7	24.5	23.2	21.8

The Council is currently maintaining an under-borrowed position as it previously took advantage of historic low borrowing rates. As at the end of 2019/20, the Council is projected to be under borrowed by £25.7m, £24.5m in 2020/21 and then only moving around the margin until 2022/23. This means that the capital financial requirement has been financed by existing resources and loan debt.

5.5 Borrowing other than with the PWLB

The Council has previously borrowed mainly from the PWLB, but will continue to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates. Any new borrowing taken out will be completed with regard to the limits, indicators, the economic environment, the cost of carrying this debt ahead of need, and interest rate forecasts. The S151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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.

5.6 Policy on Borrowing in Advance of Need

The Council will not borrow purely in order to profit from investment of extra sums borrowed. Any decision to borrow in advance will be within 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 activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

5.7 Debt Rescheduling

Officers continue to regularly review opportunities for debt rescheduling, but there has been a considerable widening of the difference between new borrowing and repayment rates, which has made PWLB debt restructuring now much less attractive. Consideration would have to be given to the large premiums (cash payments) which would be incurred by prematurely repaying existing PWLB loans. It is very unlikely that these could be justified on value for money grounds if using replacement PWLB refinancing. However, some interest savings might still be achievable through using other market loans, in rescheduling exercises rather than using PWLB borrowing as the source of replacement financing.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.8 New financial institutions as a source of borrowing

Following the decision by the PWLB on 9 October 2019 to increase their margin over gilt yields by 100 bps to 180 basis points on loans lent to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (no issuance at present but there is potential)

The degree to which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed. Therefore, the strategy is to continue to seek opportunity to reduce the overall level of Council’s debt where prudent to do so, thus providing in future years cost reduction in terms of lower debt repayments costs, and 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 agreed by the S151 Officer.

5.9 Continual Review

Treasury officers continue to review the need to borrow taking into consideration the potential increases in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns.

Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Chief Finance Officer will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

6. PRUDENTIAL AND TREASURY INDICATORS 2020/21 to 2023/24

6.1 The Council's capital expenditure plans are a key driver of treasury management activities. The output of the capital expenditure plans are reflected in prudential indicators. Local Authorities are required to 'have regard to' the Prudential Code and to set Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable. The Code sets out the indicators that must be used but does not suggest limits or ratios as these are for the authority to set itself.

6.2 The Prudential Indicators for 2020/21 to 2023/24 are set out in **Table 4** below:

Table 4	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Capital Expenditure £m (gross) Council's capital expenditure plans	£40.1m	£40.5m	£45.6m	£20.3m
Capital Financing Requirement £m Measures the underlying need to borrow for capital purposes (including Leases)	£177.0m	£202.7m	£238.7m	£246.6m
Ratio of financing costs to net revenue stream Identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against net revenue stream	23.1%	26.8%	31.3%	34.8%
Incremental impact of capital investment decisions on council tax £ Identifies the revenue costs associated with proposed changes to the three year programme compared to the existing approved commitments	(£5.67)	£27.09	£15.44	£10.33

6.3 The Treasury Management Code requires that Local Authorities set a number of indicators for treasury performance in addition to the Prudential Indicators which fall under the Prudential Code. The Treasury Indicators for 2020/21 to 2023/24 are set out in **Table 5** below:

Table 5	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
Authorised Limit for External Debt £m*	202.7	225.4	257.9	260.6
The Authorised Limit - The authorised limit represents a limit beyond which external debt is prohibited and it is the maximum amount of debt that the Council can legally owe. This limit is set by Council and can only be revised by Council approval. It reflects the level of external borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer. The current limit is set at 10% above the Operational Boundary.				
Operational boundary for external debt £m*	187.1	210.4	242.9	245.6
The Operational Boundary - This is the expected borrowing position of the Council during the year, taking account of the timing of various funding streams. The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. This indicator may be breached temporarily for operational reasons.				
Upper limit for fixed interest rate exposure* Identifies a maximum limit for fixed interest rates for borrowing and investments.	100%	100%	100%	100%
Upper limit for variable interest rate exposure* Identifies a maximum limit for variable interest rates for borrowing and investments.	25%	25%	25%	25%
Maturity Structure of Borrowings* The Council needs to set upper and lower limits with respect to the maturity structure of its borrowing:				
Upper limit for under 12 months	*75%*	*75%*	*75%*	*75%*
Lower limit for under 12 months	*0%*	*0%*	*0%*	*0%*
Upper limit for 12 months to 2 years	*75%*	*75%*	*75%*	*75%*
Lower limit for over 12 months to 2 years	*0%*	*0%*	*0%*	*0%*
Upper limit for 2 years to 5 years	*75%*	*75%*	*75%*	*75%*
Lower limit for 2 years to 5 years	*0%*	*0%*	*0%*	*0%*
Upper limit for 5 years to 10 years	*75%*	*75%*	*75%*	*75%*
Lower limit for 5 years to 10 years	*0%*	*0%*	*0%*	*0%*
Upper limit for over 10 years	*75%*	*75%*	*75%*	*75%*
Lower limit for over 10 years	*0%*	*0%*	*0%*	*0%*

Note-
**the Treasury Indicators above have been calculated and determined by Officers in compliance with the Treasury Management Code of Practice.*

6.4 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 appropriate borrowing facilities.

6.5 Borrowing Limit and the Group Activities (i.e., Investment Company Eastbourne Limited)

In May 2018, the Council's wholly owned the Investment Company Eastbourne Limited (ICE) entered into a deal with a private company in respect of a property in Leicester. ICE is acting as the principal guarantor of a £48m refinancing loan to a private company, with the Council being the ultimate guarantor. ICE is also providing a rental guarantee in respect of shortfalls of rental income, again with the Council being the ultimate guarantor. In return for providing this guarantee, ICE has received an initial guarantee fee and will receive an annual guarantee fee. The timing and amount of any payments arising from both the loan guarantee and the rental guarantee are uncertain, as they could result from a number of default or income shortfall events. However, a default event would also give rise to circumstances that are reflected as a Contingent Asset at the end of the loan term. Assuming no default event occurs; the property will be jointly marketed and sold, with ICE being entitled to stipulated amounts and proportions of the net sale proceeds.

Therefore, the calculation of the Authorised limits in relation to Group Accounts is set out in the Prudential Code Guidance notes as follows: "*The balance sheet used for the preparation of the indicators required by the Code is the authority's own balance sheet, i.e. the balance sheet from the single entity financial statements. The capital expenditure or borrowing of companies (or other bodies) in which an authority has an interest should not be included within these indicators'*. It remains the case that where an authority has interests in companies or other similar related entities, the authority needs to have regard to its financial commitments and obligations to those bodies when deciding whether borrowing is affordable. The operational boundary should be based on the authority's estimate of most likely scenario – prudent, but not worst-case, and the authorised limit itself must be set only in relation to borrowing that would appear on the authority's own balance sheet from the single entity financial statements.

7. ANNUAL INVESTMENT STRATEGY

7.1 Investment Policy

The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (Appendix E). 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;
- CIPFA Prudential Property Investment.

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

7.2 Investment Strategy for 2020/21

In-house funds. Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. While most cash balances are required in order to manage the ups and downs of cash flow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.

- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
- Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

7.3 Investment returns expectations.

On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase only slowly over the next few years to reach 1.00% by quarter 1 2023. Bank Rate forecasts for financial year ends (March) are:

- Q1 2021 0.75%
- Q1 2022 1.00%
- Q1 2023 1.00%

The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

- 2019/20 0.75%
- 2020/21 0.75%
- 2021/22 1.00%
- 2022/23 1.25%
- 2023/24 1.50%
- 2024/25 1.75%
- Later years 2.25%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.

The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside. In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

7.4 Investment treasury indicator and limit

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.

Table 6

Upper limit for principal sums invested for longer than 365 days			
Description	**2020/21**	**2021/22**	**2022/23**
Principal sums invested for longer than 365 days	£2m	£2m	£2m

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.

7.5 Specified and Non-Specified Investments

This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use, under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.

- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

An investment is a **specified investment** if all of the following apply:

- the investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;
- the investment is not a long term investment (i.e. up to 365 days);
- the making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [SI 3146 as amended];
- the investment is made with a body or in an investment scheme of high credit quality (i.e. a minimum credit rating as outlined in this strategy) or with one of the following public-sector bodies:
  - The United Kingdom Government;
  - A local authority in England or Wales (as defined under section 23 of the 2003 Act) or a similar body in Scotland or Northern Ireland;

As a result of the change in accounting standards for 2019/20 under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. However, this authority will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year.

7.6 Creditworthiness Policy

The Treasury Management Strategy needs to set limits on the amount of money and the time period the Council can invest with any given counterparty. In order to do this the Council uses the Credit Rating given to the counterparty by the three main Credit Rating Agencies (Fitch, Moody’s and Standard and Poor’s). This forms part of the consistent risk based approach that is used across all of the financial strategies.

Treasury Officers regularly review both the investment portfolio and counterparty risk and make use of market data to inform their decision making. The officers are members of various benchmarking groups to ensure the investment portfolio is current and performing as other similar sized Local Authorities.

The Council as part of its due diligence in managing creditworthiness, uses amongst other information, a tool provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three credit rating agencies.

The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue reliance to just one agency’s ratings.

This modelling approach combines credit ratings with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swaps (CDS) spreads to give early warning of likely changes in credit ratings;

- sovereign ratings to select counterparties from only the most creditworthy countries.

This weighted scoring system then produces an end product of a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments.

The Council (in addition to other due diligence consideration) will use counterparties within the following durational bands provided they have a minimum AA+ soverign rating from three rating agencies:

- Yellow *5 years*
- *Purple* *2 years*
- *Blue* *1 year (semi nationalised UK Bank – NatWest/RBS)*
- *Orange* *1 year*
- *Red* *6 months*
- *Green* *100 days*
- *No Colour* *Not to be used*

Y	***P***	***B***	***O***	***R***	***G***	***N/C***
Up to 5yrs	*Up to 2yrs*	*Up to 1yr*	*Up to 1yrs*	*Up to 6 months*	*Up to 100 days*	*Not to be used*

Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

The primary principle governing the Council's investment criteria is the security of its investments, although the return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in and the criteria for choosing investment counterparties with adequate security, and monitoring their security;
- It has sufficient liquidity in its investments.

All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services credit worthiness service. If a downgrade results in the counterparty or investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

In addition to the use of credit ratings, the Council will be advised of information re movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list. The counterparties in which the Council will invest its cash surpluses is based on officers assessment of investment security, risk factors, market intelligence, a diverse but manageable portfolio and their participation in the local authority market.

Table 7 below summarises the types of specified investment counterparties available to the Council, and the maximum amount and maturity periods placed on each of these. Further details are contained in Appendix C.

7.7 Criteria for Specified Investments:

Table 7	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits (TD)	unlimited	1 yr
Government Treasury bills	UK	TD	unlimited	1 yr
UK Local Authorities	UK	TD	£5m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK	TD (including callable deposits), Certificate of Deposits (CD's)	£5m	1 yr
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK		£5m	1 yr
HSBC	UK		£5m	1 yr
Barclays	UK		£5m	1 yr
Santander	UK		£5m	6 mths
Goldman Sachs Investment Bank	UK		£5m	6 mths
Standard Chartered Bank	UK		£5m	6 mths
Nationwide Building Society	UK		£5m	6 mths
Coventry Building Society	UK		£5m	6 mths
Individual Money Market Funds (MMF)	UK/Ireland/ EU domiciled	AAA rated Money Market Funds	£10m	Instant access
Counterparties in select countries (non-UK) with a Sovereign Rating of at least AA+				
Australia & New Zealand Banking Group	Australia	TD / CD's	£5m	1 yr
Commonwealth Bank of Australia	Australia	TD / CD's	£5m	1 yr
National Australia Bank	Australia	TD / CD's	£5m	1 yr
Westpac Banking Corporation	Australia	TD / CD's	£5m	1 yr
Royal Bank of Canada	Canada	TD / CD's	£5m	1 yr
Toronto-Dominion Bank	Canada	TD / CD's	£5m	1 yr
Development Bank of Singapore	Singapore	TD / CD's	£5m	1 yr
Overseas Chinese Banking Corp	Singapore	TD / CD's	£5m	1 yr

Table 7	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
United Overseas Bank	Singapore	TD / CD's	£5m	1 yr
Svenska Handelsbanken	Sweden	TD / CD's	£5m	1 yr
Nordea Bank AB	Sweden	TD / CD's	£5m	1 yr
ABN Amro Bank	Netherlands	TD / CD's	£5m	1 yr
Cooperative Rabobank	Netherlands	TD / CD's	£5m	1 yr
ING Bank NV	Netherlands	TD / CD's	£5m	1 yr
DZ Bank AG	Germany	TD / CD's	£5m	1 yr
UBS AG	Switzerland	TD / CD's	£5m	1 yr
Credit Suisse AG	Switzerland	TD / CD's	£5m	1 yr
Danske Bank	Denmark	TD / CD's	£5m	1 yr

7.8 **Non-Specified investments** are any other types of investment that are not defined as specified. The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out in **Table 8** below:

Table 8	Minimum credit criteria	Maximum investments	Period
UK Local Authorities	Government Backed	£2m	2 years

The maximum amount that can be invested will be monitored in relation to the Council surplus monies and the level of reserves. The approved counterparty list will be maintained by referring to an up-to-date credit rating agency reports, and the Council will liaise regularly with brokers for updates. Counterparties may be added to or removed from the list only with the approval of the Chief Finance Officer. A detailed list of specified and non-specified investments that form the counterparty list is shown in Appendix C.

UK Local Authorities - Should a suitable opportunity in the market occur to lend to other Local Authorities of more than a 1 year duration, at a reasonable level of return the deal would be classed as a low risk Non-Specified Investment.

7.9 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 the following non treasury investments are currently in place as at 31 December 2019:

Investment	Facility £000	Int Rate
CloudConnX	357	1.5%+Base

Investment	Facility £000	Int Rate
EHIC – Loan Facility	23,738	4.50%
EHIC - Credit Facility	250	2%+Base
Aspiration Homes Loan Facility	5,468	4.50%
Aspiration Homes – Credit Facility	100	2%+Base
Seachange (Site 6 Sov Harbour) (Excl capitalised interest)	850	3.00%
Seachange (Sov Harbour Innovation Mall) (Excl capitalised interest)	1,400	3.00%

7.10 Risk and Sensitivity Analysis

Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the Council's treasury activities are:

- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);
- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

Treasury Officers, in conjunction with the treasury advisers, will monitor these risks closely and particular focus will be applied to:

- the global economy – indicators and their impact on interest rates will be monitored closely. Investment and borrowing portfolios will be positioned according to changes in the global economic climate;
- Counterparty risk – the Council follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely particularly within the Eurozone.

7.11 Lending to third parties

The Council has the power to lend monies to third parties subject to a number of criteria. These are not treasury type investments rather they are policy investments. Any activity will only take place after relevant due diligence has been undertaken. Loans of this nature will be approved by Cabinet. The primary aims of the Investment Strategy are the security of its capital, liquidity of its capital and to obtain a return on its capital commensurate with levels of security and liquidity. These aims are crucial in determining whether to proceed with a potential loan. In order to ensure security of the Council's capital, extensive financial due diligence must be completed prior to any loan or investment being agreed. The Council will use specialist advisors to complete financial checks to ascertain the creditworthiness of the third party. Where necessary, additional guarantees deemed will be sought. This will be via security against assets and/or through guarantees from a parent company.

8. MINIMUM REVENUE PROVISION POLICY STATEMENT – 2020/21

The statutory requirement for local authorities to charge the Revenue Account each year with a specific sum for debt repayment. A variety of options is provided to councils to determine for the financial year an amount of minimum revenue provision (MRP) that it considers to be prudent. This replaces the previous requirement that the minimum sum should be 4% of the Council's Capital Financing Requirement (CFR).

A Statement on the Council's policy for its annual MRP should be submitted to the Full Council for approval before the start the financial year to which the provision relate. The Council is therefore legally obliged to have regard to CLG MRP guidance in the same way as applies to other statutory guidance such as the CIPFA Prudential Code, the CIPFA Treasury Management Code and the CLG guidance on Investments.

The MRP guidance offers four options under which MRP might be made, with an overriding recommendation that the Council should make prudent provision to redeem its debt liability over a period which is commensurate with that over which the capital expenditure is estimated to provide benefits (i.e. estimated useful life of the asset being financed).

The guidance also requires an annual review of MRP policy being undertaken and it is appropriate that this is done as part of this annual Treasury Management Policy and Strategy.
The International Financial Reporting Standards (IFRS) involves some leases (being reclassified as finance leases instead of operating leases) coming onto the Council's Balance Sheet as long term liabilities. This accounting treatment impacts on the Capital Financing Requirement with an annual MRP provision being required. To ensure that this change has no overall financial impact on Local Authorities, the Government has updated their "Statutory MRP Guidance" which allows MRP to be equivalent to the existing lease rental payments and "capital repayment element" of annual payments.

In 2019/20, a review of MRP was undertaken and a change was made to the method of calculating MRP on debt prior to 2008 from a reducing balance to an annuity method. The change was made to bring the calculation in line with post 2008 debt and resulted in a re-profiling of the MRP charge.

The policy from 2020/21 and in future years is therefore as follows:-

For borrowing incurred before 1 April 2008, the MRP policy will be:

- Annuity basis over a maximum of 50 years.

From borrowing incurred after 1 April 2008, the MRP policy will be:
- Asset Life Method (annuity method) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations, with a maximum useful economic life of 50 years. This option will also be applied for any expenditure capitalised under a capitalisation directive.

For finance leases that come onto the Balance Sheet, the MRP policy will be:

- Asset Life Method (annuity method) - The MRP will be calculated according to the flow of benefits from the asset, and where the principal repayments increase over the life of the asset. Any related MRP will be equivalent to the "capital repayment element" of the annual charge payable.

There is the option to charge more than the prudent provision of MRP each year through a Voluntary Revenue Provision (VRP).

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. Repayments included in annual PFI or finance leases are applied as MRP.

For loans to third parties that are being used to fund expenditure that is classed as capital in nature, the policy will be to set aside the repayments of principal as capital receipts to finance the initial capital advance in lieu of making an MRP.

In view of the variety of different types of capital expenditure incurred by the Council, which is not in all cases capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure.

This approach also allows the Council to defer the introduction of an MRP charge for new capital projects/land purchases until the year after the new asset becomes operational rather than in the year borrowing is required to finance the capital spending. This approach is beneficial for projects that take more than one year to complete and is therefore included as part of the MRP policy.

Half-yearly review of the Council's MRP Policy will be undertaken and reported to Members as part of the Mid-Year Treasury Management Strategy report.

9. SCHEME OF DELEGATION

9.1 Full Council

In line with best practice, Full Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of polices, estimates and actuals. These reports are:

i. **Treasury Management Policy and Strategy Report**

The report covers:

- the capital plans (including 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).

ii. **A Mid-Year Review Report and a Year End Stewardship Report**

These will update members with the progress of the capital position, amending prudential indicators as necessary, and indicating whether the treasury strategy is meeting the strategy or whether any policies require revision. The reports also provide details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

9.2 Cabinet

- Approval of the Treasury Management quarterly update reports;
- Approval of the Treasury Management outturn report.

9.3 Eastbourne Borough Council Audit and Governance Committee

- Scrutiny of performance against the strategy.

9.4 Training

Treasury Management training for committee members will be delivered as required to facilitate more informed decision making and challenge processes. The Council further acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them. In order to assist with this undertaking, a Member training event was provided on 22 January 2020 and similar events will be provided when required. Officers will continue to attend courses/seminars presented by CIPFA and other suitable professional organisations.

10. OTHER TREASURY ISSUES

10.1 Banking Services

Lloyds, which is part Government owned, currently provides banking services for the Council.

10.2 Policy on the use of External Service Providers

The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. 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.

APPENDIX 'B'

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 2017as 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.

APPENDIX ‘C’ - COUNTERPARTY LIST 2020/21

20202/21 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Link Duration	*EBC Duration*	CDS Price	Invest. Limit
Australia	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Australia and New Zealand Banking Group Ltd.	NO	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	30.70	£5
Commonwealth Bank of Australia	NO	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	32.65	£5
Macquarie Bank Ltd.	SB	A	F1	a	SB	A2	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths		£5
National Australia Bank Ltd.	NO	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	32.65	£5
Westpac Banking Corp.	NO	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	38.54	£5
Belgium	SB	AA-			SB	Aa3		SB	AA		Not Applicable	Not Applicable		
BNP Paribas Fortis	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths		£5
KBC Bank N.V.	SB	A+	F1	a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Canada	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Bank of Montreal	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Bank of Nova Scotia	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Canadian Imperial Bank of Commerce	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
National Bank of Canada	SB	A+	F1	a+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		
Royal Bank of Canada	SB	AA	F1+	aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Toronto-Dominion Bank	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Denmark	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Danske A/S	NO	A	F1	a	NO	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	31.50	£5
Finland	PO	AA+			SB	Aa1		SB	AA+		Not Applicable	Not Applicable		
Nordea Bank Abp	NO	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
OP Corporate Bank plc		WD	WD		SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
France	SB	AA			PO	Aa2		SB	AA		Not Applicable	Not Applicable		
BNP Paribas	SB	A+	F1	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	26.28	£5
Credit Agricole Corporate and Investment Bank	SB	A+	F1	WD	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	20.42	£5
Credit Agricole S.A.	SB	A+	F1	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.30	£5
Credit Industriel et Commercial	SB	A+	F1	a+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5
Societe Generale	SB	A	F1	a	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	28.04	£5
Germany	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Bayerische Landesbank	SB	A-	F1	bbb+	SB	Aa3	P-1		NR	NR	R - 6 mths	R - 6 mths		£5
Commerzbank AG	NO	BBB+	F1	bbb+	SB	A1	P-1	NO	A-	A-2	G - 100 days	G - 100 days	40.09	£5
Deutsche Bank AG	EO	BBB	F2	bbb	NO	A3	P-2	SB	BBB+	A-2	N/C - 0 mths	N/C - 0 mths		
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+		NO	Aa1	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Landesbank Baden-Wuerttemberg	SB	A-	F1	bbb+	SB	Aa3	P-1		NR	NR	R - 6 mths	R - 6 mths		£5
Landesbank Berlin AG					SB	Aa2	P-1				O - 12 mths	O - 12 mths		£5
Landesbank Hessen-Thueringen Girozentrale	SB	A+	F1+		SB	Aa3	P-1	SB	A	A-1	O - 12 mths	O - 12 mths	50.14	£5
Landwirtschaftliche Rentenbank	SB	AAA	F1+		SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5
Norddeutsche Landesbank Girozentrale	NW	A-	F1	f	PW	Baa2	P-2		NR	NR	N/C - 0 mths	N/C - 0 mths		
NRW.BANK	SB	AAA	F1+		SB	Aa1	P-1	SB	AA	A-1+	P - 24 mths	P - 24 mths		£5

20202/21 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Link Duration	*EBC Duration*	CDS Price	Invest. Limit
Netherlands	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
ABN AMRO Bank N.V.	NO	A+	F1	a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5
Bank Nederlandse Gemeenten N.V.	SB	AAA	F1+		SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5
Cooperatieve Rabobank U.A.	NO	AA-	F1+	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	19.53	£5
ING Bank N.V.	SB	AA-	F1+	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	19.52	£5
Nederlandse Waterschapsbank N.V.					SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5
Qatar	SB	AA-			SB	Aa3		SB	AA-		Not Applicable	Not Applicable		
Qatar National Bank	SB	A+	F1	bbb+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	72.94	£5
Singapore	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
DBS Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
United Overseas Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Sweden	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Skandinaviska Enskilda Banken AB	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Svenska Handelsbanken AB	SB	AA	F1+	aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Swedbank AB	NW	AA-	F1+	aa-	NO	Aa2	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Switzerland	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable		
Credit Suisse AG	PO	A	F1	a-	PO	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	44.50	£5
UBS AG	SB	AA-	F1+	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.47	£5
United Arab Emirates	SB	AA			SB	Aa2		SB	AA		Not Applicable	Not Applicable		
First Abu Dhabi Bank PJSC	SB	AA-	F1+	a-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
United Kingdom	NW	AA			NO	Aa2		NO	AA		Not Applicable	Not Applicable		
Abbey National Treasury Services PLC	NW	A	F1		NO	Aa3	P-1				R - 6 mths	R - 6 mths		£5
Bank of Scotland PLC (RFB)	NW	A+	F1	a	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	35.01	£5
Barclays Bank PLC (NRFB)	NW	A+	F1	a	PO	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	43.32	£5
Barclays Bank UK PLC (RFB)	NW	A+	F1	a	NO	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5
Close Brothers Ltd	NW	A	F1	a	NO	Aa3	P-1				R - 6 mths	R - 6 mths		£5
Clydesdale Bank PLC	NW	A-	F2	bbb+	SB	Baa1	P-2	SB	BBB+	A-2	N/C - 0 mths	N/C - 0 mths		
Co-operative Bank PLC (The)	NW	B	B	b	PO	B3	NP				N/C - 0 mths	N/C - 0 mths		
Goldman Sachs International Bank	SB	A	F1		SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	51.72	£5
Handelsbanken Plc	SB	AA	F1+					SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5
HSBC Bank PLC (NRFB)	NW	A+	F1+	a	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	30.73	£5
HSBC UK Bank Plc (RFB)	NW	A+	F1+	a				NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5
Lloyds Bank Corporate Markets Plc (NRFB)	NW	A	F1		SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5
Lloyds Bank Plc (RFB)	NW	A+	F1	a	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	34.49	£5
NatWest Markets Plc (NRFB)	NW	A	F1	WD	PO	Baa2	P-2	SB	A-	A-2	G - 100 days	G - 100 days	56.45	£5
Santander UK PLC	NW	A+	F1	a	NO	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5
Standard Chartered Bank	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	29.88	£5
Sumitomo Mitsui Banking Corporation Europe Ltd	SB	A	F1		SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	35.29	£5
Coventry Building Society	NW	A-	F1	a-	NO	A2	P-1				R - 6 mths	R - 6 mths		£5

20202/21 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Link Duration	*EBC Duration*	CDS Price	Invest. Limit
Leeds Building Society	NW	A-	F1	a-	NO	A3	P-2				G - 100 days	G - 100 days		£5
Nationwide Building Society	NW	A	F1	a	NO	Aa3	P-1	PO	A	A-1	R - 6 mths	R - 6 mths		£5
Nottingham Building Society					NO	Baa1	P-2				N/C - 0 mths	N/C - 0 mths		
Principality Building Society	NW	BBB+	F2	bbb+	SB	Baa2	P-2				N/C - 0 mths	N/C - 0 mths		
Skipton Building Society	NW	A-	F1	a-	SB	Baa1	P-2				G - 100 days	G - 100 days		£5
West Bromwich Building Society					PO	Ba3	NP				N/C - 0 mths	N/C - 0 mths		
Yorkshire Building Society	NW	A-	F1	a-	NO	A3	P-2				G - 100 days	G - 100 days		£5
National Westminster Bank PLC (RFB)	NW	A+	F1	a	PO	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths		£5
The Royal Bank of Scotland Plc (RFB)	NW	A+	F1	a	PO	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths		£5
United States	SB	AAA				Aaa		SB	AA+		Not Applicable	Not Applicable	8.23	
Bank of America N.A.	SB	AA-	F1+	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Bank of New York Mellon, The	SB	AA	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	P - 24 mths	P - 24 mths	40.35	£5
Citibank N.A.	SB	A+	F1	a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	42.58	£5
JPMorgan Chase Bank N.A.	SB	AA	F1+	aa-	SB	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5
Wells Fargo Bank, NA	SB	AA-	F1+	a+	SB	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	36.08	£5

Yellow	*Purple*	*Blue*	*Orange*	*Red*	*Green*	*No Colour*
Up to 5yrs	*Up to 2yrs*	*Up to 1yr (semi nationalised UK bank NatWest/RBS)*	*Up to 1yr*	*Up to 6 months*	*Up to 100 days*	*Not to be used*

Watches and Outlooks: *SB- Stable Outlook; NO- Negative Outlook; NW- Negative Watch; PO- Positive Outlook; PW- Positive Watch; EO- Evolving Outlook; EW- Evolving Watch; WD- Rating Withdrawn.*

Non-Specified Investments:			
	Minimum credit Criteria	**Maximum Investments**	**Period**
UK Local Authorities	Government Backed	£2m	2 years

APPENDIX 'D'

Link Asset Services on the Economic Background and Forward View

ECONOMIC BACKGROUND

UK. Brexit. 2019 has been a year of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on 31 October 2019, with or without a deal. However, MPs blocked leaving on that date and the EU agreed an extension to 31 January 2020. In late October, MPs approved an outline of a Brexit deal to enable the UK to leave the EU on 31 January; however, there are still uncertainties as the detail of a trade deal will need to be negotiated by the current end of the transition period in December 2020.

While the Bank of England went through the routine of producing another quarterly Inflation Report, (now renamed the Monetary Policy Report), on 7 November, it is very questionable how much all the writing and numbers are worth when faced with the uncertainties of where the UK will be after the general election. The Bank made a change in their Brexit assumptions to now include a deal being eventually passed. Possibly the biggest message that is worth taking note of from the Monetary Policy Report, was an increase in concerns among MPC members around weak global economic growth and the potential for Brexit uncertainties to become entrenched and so delay UK economic recovery. Consequently, the MPC voted 7-2 to maintain Bank Rate at 0.75% but two members were sufficiently concerned to vote for an immediate Bank Rate cut to 0.5%. The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up. The Bank revised its inflation forecasts down – to 1.25% in 2019, 1.5% in 2020, and 2.0% in 2021; hence the MPC views inflation as causing little concern in the near future.

If economic growth were to weaken considerably, the MPC has relatively little room to make a big impact with Bank Rate still only at 0.75%. It would therefore, probably suggest that it would be up to the Chancellor to provide help to support growth by way of a fiscal boost by e.g. tax cuts, increases in the annual expenditure budgets of government departments and services and expenditure on infrastructure projects, to boost the economy. The Government has already made moves in this direction and both of the largest parties have made significant promises in their election manifestos to increase government spending. The Chancellor has also amended the fiscal rules in November to allow for an increase in government expenditure. In addition, it has to be borne in mind that even if the post-election Parliament agrees the deal on 31 January 2020, the current transition period for negotiating the details of the terms of a trade deal with the EU only runs until 31 December 2020. This could prove to be an unrealistically short timetable for such major negotiations which leaves open two possibilities; one the need for an extension of negotiations, probably two years, or a no deal Brexit in December 2020.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, but fell again in October to 1.5%. It is likely to remain close to or under 2% over the next two years and so it does not pose any immediate concern to the MPC at the current time. However, if there was a no deal Brexit, inflation could rise towards 4%, primarily because of imported inflation on the back of a weakening pound.

With regard to the **labour market,** growth in numbers employed has been quite resilient through 2019 until the three months to September where it fell by 58,000. However, this was about half of what had been expected. The unemployment rate fell back again to a 44 year low of 3.8% on the Independent Labour Organisation measure in September, despite the fall in numbers employed, due to numbers leaving the work force. Wage inflation has been edging down from a high point of 3.9% in July to 3.8% in August and now 3.6% in September, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.9%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. The other message from the fall in wage growth is that employers are beginning to find it easier to hire suitable staff, indicating that supply pressure in the labour market is easing.

In the **political arena**, a general election could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up although, conversely, a weak international backdrop could provide further support for low yielding government bonds and gilts.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of growth to a robust 2.9% y/y. **Growth** in 2019 has been falling after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2 and then 1.9% in quarter 3; it is expected to fall further. The strong growth in employment numbers during 2018 has weakened during 2019, indicating that the economy is cooling, while inflationary pressures are also weakening; CPI inflation fell from 2.3% to 2.0% in September.

The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not intended to be seen as the start of a series of cuts to ward off a downturn in growth. It also ended its programme of quantitative tightening in August, (reducing its holdings of treasuries etc.). It then cut rates by 0.25% again in September and by another 0.25% in its October meeting to 1.50 – 1.75%. At its September meeting it also said it was going to **start buying Treasuries again**, although this was not to be seen as a resumption of quantitative easing but rather an exercise to relieve liquidity pressures in the repo market. Despite those protestations, this still means that the Fed is again expanding its balance sheet holdings of government debt. In the first month, it will buy $60bn, whereas it had been reducing its balance sheet by $50bn per month during 2019. As it will be buying only short-term (under 12 months) Treasury bills, it is technically correct that this is not quantitative easing (which is purchase of long term debt).

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This **trade war** is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

However, in early November, a phase one deal was agreed between the US and China to roll back some of the tariffs which gives some hope of resolving this dispute.

EUROZONE. **Growth** has been slowing from +1.8 % during 2018 to around half of that in 2019. Growth was +0.4% q/q (+1.2% y/y) in quarter 1, +0.2% q/q (+1.2% y/y) in quarter 2 and then +0.2% q/q, +1.1% in quarter 3; there appears to be little upside potential in the near future. German GDP growth has been struggling to stay in positive territory in 2019 and fell by -0.1% in quarter 2; industrial production was down 4% y/y in June with car production down 10% y/y. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) ended its programme of quantitative easing purchases of debt in December 2018, which then meant that the central banks in the US, UK and EU had all ended the phase of post financial crisis expansion of liquidity supporting world financial markets by quantitative easing purchases of debt. However, the downturn in EZ growth in the second half of 2018 and into 2019, together with inflation falling well under the upper limit of its target range of 0 to 2%, (but it aims to keep it near to 2%), has prompted the ECB to take new measures to stimulate growth. At its March meeting it said that it expected to leave interest rates at their present levels "at least through the end of 2019", but that was of little help to boosting growth in the near term. Consequently, it announced a **third round of TLTROs**; this provides banks with cheap borrowing every three months from September 2019 until March 2021 that means that, although they will have only a two-year maturity, the Bank was making funds available until 2023, two years later than under its previous policy. As with the last round, the new TLTROs will include an incentive to encourage bank lending, and they will be capped at 30% of a bank's eligible loans. However, since then, the downturn in EZ and world growth has gathered momentum; at its meeting on 12 September, it cut its deposit rate further into negative territory, from -0.4% to -0.5%, and announced a **resumption of quantitative easing purchases of debt for an unlimited period;** (at its October meeting it said this would start in November at €20bn per month - a relatively small amount compared to the previous buying programme). It also increased the maturity of the third round of TLTROs from two to three years. However, it is doubtful whether this loosening of monetary policy will have much impact on growth and, unsurprisingly, the ECB stated that governments will need to help stimulate growth by 'growth friendly' fiscal policy.

On the political front, Austria, Spain and Italy have been in the throes of **forming coalition governments** with some unlikely combinations of parties i.e. this raises questions around their likely endurance. The latest results of German state elections has put further pressure on the frail German CDU/SDP coalition government and on the current leadership of the CDU. The results of the Spanish general election in November have not helped the prospects of forming a stable coalition.

INTEREST RATE FORECASTS

The interest rate forecasts provided by Link Asset Services in paragraph 3.3 are **predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.** On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in subsequent years which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of an **orderly non-agreement exit**, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a **disorderly Brexit**, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. Quantitative easing could also be restarted by the Bank of England. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the Commons against any form of non-agreement exit so the chance of this occurring has diminished.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- In the event that a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel’s CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections but the SPD has done particularly badly and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.

- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**, but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.
- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation,** whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

APPENDIX 'E'

Capital Strategy

1. Introduction

1.1 This capital strategy report gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in Eastbourne Borough Council (EBC) along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these sometimes technical areas.

1.2 Decisions made this year on capital and treasury management will have financial consequences for the Authority for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.

2. Capital Expenditure and Financing

2.1 Expenditure

2.1.1 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 deminimis level are not capitalised and are charged to revenue in year.

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

2.1.3 In 2020/21, EBC is planning capital expenditure of £40.5 million (and £65.3 million over the next two years) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure	**2019/20 Estimate**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**
	£m	**£m**	**£m**	**£m**
General Fund	14.6	16.2	19.0	1.0
HRA	6.5	12.7	18.6	14.1
Commercial Activities/non-financial investments	19.0	11.6	8.0	5.2
Total	**40.1**	**40.5**	**45.6**	**20.3**

2.1.4 The main General Fund capital projects scheduled for 2020/21 are as follows:

Scheme	£m
Loan Facility to EHICL	4.2
Sovereign Centre	8.0
Loan Facility to Aspiration Homes	3.0
Asset improvements	8.2
Other schemes	2.0
Total	**25.4**

2.1.5 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, and includes £26.7 million allocated to the New Build Programme over the (four-year) forecast period, which is expected to deliver 24 new homes.

Governance

2.1.6 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).

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

2.2 Financing

2.2.1 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

Description	2019/20 budget	2020/21 budget	2021/22 budget	2022/23 budget
	£m	£m	£m	£m
External sources	3.1	1.3	0.3	0.3
Own resources	9.3	12.3	8.0	10.7
Debt	27.7	26.9	37.3	9.3
TOTAL	**40.1**	**40.5**	**45.6**	**20.3**

2.2.2 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. Planned MRP and use of capital receipts are presented in Table 3 below.

Table 3: Repayment of Debt Finance

	2019/20 estimate	2020/21 budget	2021/22 budget	2022/23 budget
	£m	£m	£m	£m
Own resources	0.5	1.2	1.3	1.4

2.2.3 The Council's annual MRP statement can be found within Appendix A (Section 8) above.

2.2.4 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 £25.7 million in 2020/21. 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)

	31.3.2020 budget	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget
	£m	£m	£m	£m
General Fund services	115.4	147.5	176.1	183.4
Council housing (HRA)	42.6	43.6	54.6	58.0
Capital investments	19.0	11.6	8.0	5.2
TOTAL CFR	**177.0**	**202.7**	**238.7**	**246.6**

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. The Council is not cash rich as it utilises all of its available cash before borrowing which in the current climate is more economic.

4.1.2 As at 31 December the Council had borrowing of £151.3 million at an average interest rate of 2.61% and cash balances of £7.8 million held on an interest bearing current account at a rate of 0.65%.

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 0.9%) 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

	31.3.2019 Actual	**31.3.2020 budget**	**31.3.2021 budget**	**31.3.2022 budget**	**31.3.2023 budget**
	£m	**£m**	**£m**	**£m**	**£m**
Debt (incl. leases)	123.6	151.3	178.2	215.5	224.8
Capital Financing Requirement	149.9	177.0	202.7	238.7	246.6

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

	2019/20 limit	2020/21 limit	2021/22 limit	2022/23 limit
	£m	£m	£m	£m
Authorised limit – total external debt	202.1	225.4	257.9	260.6
Operational boundary – total external debt	187.1	210.4	242.9	245.6

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.

Risk management:

4.3.3 The effective management and control of risk are prime objectives of the Authority's treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

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 Eastbourne Borough Council Audit and Governance Committee), whereas mid-year updates are reported exclusively to the Eastbourne Borough Council 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, for example the new Waste Company. Given its public service objectives, the Council is willing to take more risk than with treasury investments, nevertheless the arrangements feature cost reduction incentives, from which the Council will benefit.

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 The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition. In the context of the Capital Strategy, the council is using capital to invest in property to provide a positive surplus/financial return.

6.1.2 The council may fund the purchase of the property by borrowing money, normally from the Debt Management Office as part of HM Treasury. The rental income paid by the tenant should exceed the cost of repaying the borrowed money each year. The annual surplus then supports the council's budget position, and enables the council to continue to provide services for local people. The reasons for buying and owning property investments are primarily

- Financial returns to fund services to residents
- Market and economic opportunity.
- Economic development and regeneration activity in the Borough.

6.1.3 Historically, property has provided strong investment returns in terms of capital growth generation of stable income. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The strategy makes it clear that the council will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process.

6.2 Current Investments

6.2.1 In recent years, the Council has invested in commercial property in the borough 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 2019, the commercial property portfolios include a retail park, sports complex, members club and commercial units with an estimated Fair Value of £25.7 million. Estimated gross income for 2019/20 is £1.8 million.

6.3 Commercial Investment Strategy

6.3.1 However, in recognition of the continued shortfall in local government funding and commitments, the Council will (following the February Cabinet approval) have in a Commercial Investment Strategy with a view to achieving a step change increase in commercial investment and trading by the Council.

6.3.2 CIPFA's guidance on borrowing to invest follows the 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 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 be covered by this principle.

6.3.3 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 has primarily focused to date on protecting the principal.

6.3.4 The Council considers investing in housing properties and commercial investments within the borough 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.

6.4 Governance

6.4.1 The Governance arrangements are stipulated within the Commercial Investment Strategy that will be approved at the Cabinet February 2020 meeting.

7. Other Liabilities

7.1 Outstanding Commitments

7.1.1 The Council also has the following outstanding commitments:

- The Council has also set aside £x million (as at 31st March 2019) to cover the financial risk associated with Business Rates appeals lodged with the Valuation Office Agency (VOA).

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 2019 was £42.6 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)

Description	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m
Financing Costs (£m)	1.5	2.5	3.0	3.4
Proportion of Net Revenue Stream	10.3	16.7	20.3	22.8

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

Description	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£m	£m	£m	£m
Financing Costs (£m)	1.9	1.5	1.6	1.8
Proportion of Net Revenue Stream	12.8	10.2	11.0	12.0

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:

Prudence

- 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.

Affordability

- The estimated 'revenue consequences' of the Capital Programme (£106.4 million over three years) have been included in the 2020/21 Budget and Medium-Term Financial Strategy (MTFS), extending to 2022/23; 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).

Sustainability

- Capital schemes that are expected to deliver long-term revenue savings/generate income are given due priority. For example, the Hampden Retail Park.
- 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) and the Deputy Chief Finance Officers (DCFO's) are qualified (ACCA/ CIPFA) accountants with many years of public and private sector experiences. 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 borough.

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 Link Asset Services 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 Eastbourne councillors with Treasury Management responsibilities will receive tailored training sessions from the Council's Treasury Management advisors (Link Asset Services).

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 2022/23 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 2022/23) 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 2020/21, at the Council meeting on 19 February 2020, 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 Link Asset Services 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 20 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 Link Asset Service 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 arm's 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 2020/21, once full details are known. In the event that this happens, the Capital Strategy will be updated and re-presented to full Council.

Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Housing Revenue Account (HRA) 30-Year Business Plan Update**
Report of:	**Chief Finance Officer and Director of Regeneration and Planning**
Cabinet Members:	**Councillor Alan Shuttleworth, Cabinet member for Direct Assistance Services**
Ward(s):	**All**
Purpose of Report:	**To present a new HRA 30-Year Business Plan covering the years from 2019/20 to 2048/49, describing the assumptions that underpin it and highlighting the changes in approach, policy and aspirations when compared to previous plans.**
Decision Type:	**Key decision**
Officer recommendation(s):	**(1) That Cabinet adopt Eastbourne's HRA 30-Year Business Plan as a basis for operating the future HRA business** **(2) That Cabinet agree the assumptions underpinning it** **(3) That Cabinet note that the plan has been used as the starting point for setting the 2020/21 HRA Revenue Budget and Rents and the HRA Capital Programme 2019-23, which is the next report on this agenda**
Reasons for recommendations:	**The Council now has an opportunity to increase its HRA stock holding and improve its offer to tenants and leaseholders (both current and future) as a result of the HRA debt cap being lifted and HRA rents increasing each year (with effect from 1st April 2020)**
Contact Officer(s):	**Name: Gary Hall** **Post title: Head of Homes First** **E-mail: Gary.hall@lewes-eastbourne.gov.uk** **Telephone number: 01323 436401**

1 Introduction

1.1 This report proposes a new 30-Year HRA Business Plan for Eastbourne and describes where it differs from the Council's previous Business Plan. The plan will look to address huge challenges faced by the Housing sector, many of which are locally very acute. Lack of Housing Options for applicants on the housing register and the loss of homes mean that often individuals and families are left in sometimes unsuitable and unaffordable housing for lengthy periods, which Council officers struggle to alleviate. The increase in the numbers of homeless presentations to the authority, particularly since the introduction of the new duties of the Homeless Reduction Act (which came into effect in April 2018) has meant significant costs to the authority and more critically a lack of opportunities to meet this increased demand. It is also long held that physical health and mental well-being are inextricably linked to the quality of housing and wider 'place', so the further opportunity to retrofit our homes to provide that improved healthier offer, along with reducing our carbon foot-print and having the flexibility to positively effect the lives of our tenants, in a wider sense, through social inclusion initiatives, gives this plan an even greater emphasis and an exciting opportunity to address.

1.2 The report explains the rationale for the changes that are proposed and how they fit with the Council's direction and priorities. It should be noted that, in this report, the Cabinet is asked to adopt the new principles included in the plan and note the assumptions underpinning it. A detailed 2020/21 HRA budget and rent-setting report will follow next on this agenda, and any future significant decisions to be taken (for example, the details of new build projects when they are fully prepared) will be brought back for discussion and decision at the appropriate time.

1.3 The most notable policy changes creating a difference between this Business Plan and those presented to Cabinet previously are:

a) In October 2018, the government lifted the HRA debt cap for all stock-holding authorities – this means that there is now more flexibility within the HRA Business Plan to increase stock numbers
b) Rents will increase from April 2020 (after decreasing for the last four years), meaning that the HRA will receive extra income from tenants to invest in HRA services. The total gross rental income will increase by £334k in 2020/21, equating to an average £2.08 per week per tenancy.

1.4 It should be noted that this does not mean that the HRA is without constraint – Eastbourne can only borrow as much as it can afford to borrow to increase its Capital Programme and service offer – there are still choices to be made.

1.5 The assumptions underpinning the Business Plan are set out in detail in Appendix 1. However, the headlines are:

a) That, in future, stock numbers will increase rather than decrease
b) That rents will increase by Consumer Prices Index (CPI) + 1%, allowing more resources to be made available to improve services to tenants and leaseholders. It is envisaged that, in the medium term, this will be offset by decreases in heating and other service costs, as the impact of sustainability and improved stock and management investment initiatives result in more efficient homes and services
c) That the Council will no longer seek to repay HRA debt, but instead invest in the supply of more affordable housing to meet the current and future need
d) That a one-off sum of £500k will be made available in 2020/21 to allow for sustainability improvements
e) That a 100% stock survey will be undertaken in early 2020/21 to confirm the current stock condition and future investment requirements

2 Proposal

2.1 Improvements to Day to Day Management and Maintenance

2.1.1 The new Business Plan includes an uplift of £400k in Management and Maintenance costs to enhance services to HRA tenants and residents. It should be noted that this is in addition to the one-off £500k monies available for sustainability pilots in 2020/21. Enhancements will be focused on areas that have been highlighted by residents during service reviews and general feedback. Priority areas will include anti-social behaviour, multiple complex needs, sheltered housing, customer engagement, fuel poverty and neighbourhood area improvement. It is also likely that we will seek to provide further support to those most affected by Universal Credit or suffering from reduced incomes. Staff and tenants are being further consulted and we will seek to build our customer information to ensure that we can make the maximum difference out of this opportunity. We will, of course, also involve local members in those conversations. It is clear though, that this (working with all local partners and agencies) is a platform to provide a real boost to our communities.

These activities will also be in line with new standards likely to be introduced in the future Housing White Paper.

2.2 Increased Investment in the Current Stock

2.2.1 The annual budget for Major Works is £4.3m. However, a Stock Condition Survey is due to be carried out this year to ensure that the data is comprehensive and current. The consultancy has been procured and the surveys, covering both Lewes and Eastbourne, will take place between January and September 2020.

Meanwhile there are investment works needed during 2020/21:

<u>Eastbourne: Capital Investment & Planned Works 2020/21</u>

<u>Planned Cyclical Maintenance:</u>

As part of the seven year capital investment and planned works for 2020/21 we have pre- inspected the properties within this year's cycle.

The properties identified consist of 26 Maisonettes and 15 Blocks. The scope of works for each property varies.

The estimated spend on the Eastbourne stock equates to £ 2,810,366

<u>Roofing Replacement Programme & Associated Works:</u>

A total number of 58 properties have been identified for full roof replacement with associated works consisting of fascia / soffit replacement, chimney and lead flashing repairs and insulation upgrade were required.

The estimated planned cost at this stage is £535,800

<u>Window Replacement Programme:</u>

A total number of 113 properties have been identified for full window replacement which are predominantly residential units. Archery Court, a sheltered block unit, has been identified for full scheme window replacement.

The estimated planned programme cost is £1,230,000

<u>Kitchen & Bathroom Planned Programme:</u>

The planned kitchen & bathrooms based on the asset data has identified 35 kitchen replacements and 25 bathroom replacements.

Total kitchen cost: £210,000
Total bathroom cost: £75,000

The total projected major planned works is £4,861,166. However, this is contingent on the specification, tender prices and section 20 consultation with leaseholders received. The contracts are being procured in-house, in partnership with the South East (Procurement) Consortium (SEC). It is also planned to manage these contracts in-house. There could be some slippage in the programme due to the need to recruit to the in-house team and this will enable the budget to be contained. The contracts being procured will be for three years; this should attract better value for money compared to the previous practice of procuring each project individually via consultants. Due to the uncertainty of future priorities pending the stock condition survey, all leaseholders will be formally consulted under section 20 as part of the procurement process.

An Interim Asset Management Strategy is being drafted to enable us to direct resources most appropriately around needs of the housing stock.

2.2.2 In 2020/21, £500k has been allocated to run a sustainability pilot. There are a number of actions to be taken forward prior to a sustainability pilot project. The first call on the allocation of this one-off budget will be to appoint a Property Services sustainability officer (a shared post covering Lewes and Eastbourne) to ensure a cohesive approach and to build relevant aspects of the longer term asset management strategy. This officer will be required:

- To work with the Council's Sustainability Officer to understand the current carbon footprint of the housing stock
- To co-ordinate current electric heating pilot schemes
- To review the current solar and photovoltaic installations, their condition and maintenance arrangements
- To investigate opportunities for extending such opportunities and the Renewable Heat Initiatives funding available until 2021
- To work with the Asset Manager (Property Services), Sustainability Officer and other organisations to determine the capital cost of capital investment solutions in relation to the actual reduction in carbon emissions
- To assess the impact and cost-effectiveness of insulation pilot schemes planned during 2020/21 and project manage them on site gaining customer feedback
- To understand and re-evaluate existing partnership and funding arrangements
- To upgrade existing solar water heating systems and bring them back into use
- To allocate funding to the above from the £500k budget

All of this activity will be aimed at reducing costs for tenants and residents whilst making their homes warmer.

2.3 The Provision of Additional Affordable Homes in the HRA

2.3.1 The Business Plan assumes that, with effect from 2019/20, new homes will start to be acquired or built using HRA resources. Over the 30-year life of the plan stock numbers will increase from 3,440 (held as at 1st April 2019) to 4,606 by March 2049, a net increase of 1,166.

2.3.2 The first new build scheme to be modelled into the plan is Bedfordwell Road. This is due to complete in Year 4 (2022/23), when new properties will be completed and occupied. The budget allowed for the scheme is as previously reported to Cabinet. It is estimated that it will deliver 55 new affordable HRA properties (a combination of affordable rented and shared ownership tenures).

2.3.3 From 2023/24 onwards, 47 new build dwellings per annum are included in the plan. It should be noted that the figures for these new build projects are based on averages and do not at this stage relate to any specific sites or schemes – as sites are identified and proposed new build schemes are drafted, tested for viability and fully costed, these will be brought back to Cabinet for approval.

2.3.4 The plan assumes 13 purchases in 2020/21, 11 in 2022/23 and 22 per annum with effect from 2023/24. These have been modelled based on maximum affordable purchase prices. This means that each dwelling purchased will be subject to a check that the net rental income will cover the borrowing cost. Where this cannot be achieved, the purchase will not go ahead, unless under exceptional circumstances. This approach will ensure that each individual property will have a "positive impact" on the Business Plan and not add cost to it. It is envisaged that this activity will target the repurchase of those properties that were lost through Right to Buy, where appropriate and available.

2.3.5 All new additions to the plan are assumed to be let at "affordable" rent levels (Local Housing Allowance rates) – if rents are set at a lower level, the capacity for delivery is likely to be compromised.

3 Outcome Expected and Performance Management

3.1 The expected outcomes are expressed in monetary terms within the plan itself. Other targets, such as rent collection and void turnaround performance are subject to regular monitoring through the Council's performance framework. Tenant and Leaseholder satisfaction, particularly with new initiatives and changes to current service levels, will be monitored through the current Tenant and Leaseholder engagement framework.

3.2 An officer group is already in place to oversee performance against the 30-Year HRA Business Plan. This group will ensure that the Business Plan stays on track and that resources are deployed effectively to increase stock levels, improve current stock condition and improve management and maintenance services. Any significant changes to the assumptions underpinning the Business Plan will trigger a full review to assess the impact. In any event, there will be a review and update annually.

4 **Consultation**

4.1 The Board of Eastbourne Homes Ltd has received a presentation showing the proposed Business Plan, and is in agreement that it represents a good way forward for the Council and its tenants and residents.

5 **Corporate Plan and Council Policies**

5.1 This plan will align with the Eastbourne corporate plan which has housing and development as one of its key areas of focus:-

The plan outlines that-‘*We will work alongside residents to deliver decent, safe and well managed housing, meeting the needs of residents by; investing in our homes; creating communities that work; and responding to and homelessness and housing needs through maximizing the provision of new affordable housing’*

The Corporate plan also identifies that-
‘ Our success measures are:
• *the number of new homes built or purchased*
• *reducing the number of families housed in emergency accommodation*
• *increasing the levels of satisfaction across housing services*
• *increasing the numbers of residents helped to remain independent and in their homes’*

Key local factors that both plans seek to address (from the Corporate Plan) include:-
‘Addressing Homelessness’- with an emphasis on prevention and support and bringing empty homes back into use
‘Promoting homes that sustain health & wellbeing’- looking to explore how technology can be used to maintain independent living and taking the opportunity to strategically integrate health, housing and care
‘Promoting access to housing that meets modern standards’-continuing a pipeline of properties, promoting a range of tenure initiatives and creating environmentally sustainable, safe, well-managed homes
‘Safe, well managed and decent homes’- ensuring residents have a strong voice, and a reduction in the environmental impact of Council owned homes
‘Locations regenerated and more housing’- achieved by an agreed local plan, working with partners to build affordable carbon-neutral homes, utilise shared assets and look to repurpose commercial units as residential. To ensure that new development is sustainable

5.2 A number of key (current and future) Council policies, plans and strategies will be aligned to help deliver the objectives and goals set out in the draft Housing Strategy. These include the Allocations Policy, Commercial Strategy, Homelessness Strategy, Local Plan, Tenancy Policy, Town Centre Strategy and this HRA 30-Year Business Plan.

6 Business Case and Alternative Option(s) Considered

6.1 The Business Plan is designed to make improvements to the HRA service in a balanced and considered way. It will improve day to day services, allow additional investment in the current stock and increase stock numbers. The increase in stock numbers will prevent families having to go into expensive and unsuitable temporary accommodation. This will improve life chances whilst at the same time relieving pressure on the Council's temporary accommodation budget, allowing it to divert resources into other, more appropriate, services. Clearly that further investment in housing stock, environment, place and people gives the plan that extra impetus to address inequality, social inclusion issues, health and mental well-being, with good quality healthy homes being at the heart of addressing those key determinants.

6.2 There are many alternative options that can be considered when setting the Business Plan. Some of these are:

a) Repaying debt – however, this would not allow an increase in supply of much-needed, new affordable Council homes
b) Investing all the additional resources in the current stock – again, this would not help to tackle the Council's homelessness problem
c) Investing all the additional resources in new additions to the stock – this would not benefit current HRA tenants and leaseholders and would not allow the Council to look at sustainable initiatives to meet the Council's sustainability agenda
d) Do nothing – the balances on the HRA would gradually build up, but nobody would benefit from the flexibility that is now available to Eastbourne to do more for its highest need communities

7 Financial Appraisal

7.1 The financial implications of adopting this plan are included in the main body of the report. In producing the plan, a comprehensive review of its key components has been carried out, with different modelling and scenarios tested in order to arrive at the current proposal.

The plan will require review and updating at least annually, but possibly more often if there are significant changes to any of the assumptions included in Appendix 1.

8 Legal Implications

8.1 The legal implications of adopting this plan are included in the main body of the report. In particular, paragraph 1.3 advises that the lifting of the debt cap does not mean the HRA can be operated without constraint. Local authorities are able to borrow against their expected rental income, in line with the Prudential Code.

9 January 2020 Ref: 008869-LDC-MR

9 Risk Management Implications

9.1 Since the inception of "self-financing" in April 2012, it has become clear that the biggest risks to a Council's HRA 30-Year Business Plan arise when the Government implements a new policy that affects it. Two examples of this are:

a) The imposed year on year reduction in HRA rents from 2016/17 for four years – this had a significant impact and challenged Councils to fundamentally review their HRAs in order to respond appropriately
b) The consultation on the sale of high value voids – this was never implemented, but again forced fundamental review and would have had a significant impact on most HRAs

Even though the HRA has been challenged in this manner from Government, authorities have managed to respond appropriately and review and resize their businesses accordingly.

9.2 Transferring the Bedfordwell Road scheme from the General Fund to the HRA poses a significant risk to the viability of the plan. Progress on the scheme will need to be monitored closely to ensure that costs do not increase and that properties are delivered to the HRA within projected timescales. The scheme features early in the Business Plan, so any adverse impact is likely to be experienced in the short to medium term, rather than the longer term. It is understood that the scheme is going to be de-risked by seeking planning permission whereby units can be delivered in tranches or phases, prioritising units where cyclical financing is possible to support cash flow.

9.3 Other risks and likely impacts relating to individual assumptions underpinning this proposed HRA 30-Year Business Plan are set out in Appendix 1.

10 Equality Analysis

10.1 An Equalities and Fairness Analysis (EaFA) is not required at this stage, where the Cabinet is simply being asked to agree to a strategic direction and principles. Various EaFAs will be completed as specific projects are brought forward (for example, new build projects), rents are increased and service changes are proposed.

11 Sustainability Implications

11.1 Setting aside £500k in 2020/21 in the HRA Business Plan will help Eastbourne Borough Council move towards meeting its target of becoming carbon neutral by 2030. We will be looking to achieve healthy, well insulated, more affordable homes that our customers want to live and stay in. The opportunity to create homes that require lower heating costs for the tenant, fewer maintenance issues for the authority in the future and the creation of sustainable estates gives us the opportunity to make a difference to the future lives of generations of local people. This Business Plan will provide a 'green platform' and template informing the Councils management and maintenance strategy even beyond the 30 year life-cycle and possibly beyond the needs of our stock and tenants, through testing sustainability pilots, starting in 2020/21.

12 Appendices

- Appendix 1 – HRA 30-Year Business Plan 2019/20 – Assumptions

13 Background Papers

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

- HRA Business Plan Model
- HRA Right to Buy Model

APPENDIX 1

EASTBOURNE BOROUGH COUNCIL - HRA 30-YEAR BUSINESS PLAN 2019/20 - ASSUMPTIONS

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Stock Numbers and Average Rents	Stock numbers (starting stock 3,440) and average rents and the breakdown have been obtained from the Civica CX system	The rent system is the place where accurate records of both pieces of information would be held	Stock numbers change due to system or increased RTB	The risk is not great, as the numbers being used come from the system used to collect rent.	No
Rent Inflation	Consumer Prices Index (CPI) +1% for Years 2-6, then CPI + 0.5% thereafter	The Government has announced the CPI +1% policy, but, after five years, this may change	We have already experienced changes in Government Policy that have had a huge detrimental impact on the HRA Business Plan	Any change in rent uplift policy has a significant and long- term impact on the plan, but, as it will be reviewed annually, this risk will be mitigated as necessary	No, but the years of rent decreases ended in 2019/20
Management, Maintenance and Other Cost Inflation	Retail Prices Index (RPI) for Years 2-6, then RPI is set at the same level as CPI+0.5%	RPI is usually used for cost inflation, but measures will have to be taken to find efficiencies from Year 7 onwards if RPI outstrips CPI+0.5%	If RPI does outstrip rent increases, then services may have to be reduced/cut	If the approach taken in the Business Plan is not sustainable, then the HRA could become unviable, but this will be reviewed as necessary	No

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Rental Income	Rental Income starts at £13.7m in 2019/20. Service Charge Income is £1m	This figure comes from the rent system	N/A	N/A	No
Management and Maintenance Costs	Management and Maintenance Costs in 2019/20 were £8.352m. These were increased in 2019/20 by a one-off £250k for restructuring costs and £384k additions to the EHL Management Fee. From 2020/21 onwards, £424k per annum of the above monies has been treated as ongoing so that enhanced services can be provided	Now that rents will start to increase, the Council wants to improve management services for its tenants	N/A	N/A	Yes – the £400k per year is an addition to the plan
Capital Programme – Major Works	For 2019/20 - £4.334m, then £4.3m from 2020/21 onwards (per agreed Capital Programme)	The programme is set at current expenditure levels across the 30 years	This annual allocation may prove to be inadequate to maintain the stock at the required standard (Decent Homes)when the stock survey is completed this year	The impact is currently unknown, but the plan will need to be reviewed if it is significant – otherwise stock may fall into non-decency	Yes – future years' annual allocation has increases from £4m to £4.3m

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Capital Programme – Estate Renewal and New Build	The plan assumes that the Bedfordwell Road scheme will transfer from the General Fund to the HRA in 2019/20. 47 new builds per annum are assumed from 2023/24 onwards, with occupation assumed 12 months after build. Rents are assumed at LHA rates	The Council has aspirations to increase its HRA stock to address Housing Need. The lifting of the debt cap will allow it to realise its ambition	The Business Plan target may prove to be too ambitious because of cost, staff capacity or land availability – other than Bedfordwell Road, current figures included in the Business Plan are not based on firm projects	As areas are earmarked for Estate Renewal or New Build, schemes will need to be worked up and costed and will not go ahead without Cabinet Approval. The financial assessment of each scheme will include testing its viability and modelling it into the Business Plan to understand its impact	Yes – the previous plan did not include new development on this scale
Capital Programme – Acquisition	The plan assumes 13 purchases of street properties in 2020/21, 11 in 2022/23, then 22 per year from 2023/24, with rents assumed at LHA rates	The Council has aspirations to increase its HRA stock to address Housing Need. The lifting of the debt cap will allow it to realise its ambition. Buying street properties allows a quick replacement of stock lost through RTB	The Business Plan target may prove to be too ambitious because of property prices, staff capacity or property availability – maximum purchase prices have been set to ensure viability	If house prices increase significantly, then this programme will need to stop (or be confined to affordable areas) if rents do not keep pace or associated costs cannot be reduced	Yes – the previous plan did not include purchase of street properties

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Capital Programme – Other Capital Spend	A one-off sum of £500k has been added to the 2020/21 Capital Programme to be spent on piloting carbon neutral initiatives	The Council has an aspiration to improve its carbon footprint and this amount will provide resources for piloting various initiatives – replacement of gas boilers with heat source pumps, for example	N/A	N/A	Yes – this is a new addition to the plan
Depreciation	Currently set just above annual Major Works Spending Levels	This curtails a build-up in the Major Repairs Reserve, instead retaining funds in the Operating Account	A robust method of calculating depreciation would need to be devised for audit purposes, and If the Stock Condition Survey shows that higher spending is required to maintain homes at decency levels, then depreciation will need to increase	The Council needs to agree a depreciation policy and follow it once the Stock Survey is completed. If Major Works investment needs to be higher, then the Business Plan will need to be reviewed	No
Right to Buy Sales	22 per year	Based on previous three years' average	Low risk to the Business Plan unless there is a significant increase	N/A	Yes – the previous figure was 23 per year

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Operation of the Government's Right to Buy One for One Replacement Scheme (RTB 141)	The plan assumes use of RTB 141 receipts on current schemes (including those promised to Aspiration Homes), the proposed new builds and proposed acquisitions. These will be used up, and no return to Government will be required. All RTB 141 receipts after September 2020 will be used by the HRA	Now that the Council has the resources to match fund RTB 141 receipts within its HRA, it is assumed that this is how it would prefer to use them.	No RTB 141 receipts will be available to give to Aspiration Homes or Housing Associations operating within the Borough, other than those already promised	This new approach should ensure that they are kept and used by Eastbourne to provide additional affordable accommodation	Yes – the operation of this scheme was unclear
Interest Rate on Borrowing	Each loan has a fixed interest rate which is reflected in the plan. Replacement and new loans attract an interest rate of 4%	Current loan interest rates are fixed. The 4% interest rate applied to new loans is considered reasonable considering that the current rate is around 2.7%	Interest rates may have gone up at the point when refinancing is required	As the loan portfolio is diverse, additional interest on one loan at a time is likely to be manageable within the Business Plan (unless interest rate increases are significant)	No
Interest Rate on Balances	0.5%	This is the sort of rate that has been received on investments for some considerable time	Low risk to the Business Plan	N/A	No

Cost Type	Assumption	Rationale	Risk	Effect/Mitigation	Different From 2018/19 Plan?
Repayment of Debt	Current loans are repaid when they become due, but a new loan (30-year maturity) is taken out as soon as any current loan matures (at 4% interest rate). New loans are taken out as necessary to fund new build and street property purchase programmes at a 4% interest rate. Debt starts at £42.649m and rises to £408.795m by March 2049	The value of a housing portfolio should outstrip the debt outstanding and therefore there is no need to repay principal. The current debt of £42.649m equates to £12,500 per property	There is always a risk associated with not repaying principal and it would be preferable to do so. However, debt associated with property assets carries lower risk and the Council's priority is to provide additional homes.	If housing values fall significantly, then there could be a problem with the loans outstanding. These currently stand at £42.649m. The HRA Stock Valuation is currently £337.300m	Yes – later loans were repaid when they became due. The debt reduced from £42.6m to £37.7m
Minimum Revenue Balance	£1.7m	Based on £500 per dwelling for unforeseen emergencies	Low risk to the Business Plan	N/A	Yes - Minimum Revenue Balance was £1.5m per year

Report to:	**Cabinet**
Date:	**5 February 2020**
Subject:	**Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2020/21 and HRA Capital Programme 2019-23**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of the report:	**To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2020/21, and the HRA Capital Programme 2019/23.**
Decision type:	**Budget and policy framework**
Recommendations:	**Cabinet is asked to recommend the following proposals to full Council:**

i) The HRA budget for 2020/21 and revised 2019/20 budget as set out in Appendix 1.

ii) That social and affordable rents (including Shared Ownership) are increased by 2.7% in line with government policy.

iii) That service charges for general needs properties are increased by 2.7% (CPI +1%).

iv) That the service charge for the Older Persons' Sheltered Accommodations increases by an average of 0.5%.

v) That the Support charges for Sheltered Housing Residents are set at £7.70 per unit, per week, increase of 20p.

vi) That heating costs are increased by 2.7% (CPI+1%) in line with estimated costs set at a level designed to recover the actual cost.

vii) That water charges are increased by 2.7% (CPI+1%) designed to recover the estimated cost of metered consumption.

viii) Garage rents are increased by 3.4% (September RPI+1).

Recommendation cont.:	**ix)**	**To give delegated authority to the Chief Executive, in consultation with the Cabinet Portfolio holders for Financial Services and Direct Assistance Service and the Chief Finance Officer to finalise Eastbourne Homes' Management Fee and Delivery Plan.**
	x)	**The HRA Capital Programme as set out in Appendix 2**

Reasons for recommendations: **The Cabinet has to recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.**

Contact Officer(s)
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1.0 Introduction

1.1 The Housing Revenue Account (HRA) records expenditure and income on running the council's housing stock and closely related services or facilities provided primarily for the benefit of the council's own tenants.

The HRA is a statutory ring-fenced account required to be self-financing, as such, expenditure has to be entirely supported from rental and other income with the main tool for the future financial management of the HRA being the 30-Year Business Plan.

1.2 The Business plan has recently been updated and shows income matching expenditure after year 2. This is because any excess balance over the minimum set balance of £1.7m will be used to fund the Capital Programme before borrowing is used. The revenue reserve will not increase over the 30 years as resources are diverted to repay loans.

As outlined in the previous report, any significant changes to the assumptions underpinning the Business Plan will trigger a full review to assess the impact, however, there will be an annual review and update carried out.

1.3 This report reflects the recommendations made by Eastbourne Homes Limited in relation to the increase in rent levels, service and other charges.

2 Proposal

2.1 2020/21 HRA Revenue Budget

2.1.1 The 2020/21 budget mirrors the HRA 30-Year Business Plan and is attached at Appendix 1.

2.1.2 For the 2020/21 budget, £3.581m shortfall is expected compared to shortfall of £608k in 2019/20, increase cost of £2.973m. The increase in shortfall is as a result of £3.656m revenue contribution to the Capital Programme in 2020/21 compared to a contribution of £680k in 2019/20, an increase of £2.976m.

This reflects the modelling in the HRA 30-Year Business Plan and is consistent with the Council using its reserves and balances to fund the Capital Programme prior to taking out new borrowing. Once this contribution is made, there will still be £1.749m in the HRA working balance.

2.1.3 Key variances between 2019/20 and 2020/21 are:

- Rent, Service Charge and Other Income – increased income of £124k
- Depreciation – increased cost of £73k
- Loan Charges – an increased cost of £30k
- Interest Receivable – an income reduction of £25k
- Management Costs – a reduced cost of £7k

2.1.4 The Major Repairs Reserve is funded from cash backed depreciation of £4.307m plus inflation per year and is expected to breakeven in the short, medium and long term. Setting depreciation at this level may require review once the results of the imminent stock survey are received and the demands of the asset management plan in the longer term are better understood. The Major Repairs Reserve is used solely to finance the capital programme.

2.1.5 From April 2012 local authorities with retained housing stock became "self-financing'. This meant that they were able to fully retain the money they receive in rent in order to plan and provide services to their current and future tenants. As part of becoming self-financing Eastbourne BC took on debt distributed by Government based on their ability to service that debt. The HRA debt outstanding at 31.03.19 was £42.649m which was the maximum borrowing permitted under the self-financing settlement. Now that the Government has removed the 'borrowing cap' in the HRA to enable Councils to build more homes, the outstanding debt at 31.03.21 is estimated to increase to £43.650m.

2.1.6 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2020/21 and the interest budget has been prepared on this basis.

2.1.7 The 2019/20 revised budget is expected to be in deficit by £608k compared to a £3k deficit predicted in the original budget. The deficit will be funded from balances and is mainly as a result of an additional revenue contribution to capital expenditure of £680k. In addition, a £200k transfer from reserves will no longer take place. Other, less significant variances are as follows:

- a net increase in rental income of £190k
- an increase in Supervision and Management costs of £21k
- interest adjustments resulting in reduced costs of £106k

2.1.8 The Housing Revenue Account (HRA) Business Plan is a strategic planning document to assist the officers and members of the Council, working together with tenants and leaseholders, in the management and maintenance of the

Council's housing stock over the next 30 years in ensuring our Homes always meet the Fitness for Human Habitation test.

The Business Plan is also a statement of the viability of Eastbourne Borough Council HRA over the next 30 years and a statement of our aspirations as Landlord drawing attention to the particular strengths of the Landlord service and highlights the approach of that service and the HRA into the future based on a policy of maintaining a minimum level of HRA balance at £1.7m to ensure that the HRA remains sustainable in the event of any unforeseen risk arising.

As part of the Council's commitment the Business Plan has been reviewed and as a result it is proposing a capital programme which includes investment in new builds (£27m), the acquisition of new properties (£7m) and annual works to current properties of circa £4m. This increased investment will be enabled by additional borrowing, revenue contributions and applying capital receipts and reserves. Full details are contained in section 2.8.

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

	HRA Working Balance	**Major Repairs Reserve (MRR)**	**Housing Regeneration & Investment Reserve** (to be updated)
	£'000	£'000	£'000
Balance at 01.04.19	**5,938**	**1,064**	**2,883**
Surplus/(Deficit)	(608)		
Revenue Contribution			500
Depreciation		4,234	
Expenditure Financed from Reserves		(5,298)	(662)
Estimated Balance 31.03.20	**5,330**	**0**	**2,721**
Surplus/(Deficit)	(3,581)		
Revenue Contribution			
Depreciation		4,307	
Expenditure Financed from MRR		(4,307)	
Estimated Balance 31.03.21	**1,749**	**0**	**2,721**

2.2 Rent Levels for 2020/21

2.2.1 The Council has been following the Government's guidance for rents for social housing since December 2001. This has been subject to various legislative changes in recent years and, in 2020/21, rents can be increased by Consumer Prices Index (CPI) + 1% after four years of 1% rent reductions. The average weekly rent is £79.86 (2018: £77.75)

2.2.2 Although rents for Shared Ownership properties are excluded from Government guidance, the terms of the lease for these properties determine that we should set their rents in line with the socially rented properties. Therefore, it is recommended that rents for all Shared Ownership properties are increased by

2.7%.

2.3 Service Charges

2.3.1 For properties in shared blocks, these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning and grounds maintenance. In Older Persons Sheltered Accommodation the charges additionally include On-Site Co-ordinators, lift maintenance contracts, communal furniture, carpet maintenance and internal re-decorations. These costs should be charged separately from the rent in those properties to which they apply.

2.3.2 For general needs the average service charge decrease is 2% to ensure that costs relating to communal areas are reasonably recovered. In monetary terms, this is an average decrease of 0.14 per unit, per week.

2.3.3 For Retirement Court properties in blocks, the average service charge increase is 0.5% to ensure the Council recovers as much communal costs as reasonable which translates to £0.13 per week in monetary terms.

2.4 Support Charge for Sheltered Housing

2.4.1 To cover the withdrawal of the Supporting People funding 2016 for the provision of the on-site co-ordinator service, a charge was introduced to continue the vital work within the Sheltered Housing blocks.

2.4.2 Following the implementation of the Joint Transformation Programme a review of the resources required by the Supported Housing service is to be carried out once the work on the realignment of the budgets has been completed. It is recommended that the support charge of £7.70 per unit per week is implemented which is the first increase in 5 years which also reduces pressure on HRA pending the completion of the review.

2.4.3 The above review is to be completed by the second quarter in 2020/21, 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.

2.5 Heating Costs - Older Persons Sheltered Accommodation

2.5.1 These charges are set in line with known price decreases or increases predicted by the Department of Energy and Climate Change. For 2020/21, it is recommended that the average charge decrease is 4.2%. This is an average decrease of 8p per week for tenants that pay these charges.

2.6 Water Charges

2.6.1 Following the decrease implemented in 2019/20 and in order that actual costs can be recovered, it is recommended for 2020/21 that the charge increase by 2.7%, representing £0.11 per week for tenants that pay these charge.

2.7 Garage Rents

2.7.1 It is recommended that garage rents increase by September RPI +1% which amounts to 3.4% following years of no increase, disposals and repurposing of some designated garage sites.

2.8 Capital Programme

2.8.1 The Capital Programme set out in Appendix 2 reflects the proposals contained within the HRA 30-Year Business Plan. Over the 4 year period (covering 2019/20 to 2022/23), a total of £52m has been budgeted with £12.8m earmarked in the 2020/21, representing 25% of the total Capital Programme.

2.8.2 The Council will continue to ensure that priority is given to the continued maintenance of its assets to ensure that homes are decent and very well maintained. To this end, the major works element of the programme is in line with the budget set last year and the 30-Year HRA Business Plan model.

Funding of these works is from the Major Repairs Reserve Fund. If the imminent stock survey work shows that investment needs to vary significantly from the amount shown in Appendix 2, then this allocation will be revisited and the revised requirement reported back to Cabinet, highlighting the likely impact on the Business Plan.

2.8.3 As the HRA debt cap has been lifted, the Capital Programme includes sums for the acquisition of properties (13 in 2020/21 and 11 in 2022/23) and new build (predominantly the Bedfordwell Road scheme). It should be noted that acquisitions are based on cost modelling and not actual acquisitions in process.

As properties are identified, each will be modelled to ensure “viability” (that the annual costs associated with the purchase and upkeep of the property will not exceed the rental income). The Bedfordwell Road scheme has been added to the Capital Programme on the basis of the costs outlined in the report elsewhere on this agenda. It should be noted that this scheme presents a challenge to the Eastbourne HRA 30-Year Business Plan and, once it has been transferred to the HRA, will need to be monitored closely and carefully to ensure that it stays on track- otherwise there could be a significant impact in the medium term.

2.8.4 A provision of £500k has been made in 2020/21for a sustainability pilot to take place. This will help Eastbourne Borough Council move towards meeting its target of achieving zero carbon emissions and full climate resilience by 2030. The Business Plan report on this agenda which preceded this report sets out the steps to be taken to ensure that this budget is spent efficiently and effectively to achieve maximum benefit from the pilot.

2.9 **Eastbourne Homes Ltd Management Fee**

2.9.1 The Management Fee covers both operational and administration costs as well as responsive and cyclical maintenance.

2.9.2 The fee for 2019/20 was set at £7,650,000. It is proposed that the management fee for 2020/21 will be £7,748,000. This takes into account reducing the fee for one-off additions made in 2019/20 and increasing it for new enhanced services to be discussed and agreed with the Board of Eastbourne Homes Ltd. Inflation has also been added.

2.9.3 To formally agree the management fee, Members are asked to delegate this responsibility to the Chief Executive, in consultation with the Cabinet portfolio holders for Community Service and Finance Services and the Chief Finance Officer.

3 Outcome Expected and Performance Management

3.1 The HRA budget will be monitored regularly during 2020/21 and performance will be reported to members quarterly.

3.2 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.

4 Consultation

4.1 The rent increase reflects the requirements under The Direction on the Rent Standard 2019 together with the Rent Policy Statement for Social Housing February 2019.

4.2 A copy of this report will be considered by the Board of Eastbourne Homes Ltd in March 2020 and by the Scrutiny Committee on 3rd February 2020. Any feedback will be reported verbally.

5 Corporate Plan and Council Policies

5.1 Housing & Development is one of the key themes that shaped the vision for Eastbourne set out in the 2016-2020 Corporate Plan. The proposals contained within this report flow directly from the HRA 30-Year Business Plan, which itself aligns with the draft 2020-2024 Corporate Plan, currently under development. Key (current and future) Council policies, plans and strategies will all be aligned to help deliver the objectives and goals of the HRA 30-Year Business Plan, including the Housing Strategy, Commercial Strategy, Allocations Policy, Homelessness Strategy, Local Plan, Tenancy Policy and Town Centre Strategy.

6 Business Case and Alternative Option(s) Considered

6.1 The capital and revenue budgets, rents and service charges have been set in line with Government policy and with the HRA 30-Year Business Plan, which was previously considered on this agenda.

7 Financial Appraisal

7.1 This is included in the main body of the report.

8 Legal Implications

8.1 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.

8.2 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.

8.3 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.

8.4 The Welfare Reform and Work Act 2016, passed in March 2016, set the rent setting policy for 4 years whereby social rents in England were to be reduced by 1%. In October 2017 the government confirmed details for future social rents and from 2020/21 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.

8.5 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.

9 Risk Management Implications

9.1 The 2020/21 Budget and Capital Programme will require close monitoring in the forthcoming year to ensure that they, and therefore the 30-Year HRA Business Plan, remain on track. Any large variances to expenditure or income will need to be reviewed and, if significant or ongoing, modelled into the Business Plan to assess the impact and likely mitigation. In particular, the Bedfordwell Road scheme will need constant monitoring, as any variation to costs or timelines could render the HRA 30-Year Business Plan unviable in the medium term.

9.2 Levels of voids and debts will also require close monitoring to ensure that rent and service charge increases are not causing greater levels of non-payment. Timely action will need to be taken if performance targets are not being met.

10 Equality Analysis

10.1 An Equality and Fairness Analysis has been undertaken on these proposals. This has concluded that;

10.2 Changes to charges will impact the protected groups of age and disability, additionally those experiencing homelessness and potentially carers may be impacted.

10.3 Communication around any change to charges must be clear and timely, and contain information on how concerns may be channelled. Concerned residents (or their carers) should have a clear avenue to raise concerns or receive further information. Alternative formats should be arranged upon request.

11 Sustainability Implications

11.1 Setting aside £500k in 2020/21 in the HRA Business Plan will help Eastbourne Borough Council meet its target of becoming carbon neutral by 2030.

12 Appendices

- Appendix 1 - HRA 2019/20 Revised Revenue Budget and 2020/21 Budget
- Appendix 2 - HRA Capital Programme 2019/20-2022/23

13 Background Papers

- HRA 2020/21 Budget Working Papers
- HRA 30-Year Business Plan Model
- HRA Right to Buy Model
- Equalities and Fairness Analysis

Appendix 1

HOUSING REVENUE ACCOUNT

2019-20 Original Budget £' 000	2019-20 Revised Budget £'000		2020-21 Budget £' 000
		INCOME	
(14,083)	(14,349)	Gross Rents	(14,448)
(1,000)	(1,000)	Charges for Services	(1,025)
(15,083)	**(15,349)**	**GROSS INCOME**	**(15,473)**
		EXPENDITURE	
7,650	7,650	Management Fee	7,834
1,327	1,348	Supervision and Management	1,157
127	203	Provision for Doubtful Debts	203
4,234	4,234	Depreciation and Impairment of Fixed Assets	4,307
13,338	**13,435**	**GROSS EXPENDITURE**	**13,501**
(1,745)	**(1,914)**	**NET COST OF SERVICES**	**(1,972)**
1,961	**1,917**	**Loan Charges - Interest**	**1,947**
(13)	**(75)**	**Interest Receivable**	**(50)**
203	**(72)**	**NET OPERATING SURPLUS**	**(75)**
-200	**0**	**Transfer from Reserves**	
	680	**Revenue Contribution to Capital Expenditure**	**3,656**
3	**608**	**HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT**	**3,581**
		HOUSING REVENUE ACCOUNT WORKING BALANCE	
(5,306)	**(5,938)**	**In Hand at 1st April**	**(5,330)**
3	608	Transfer (To)/ From Working Balance	3,581
(5,303)	**(5,330)**	**In Hand at 31st March**	**(1,749)**

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Appendix 2

OUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2019/20 - 2022/2					
Scheme	**Approved Allocation 2019/20** £000	**Revised Allocation 2019/20** £000	**2020/21** £000	**2021/22** £000	**2022/23** £000
Managed By Eastbourne Homes Ltd					
Major Works Annual Allocation	4,951	4,334	4,388	4,442	4,535
Sustainability Initiatives Pilot	-	-	500	-	-
New Build	1,300	2,211	4,099	14,154	6,288
Acquisitions Annual Allocation	-	-	3,748	-	3,332
Total HRA Capital Programme	**6,251**	**6,545**	**12,735**	**18,596**	**14,155**
Funded By:					
RTB Capital Receipts	563	455	465	475	486
RTB 1-1 Receipts	390	112	1,306	635	1,262
Other Capital Receipts	-	-	-	-	4,366
Major Repairs Reserve	5,298	5,298	4,307	4,403	4,493
Other Reserves	-	-	2,000	2,041	-
Revenue Contributions	-	680	3,656	91	130
Borrowing	-	-	1,001	10,951	3,418
Total Financing	**6,251**	**6,545**	**12,735**	**18,596**	**14,155**

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Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Council Tax Base and Non-Domestic Rates income for 2020/21**
Report of:	**Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To approve the Council Tax Base and net yield from Business Rate Income for 2020/21 in accordance with the Local Government Finance Act 1992, as amended 2018/19.**
Decision type:	**Key Decision**
Officer recommendation(s):	**i) Agree the provisional Council Tax Base of 34,848.6 for 2020/21.** **ii) Agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base for 2020/21.** **iii) Agreed that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2020/21.**
Reasons for recommendations:	**Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2020/21 Council Tax.**
Contact Officer(s):	**Name: Andrew Clarke** **Post title: Deputy Chief Finance Officer** **E-mail: Andrew.Clarke@lewes-eastbourne.gov.uk** **Telephone number: 01323 415691**

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1. Introduction

1.1 The Council is required to set its Council Tax Base for the forthcoming year. This calculation is used as the basis for the amount of income the Council will precept from the Collection Fund.

1.2 The Local Authorities (Calculation of Council Tax Base) Regulations 1992 prescribe that the billing authority (this council) must supply the precepting authorities (the County, Police and Fire authorities) with the calculation of the Council Tax Base. This information must be supplied between 1 December and 31 January in the financial year proceeding the financial year for which the calculation is being made.

1.3 Non-Domestic Rating (Rates Retention) Regulations 2013 also sets out a timetable for informing the Government and precepting authorities of the business rate income calculation. This information is completed via a Government return (NNDR1) which must be submitted by 31 January in the financial year preceeding the financial year for which the calculation is being made.

1.4 In order to assist the precepting authorities with their financial planning it is helpful to provide the information during December rather than wait for the January deadline.

2. Council Tax Base 2020/21

2.1 The Council Tax Base is the estimated full year equivalent number of chargeable dwellings. This is expressed as the equivalent number of Band D dwelling with two or more liable adults.

2.2 In making this estimate, account must be taken of discounts, disabled relief and property exemptions. Movements on and off the valuation list during the year must also be taken into account – e.g. where new properties have been built or old ones converted or demolished.

2.3 The basic calculation as determined by primary legislation is that the Council arrives at it’s Council Tax Base by multiplying its Relevant Amount by its estimated Collection Rate.

3. Relevant amount

3.1 The Relevant Amount for each Bank is the estimated full year equivalent number of chargeable dwellings in the Band expresses the equivalent number of Band D dwellings. The Government’s Valuation Office assesses the relative value of each property with the borough and places it in one of the eight bands. A conversion factor is then applied to each band in order to obtain the equivalent number of Band D property as set out below

Band	Valuation (at 1 April 1991)	Conversion Factor as proportion of Band D
A	Less than £40,000	6/9
B	£40,001 - £52,000	7/9
C	£52,001 - £68,000	8/9
D	£68,001 - £88,000	9/9
E	£88,001 - £120,000	11/9
F	£120,001 - £160,000	13/9
G	£160,001 - £320,000	15/9
H	Over £320,001	16/9

3.2 Deductions are made to the aggregate number of properties in each band in respect of various discounts such as empty properties and single persons. An adjustment is also made to reflect the impact of the Council Tax Reduction Scheme.

3.3 The results for each Band are then added together to arrive at the overall Band D or Relevant Amount. For 2020/21 this totals 35,742.2 equivalent properties.

3.4 The Relevant Amount has increased by 357.7 properties (1.01%) Band D equivalent dwellings from 2019/20.

4. Collection Rate

4.1 The Collection Rate is the Council’s estimate of the proportion of the overall Council Tax collectable for 2020/21 that will ultimately be collected.

4.2 The key elements in making this calculation are losses on collection, appeals against valuation, changes in circumstances (e.g. application for discounts in respect of single person’s occupancy or disability) and other adjustments. These other adjustments to bills can arise for a variety of reasons including bankruptcy, death and exemptions, plus an allowance for uncollectable debts.

4.3 The current level of Council Tax collection is forecast to show an in-year deficit of £480,690 at the end of 2019/20, and this would indicted that the current collection rate of 98.25% should be adjusted downwards to the previous level of 97.5%.

5. Council Tax Base

5.1 Taking the Relevant Amount of 35,742.2 and applying the Collection Rate of 97.5% produces a Council Tax Base for 2020/21 of 34,848.6.

5.2 The Council Tax Base has increased by 0.24% compared with 2019/20. This is equivalent to an increase of 83.3 Band D dwellings. The detailed number of properties is shown at Appendix 1.

5.3 The increase is less than the Relevant Amount increase due to the reduction in the collection rate.

6. Business Rate Income

6.1 The Local Government Finance Act 2012 introduced a new system for the local retention of business rates. This means that the Council is required to formally approve the expected business rate income for the forthcoming year. The estimate for the 2020/21 financial year must be approved by 31 January 2020.

6.2 The Business Rate income is collated on the Government's NNDR1 form which shows the net rate income yield for the central and local shares of the business shares of the business rates. The actual NNDR1form and guidance notes have been received and will have been completed by the time this report is received.

6.3 The net business rate yield is calculated using the total expected gross income by multiplying the Rateable value by the nationally set multipliers (for 2019/20 these are 50.4p standard and 49.1p for small businesses). These multipliers are uplifted annually by the September CPI rate which was 1.7%, but this increase is still to be confirmed by Government. This gross yield is then adjusted for mandatory and discretionary reliefs, an allowance for cost of collection, adjustment for changes in Rateable Value due to growth or reduction in property numbers, estimated losses on collection and an allowance for appeals.

6.4 The resulting calculation is the net business rate yield which is shared as follows:

50% to Central Government
40% to Local Billing Authority (this council)
9% to the County
1% to the fire authority.

6.5 The local share is then payable to the Council's General Fund. All other adjustments to the overall level of Business rate income are then accounted for within the General Fund.

6.6 The final amount of business rates income retained by the Council is adjusted by deduction tariff and levy payments.

6.7 The system of tariff or top up is to redress the balance of Business Rate income nationally to ensure that no local authority is worse off as a result of business rate income at the outset of the rates retention scheme in 2013. This authority currently makes a tariff payment, and information on the level of tariff payment will be announced as part of the Government grant settlement figures.

6.8 Levy payments allow authorities to retain a proportion their growth. The levy has been set at 50% of the growth over the baseline allowance set by Government.

7. Setting the Business Rate Income

7.1 As the final figures required to set the Business Rates Income are not yet available, Cabinet is asked that delegated authority be given to the Chief Finance Officer, in consultation with the portfolio holder for Finance.

8. Business Rate Pooling

8.1 The Council is working within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as level to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.

For 2020/21 it is assumed that the current pooling arrangements will continue.

8.2 It is expected that for 2019/20 Eastbourne's share of the pool will be in the region of £200,000, this will be confirmed at the end of the financial year once the volume of growth for the year has been calculated. The figures for 2020/21 can not be estimated until the NNDR1 form is complete.

9. Collection Fund Performance

9.1 As at 31 March 2019 the Collection Fund showed a deficit of £1,899,014 (£359,395 Council Tax surplus and £2,258,409 Business Rates deficit). £1,041,354 is being recovered across Council Tax and Business Rates preceptors during 2019/20, leaving a balance of £857,660 to be recovered in 2020/21.

9.2 The Council has to estimate the overall surplus/deficit at 31 March 2020 and inform precepting authorities in January 2020 of this estimate in order that the amount is included in the 2020/21 precept figures.

9.3 Current monitoring figures indicate a deficit by 31 March 2020 of £480,690 for Council Tax. Any surplus or deficit is allocated to preceptors in 2020 /21in proportion to the 2019/20 Band D Council Tax. For this council this represents a 12.56% share of the total.

9.4 The calculation on the Business Rate income element of the Collection Fund currently indicates a deficit balance of £310,882 as a result of a combination of the backdated appeals being paid, and an increase in charity reliefs and exemptions granted. Any surplus or deficit is allocated in 2020/21 in accordance with the proportions given at paragraph 6.4 above.

10. Outcome expected and Performance Management.

10.1 Once the Council Tax Base and the estimate balance on the Council Tax element of the Collection Fund has been determined, East Sussex Council. Sussex Police and Crime Commissioner and East Sussex Fire Authority will be notified.

10.2 Once the NNDR1 2020/21 has been completed and the estimated balance on the Business Rate element of the Collection Fund has been determined, this will be submitted to Central Government and both East Sussex County Council and East Sussex Fire Authority will be notified.

10.3 Council Tax and Business Rates income and payments to precepts are accounted for in the Collection Fund which is regularly monitored and reported to members as part of the quarterly performance monitoring report.

11. Financial appraisal

11.1 The Council Tax Base will be used to calculate the level of Council Tax requirement that will be recommended to the Council on 19 February 2020.

11.2 The net yield from Business Rates income will be used to calculate the amount of retained Business Rates to be credited to the General Fund.

12. Legal implications

12.1 The Council Tax Base must be calculated in accordance with the Local Government Finance Act 1992 and The Authorities (Calculation of Council Tax Base) Regulations 2012.

12.2 Under these Regulations 1992 the billing authority (this council) is required to calculate its Council Tax base by 31 January for the next financial year and inform all its preceptors of this calculation.

The legislation further provides that, where a billing authority fails to notify each of the major precepting authorities of this calculation it can be determined by those precepting authorities on the basis of all the information available and with reference to the preceding year's amount.

12.3 It is a requirement of the Non-Domestic Rating (Rates Retention) Regulations 2013 for the billing authority (this council) to notify MHCLG and precepting authorities of its calculation of expected rate income by 31 January preceding the commencement of the next financial year.

If the billing authority fails to comply with this requirement then the Secretary of State may make the calculation instead and inform precepting authorities of the calculation.

13. Risk management implications

13.1 If the Council did not set a Council Tax Base this can be imposed by the precepting authorities with the potential that an incorrect Band D Council Tax could be set. This would have implications to the Council Tax income for the Preceptors, this Council and the performance of the Collection Fund.

14. Equality analysis

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14.1 There are no equality implications to this report.

15. Conclusion

15.1 The provisional Council Tax Base for 2020/21 has been calculated in accordance with the relevant legislation. Summary calculations are set out within the attached appendix.

15.2 The figures required to set the Business Rate Income are not yet available as the

NNDR1 form has not been completed at the time of writing this report.

15.3 It is recommended that delegated authority be given to the Chief Finance Officer, in consultation with the Portfolio holder for Finance, to agree the final figures for both calculations.

16. Appendices

- Appendix 1 – Summary of property numbers and Council Base Calculation.

17. Background papers

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

- Local Government Finance Act 1992
- The Local Authorities (Calculation of Council Tax Base) Regulations 1992
- The Local Authorities (Calculation of Council Tax Base) (Amendment) Regulations 2003
- Non-Domestic Rating (Rates Retention) Regulation 2013
- Calculation of Council Tax Base – CTB (October 2019) form.

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Council Tax Base comparison over years. Appendix 1

	2017/18	2018/19	2019/20	2020/21
NUBER OF DWELLINGS				
Valuation List as at November	47,703	47,749	47,841	48,077
Less discounts equated to property numbers	-4,716	-4,817	-4,989	-4,891
Total equivalent property numbers	42,987	42,932	42,853	43,186
Estimated changes in year	81	73	165	20
Less Local Council Tax Reduction Scheme	-6,087	-5,598	-5,330	-5,067
Total Number of Properties	**36,981**	**37,406**	**37,688**	**38,139**
% increase (decrease)		1.15%	0.75%	1.20%
TAXBASE CALCUATION				
Relevant Amount (Band D Equilavant)	34,793.5	35,145.2	35,384.5	35,742.0
Collection Rate	97.50%	97.75%	98.25%	97.50%
Council Tax Base	**33,923.7**	**34,354.4**	**34,765.3**	**34,848.5**
% growth increase		1.27%	1.20%	0.24%

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Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Corporate Plan 2020-24**
Report of:	**Director of Regeneration and Planning**
Cabinet members:	**Councillor David Tutt, Leader of the Council**
Ward(s):	**All**
Purpose of report:	**For Cabinet to consider and recommend the draft Eastbourne Council Corporate Plan 2020 – 24 to Full Council for adoption**
Decision type:	**Budget and policy framework**
Officer recommendation(s):	**1) To consider the draft Corporate Plan for 2020-2024 and** **(2) To agree to recommend that Full Council adopt the new corporate plan.**
Reasons for recommendations:	**To enable the Council to set out its strategic vision, objectives and priority projects for the next four years and provide a firm basis for forward planning and performance management.**
Contact Officer(s):	**Name: Millie McDevitt** **Post title: Performance and Programmes lead** **E-mail: Millie.Mcdevitt@lewes-eastbourne.gov.uk** **Telephone number: 01323415637**

1 Introduction

1.1 The Corporate Plan is a key document. It sets out the council's commitments to its residents and businesses and outlines a programme of important strategic objectives and the projects that will deliver these for the district. It is important to bear in mind that the next four year's priorities are set against an uncertain and challenging financial backdrop which requires the council to make the best possible use of its resources.

1.2 Whilst there is not a statutory requirement to produce a Corporate Plan, it remains important to ensure the authority has a robust framework within which to monitor and assess performance and achievements.

1.3 Progress against outputs and projects set out in the plan will be reported to members on a quarterly basis, as part of normal performance management arrangements (through both Scrutiny and Cabinet).

2 Development of the Corporate Plan

2.1 The draft Corporate Plan has been prepared for Cabinet Members consideration having regard to the following:

a. The Council's existing programme of transformation projects, community initiatives and policy commitments;

b. The needs and aspirations of the people who live and work in Eastbourne

c. The priorities expressed by the Administration during and since the elections in May 2019 ; and

d. The financial and policy drivers likely to impact the Council in the short to medium term.

3. Consultation

Whilst there is no formal requirement to consult there will be targeted stakeholder consultation where key partners are asked their views on the current draft.

4 Adoption and delivery of the Corporate Plan

4.1 Following adoption by Members, the final Council Plan will be published on the Council website. Although a four year plan, it is considered a dynamic document that will develop over time and therefore will be subject to annual review and refresh, with appropriate consultation, throughout its lifespan.

4.2 Progress against key success measures and project deliverables contained within the document will be reported to Members on a regular basis, as part of the council's usual performance management arrangements.

5 Financial appraisal

5.1 The financial aspects of all projects and actions within the Corporate Plan will be included within the approved budget for 2020/21 and the Medium Term Finance Strategy, or (in the case of new initiatives which may still be at an early planning stage) will be subject to future reports to, and approval by, Cabinet.

6 Legal implications

6.1 There are no legal Implications arising from this report.

7 Risk management implications

7.1 The risk management implications of individual decisions relating to the projects and initiatives covered in this report will be addressed as part of the planning and delivery of those individual projects.

8 Equality analysis

8.1 Equality Analyses are being undertaken in relation to the individual projects which make up the Council Plan, and therefore it has not been considered necessary to undertake an overarching analysis of the Plan as a whole.

9 Environmental sustainability implications

Sustainability implications will be considered for each individual project and is a prime consideration for all areas of the council's work as outlined in the Corporate Plan.

10 Appendices

- Appendix 1 – Draft Corporate Plan 2020-24

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EASTBOURNE Borough Council

Working in partnership with **Eastbourne Homes**

CORPORATE PLAN
2020-2024

INTRODUCTION

From the LEADER

Cllr David Tutt

Welcome to Eastbourne Borough Council's corporate plan. This sets out our ambitions and vision for how we will provide outstanding customer service and provide Eastbourne's communities and visitors with a a great place to live, work and enjoy. Underlying all our work, is the climate emergency which we declared in 2019 and we will be working closely with partners to achieve a zero carbon town by 2030.

The council plays a key role in community leadership and enabling the long-term sustainability and resilience of our communities. This is particularly important as we continue to redevelop and regenerate Eastbourne as well as provide new homes,

How we will work over the next 4 years is shown through our priority themes. These reflect our vision to deliver a clean and attractive zero carbon town, producing less waste than before, with a high quality built environment, excellent parks and open spaces, served by a number of good transport options.

To deliver this, we will work closely with partners such as the East Sussex college group, the Community Safety partnership, local charities and social enterprises as well as the local community.

> *A 'sustainable thread runs throughout all areas of our work*

EASTBOURNE – FACTS and FIGURES

Population
103,251

Population increased by 7.9%. Below average for South East England (8.7%)

Population predicted to grow by 203 to 114,870

Economic

74.7% in employment

57.6% employed by an organisation/ company and 16.4% self-employed

62%= full-time

38% = part-time

29% of Eastbourne areas in the 3 most deprived national deciles

Working age

In 2017, £357.4m spent by tourists to Eastbourne. 80% of overnight visitors stay in paid accommodation (hotels, b&bs etc)

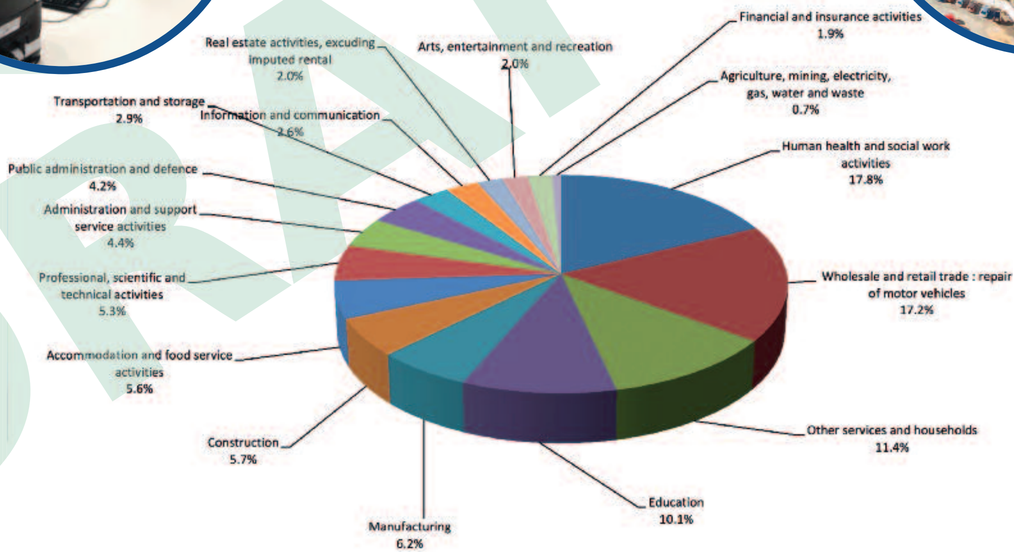
25% of employment is tourism related.

Households

Projected households to 2031: 58,500

Average house price (2018): £262,099 vs £225,086 (2015)

% Breakdown of Industries



CUSTOMER CHARTER

OUR PROMISE to you

We aspire to provide outstanding customer service and provide Eastbourne's communities with a great place to live, work and enjoy. Our commitment to you is enshrined in our new customer charter and you will see us delivering your services through our visible teams of Customer First, Neighbourhood First, Homes First and Environment First.

As a valued customer you can expect us to:

Be fair

- treat you as an individual
- deliver a professional service
- be honest about what we can and can't do
- provide services that do not unfairly discriminate against or disadvantage anyone in the community

Be respectful

- listen to you
- be courteous, polite and helpful at all times
- maintain your privacy and confidentiality
- do what we say we will do

Be accessible

- provide modern, efficient online services 24 hours a day, seven days a week
- communicate clearly
- publish clear, concise and up to date information on our website
- respond to customer enquiries sent through all channels including social media profiles
- offer reasonable adjustments to those needing help accessing our information or services

Be accountable

- give our name so you know who you are dealing with
- focus on delivering our core responsibilities
- clearly signpost how you can provide feedback on our services

Be efficient

- be knowledgeable, giving accurate information
- provide online channels that enable you to access our services at your convenience
- communicate with you electronically, wherever appropriate, but offering other methods if needed
- make the best use of council resources to ensure we are providing value for money

Learn

- aim to get things right first time and learn from experience
- take complaints seriously and seek to resolve any issues at the earliest opportunity

In return, we ask that you:

- treat our staff with respect
- give us the correct information at the right time
- tell us when something changes
- share your views with us on council matters that are important to you
- tell us about anything we can do to overcome barriers to accessing our services.

GROWTH & PROSPERITY
EASTBOURNE in 2024

We will have a prosperous and thriving and sustainable economy which provides opportunities for businesses to grow and invest, supports employment and skills, invests in housing and regeneration along with the infrastructure to support economic growth. Eastbourne will continue to be an outstanding destination for tourism, arts, leisure, heritage and culture.

Our success measures are:

- Tourism figures
- Town centre vacancy rates
- Maintaining high numbers of bandstand patrons
- Business rates and rent collection figures
- Business Improvement District (BID) Levy collected by EBC on behalf of BID Levy Company

RIGHT Congress Theatre and Welcome Building

GROWTH & PROSPERITY

EASTBOURNE in 2024 will be:

Outstanding in tourism & leisure

Achieved through

- New Sovereign Leisure Centre
- A Hotel of Excellence: which will provide students and apprentices 'real time' hotel training opportunities, by working in and experiencing the day to day operations and service departments of an operational hotel
- An exciting arts and events programme, including world-class musical performances, theatre productions and a wide variety of bandstand performances

Attractive & Thriving

Achieved through

- Protecting and enhancing the heritage environment
- Continuing to improve the public realm in the town centre and provide a continuous pedestrian link between the railway station and the seafront'
- Continuing to deliver a pipeline of projects through partnerships
- Exploring the development of a micro-brewery

Supporting and attracting business

Achieved through

- Delivery of Fishermen's Quay at Sovereign Harbour
- Revitalising Sovereign Harbour Innovation Park
- Using the Business Improvement District Levy to fund improvements in the safety and security and the look of the town centre
- A local Industrial strategy which will define how areas will maximise their productivity whilst minimising environmental impact

GROWTH & PROSPERITY
EASTBOURNE in 2024 will have:

Improved infrastructure

Achieved through

- Continuing to lobby Government for a new A27 dual carriageway beween Lewes and Polegate
- New integrated cycling and walking routes
- Implementing the Transport for South East strategy
- Support for high speed rail services to the town and support for reduced train journey time between Eastbourne and London

Exciting cultural events

Achieved through

- A vibrant and broad ranging events programme
- Successfully hosting the International Lawn Tennis tournament annually
- Delivering increased conference and exhibition trade at Devonshire Quarter

RIGHT Winter Garden

HOUSING & DEVELOPMENT
EASTBOURNE in 2024:

We will work alongside residents to deliver decent, safe and well managed housing, meeting the needs of residents by; investing in our homes; creating communities that work; and responding to homelessness and housing needs through maximizing the provision of new affordable housing.

Our success measures are:

- the number of new homes built or purchased
- reducing the number of families housed in emergency accommodation
- increasing the levels of satisfaction across housing services
- increasing the numbers of residents helped to remain independent and in their homes
- efficient processing of planning applications.

HOUSING & DEVELOPMENT
EASTBOURNE in 2024 will be:

Addressing Homelessness

Achieved through

- Focussing on prevention, to support households at risk of homelessness.
- Working in partnerships to address the number of rough sleepers in the town and support them in finding suitable accommodation
- Bringing empty homes back into use

Promoting homes that sustain health & wellbeing

Achieved through

- Exploring how technology can be used to maintain home independence and implementing relevant initiatives
- Further use of grant funding to extend independent living
- Developing integrated health, housing and care strategies.

HOUSING & DEVELOPMENT

EASTBOURNE in 2024 will have:

Promoting access to housing that meets modern standards

Achieved through

- Effective development pipeline within the Council's Housing Companies
- Promoting accessible low cost rental and home ownership initiatives
- Reducing the environmental impact that privately owned homes have on the environment.

Safe, well managed and decent homes

Achieved through

- Giving residents a voice in how their homes & communities are managed
- Reducing the environmental impact that Council owned homes have on the environment

Locations regenerated and more housing

Achieved through

- Agreeing a new Local Plan that sets delivery targets that meet local housing needs
- Working with public sector partners to utilise shared assets
- Working with public / private sector partners to deliver new affordable housing
- Identifying sustainable locations for development
- Transitioning to the delivery of new carbon-neutral & environmentally friendly homes
- ‘Living above the shop': encouraging and repurposing premises above shops and commercial units to be used as residential accommodation

QUALITY ENVIRONMENT
EASTBOURNE in 2024:

We will have a clean and attractive zero carbon town, producing less waste with better air quality than before. The town will have a high quality built environment, excellent parks, open spaces and be served by a number of good transport options.

Our success measures are:

- Percentage of household waste recycled
- Number of fly-tips
- Annual figure of food inspections
- Reducing the incidents of graffiti

QUALITY ENVIRONMENT

EASTBOURNE in 2024 will be:

Effectively tackling waste

Achieved through

- Waste reduction education campaigns
- An effective local authority controlled waste company (South East Environmental Services)
- Waste crime addressed

Protecting the environment

Achieved through

- Following a contaminated land strategy
- Additional land burial sites
- Enhancing biodiversity of public and open spaces

A low carbon place

Achieved through

- Implementing an air quality strategy which is ambitious but achievable
- Electric vehicle charging points throughout the borough
- Residents cycling and using public transport more through improved infrastructure

QUALITY ENVIRONMENT
EASTBOURNE in 2024 will have:

Sustainable open spaces

Achieved through

- A comprehensive Downland strategy
- Improved parks and open spaces

THRIVING COMMUNITIES
EASTBOURNE in 2020-24

Our vision is for strong communities where individual residents and their different organisations and support networks have the resources they need to be healthy, feel safe, and thrive. Key to this is our work with partners through the Eastbourne Youth Partnership and the Community Safety Partnership, and with partners in the police, health services and the county council. We will also promote equality and foster positive relationships.

Our success measures are:

- Reducing levels of crime per 1000 population compared with similar areas
- Benefits processing times
- Surveys demonstrate residents feel safer

THRIVING COMMUNITIES

EASTBOURNE in 2020-24 will:

Promote inclusion and address deprivation

Achieved through:

- Fostering positive relations between communities
- A more accessible town (using our disability access audit as a starting point)
- Working with local residents to help understand inequality and putting in place measures to reduce isolation
- Promoting financial independence by improving access to education, training and employment

Promote physical health and mental well-being

Achieved through:

- Working with Wave Leisure, other activity providers and the East Sussex Public Health team to promote physical activity
- Improving the facilities provided at the Sovereign Leisure Centre
- Promoting walking and cycling as both leisure and commuting activities

THRIVING COMMUNITIES
EASTBOURNE in 2020-24 will have:

Actively engaged communities

Achieved through

- Supporting the activities of local voluntary and community groups
- Working with partners to represent the interests of identified groups
- Supporting staff across the council to take part in voluntary activites

Safe communities

Achieved through

- Identifying and addressing risks and emerging threats such as 'cuckooing' and County Lines
- Ensuring that new developments and regeneration schemes adhere to 'secure by design' principles
- Working with the police and other local agencies to tackle local crime and disorder, by identifying emerging threats and targeting measures to address these

LEFT ***Nominated Neighbour Scheme*** *is a partnership between Eastbourne and Lewes District Council – with Sussex Police – to promote Safer Communities*

Safe residents

Achieved through

- Working with partners to uncover and tackle domestic abuse and hate crime
- Safeguarding children and vulnerable adults through clear procedures to identify them and secure required interventions
- Working closely with partners to tackle modern slavery and human trafficking
- Running campaigns that promote safey in the home

BEST USE OF RESOURCES

Eastbourne Borough Council will ensure the best possible use of its limited resources to deliver high quality customer services. Whilst doing so, we will embed sustainability into our procurement practices and make considered purchasing decisions such as finding alternatives to single-use plastics. We will also become more efficient in our use of energy at our sites, making targeted improvements where cost effective to do so.

Commercialisation and increasing revenue

Achieved through

- Reinvigorating Hampden Retail Park and Victoria Mansions
- New commercial ventures through partnerships
- Maximising value of property portfolio

Delivering high quality customer services

Achieved through

- Improving online engagement and digital services
- Responding to customer feedback to improve our services

Delivering value for money services and responsibly managing risk

Achieved through

- Automation
- Council tax and business rates which help deliver residents' services efficiently
- Preparing for and responding to local and national challenges

Generating Social Value

Achieved through

- Responsible procurement practices including through our Joint venture company Clear Futures
- Ensuring staff wellbeing through following work practices that protect and look after staff's physical and mental health
- Having a workforce and culture that reflects the diversity of the local community and providing diversity training and recruitment and selection practice

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Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Eastbourne Carbon Neutral 2030 – progress report**
Report of:	**Director of Regeneration and Planning**
Cabinet member:	**Councillor Jonathan Dow, Cabinet member for Climate Change**
Ward(s):	**All**
Purpose of report:	**To provide a progress report on Eastbourne Carbon Neutral 2030**
Decision type:	**Key**
Officer recommendation(s):	**(1) Delegate authority to the Director of Planning and Regeneration, in consultation with the Lead Member for Climate Change, to:** **(i) investigate the viability of moving the Council on to a green electricity tariff; and** **(ii), if appropriate, to sign the Council up to this tariff.** **(2) To approve the short term actions outlined within section 4 of this report.**
Reasons for recommendations:	**To progress towards the aims of achieving Eastbourne Carbon Neutral 2030 as resolved in July 2019**
Contact Officer(s):	**Name: Kate Richardson** **Post title: Strategy & Partnership Lead- Sustainability** **E-mail: kate.richardson@lewes-eastbourne.gov.uk** **Telephone number: 01323 415202**

1 Introduction

1.1 This paper sets out progress to date and proposed next steps following the declaration of the climate emergency at Eastbourne Borough Council (EBC).

1.2 The declaration received unanimous support at Full Council meeting in July 2019.
It reads: “Eastbourne Borough Council recognises there is a Climate Change Emergency and fully supports the Government and the Council’s initiatives in fighting Climate Change.
Eastbourne Borough Council acknowledges the work achieved by this administration since 2007 to offset the negative effects of climate change. In

keeping with our ambitious programme to date, Eastbourne Borough Council commits to working in close partnership with local groups and stakeholders to deliver a carbon neutral town by 2030."

1.3 It was agreed by Cabinet in September that a post should be established to work on this agenda, funded jointly with Lewes District Council, to enable Eastbourne Borough Council to progress at pace. This position has now been filled. Kate Richardson started in post on 14 November 2019.

2 Summary of Council Action

2.1 Prior to the Climate Emergency Resolution, a range of carbon reduction work had already been undertaken throughout the Council, much of this as business as usual. Some examples are provided below:

2.2 Homes First

To reduce energy consumption, the Council has retro-fitted a variety of energy efficient lights, boilers and controls; and new boilers within our housing stock have hydrogen conversion capability.

Officers are continually evaluating new technology, for example heat recovery units and permeable resins (as replacement for impermeable surfaces).

2.3 Environment First

There has been improved use of IT to enable route optimisation, vehicle rationalisation and more efficient missed bin collections. The Council has reduced mileage by changing disposal locations and has planned a long-term procurement strategy for more fuel efficient and alternative fuelled vehicles.

2.4 Commercial Business

The Council has –

- been preparing the whole estate plan;
- developed and utilised a 'Development checklist' against which officers challenge themselves to provide the most sustainable developments they can;
- supported planning policy in developing sustainable travel solutions;
- developed a new sustainable waste vehicle depot;
- built new sustainable homes; and
- developed the recycling of construction waste.

2.5 Planning Policy

The Council has published a supplementary planning document for Sustainable Building Design.

2.6 Internal Business Operations

The staff car leasing programme has ceased and the Council has joined the easitNetwork group to encourage sustainable travel; access is provided to Cyclescheme; and flexible working is enabled. Video conferencing is enabled and encouraged to reduce travel between offices; single-use plastics have been reduced and eliminated where possible in council buildings.

2.7 Climate Change Strategic Panel

The inaugural meeting of the Panel was held on the 29th November 2019 consisting of 5 elected Members, supported by officers.

The Purpose of the Panel is:-

1. To advise the Cabinet Member for Climate Change on strategy and policy development matters relating to the delivery of the Climate Change Emergency resolution.
2. To invite appropriate experts to provide advice and information to help inform policy development work in relation to climate change, carbon reduction and climate adaptation.
3. To assist the Cabinet Member in the development and maintenance of partnership and stakeholder relationships for the furthering of climate emergency goals.
4. To receive progress reports on the strategy, policy and actions enacted by the council to address the climate emergency.
5. To aid the promotion of the council's work in this area.

The Council is working closely with the Eastbourne Eco Action Network, a Community Interest Company, to meet its carbon neutrality goals and they will be invited to attend future meetings of the Strategic Panel.

3 Eastbourne Carbon Neutral 2030

3.1 The Council cannot tackle the climate emergency alone. As such, a new partnership – Eastbourne Carbon Neutral 2030 (ECN2030) - has been set up to enable local people, businesses, community groups and others to come together and play their part.

3.2 To launch this important new work, a free event was held on the Saturday 18 January 2020 at the Welcome Building. As well as providing a high profile launch for ECN2030 the event was used to capture views and opinions of local people regarding how the climate emergency issues should be tackled locally.

3.3 Almost 1000 people attended the event which consisted of more than 30 different organisations, 40 stalls inside and out, highlights included: a double decker bus, 3 electric cars and 1 electric van on display; a children's climate library; puppet making; a vegetarian and vegan café; There were also a range of speakers who delivered inspirational presentations which were extremely well received throughout the day.

It was noted that this was the first event of this scale in Eastbourne to bring together so many varied groups all with the shared common goal to reduce our impact on the environment and contribute to making Eastbourne Carbon Neutral by 2030. A national representative from Friends of the Earth who spoke at the event commented that it was the largest and best attended such event that he had come across anywhere in the country so far.

A 'comments wall' formed a central part of the event. A total of 244 suggestions were placed on the wall, responding to the question "What do you think we should do to make Eastbourne Carbon Neutral". The comments were very varied but fell generally into the themes of; energy, biodiversity, housing and 'other'. It is notable that nearly 50% of all comments related to transport, primarily increasing frequency and lowering the cost of public transport and enabling more cycling in the town.
It will take time to process all the detailed responses but these will be fed into deliberations around the preparation of the carbon reduction and climate change strategy.

The Council is grateful to all those who attended the day, provided exhibitions, gave presentations and contributed to the 'comments wall'.

Many personal pledges were also made on the day though many felt that it was time for a collective effort at both local and national scale in order to facilitate the significant shift required to reduce carbon emissions.

A full analysis of the comments from the day will be presented, in the first instance, to the Climate Change Strategic Panel which is due to meet in February 2020.

4 Next steps

4.1 To achieve carbon neutrality by 2030, the council needs to prioritise and urgently progress a number of actions. Proposed next steps are set out below for Cabinet's consideration and approval.

4.2 Following the launch event in January, the focus will be on preparing a detailed and costed strategy and action plan to enable us to achieve our carbon reduction ambitions.

Using the outcomes of the views expressed at the launch event, the Council will determine what other short term projects should be progressed as a priority in 2020/21. Beyond this a strategy to take the council to 2030 will be developed .This strategy will be presented to Cabinet in July 2020.

4.3 The Council will, jointly with Lewes District Council, explore opportunities to work with local providers of council owned housing. The purpose will be to discuss implications of the climate emergency on refurbishment, retro-fit and investment plans and to decide if a partnership approach could generate efficiencies of scale.

The decarbonising of the Council's council housing stock is a significant way in which the Council can directly contribute to the climate change agenda, reduce fuel poverty by creating warmer and cheaper to run homes directly improving the lives of our tenants.

4.4 In order to measure progress towards our carbon neutral goal the Council will agree its approach to measuring carbon emissions and then determine its 2018/19 carbon baseline. The Council will then be able to measure its progress against this baseline.

4.5 In conjunction with the Lead Member for Climate Change, we will investigate moving the council on to a green electricity tariff at the end of the current contract which runs to 30th September 2020. The Council must provide 6 months' notice of contract changes, which means the changes must be agreed by end of March 2020.

4.6 The Council will publicise the Warmer Sussex scheme to enable retro-fitting of existing private housing stock and the Solar Together iChoosr project to enable residents to purchase PV panels.

4.7 Working with ESCC and other district and borough partners in East Sussex, the Council will establish an EV chargepoint strategy and draw up a plan for implementation in Eastbourne.

5 Financial appraisal

5.1 There is likely to be an increase in the cost of the electricity contract if we move to a green tariff. This is likely to be in the region of 0.5p/kWh.

6 Legal implications

6.1 The principal piece of UK-wide legislation relating to carbon neutrality is the Climate Change Act 2008. When first implemented, it required the UK to achieve an 80% reduction in greenhouse gas* levels (relative to 1990 levels) by 2050, but in June 2019, further legislation was passed which revised the target upward from 80% to 100%.

*Greenhouse gases comprise primarily CO_2, but also methane, nitrous oxide and certain fluorocarbons.

The 2008 Act also provided for five-year carbon budgets and emissions trading schemes.

The legal obligations created by the Act fall exclusively on central government. Nonetheless, Eastbourne Borough Council can actively contribute to carbon reduction through its–

- management of its own estate and assets
- community leadership
- regulatory role, particularly as local planning authority – through adherence to the National Planning Policy Framework and its own Local Plan

- service provider role, especially as waste collection authority and housing authority.

At local level, climate change legal duties that apply specifically to district / borough councils include section 19(1A) of the Planning and Compulsory Purchase Act 2004. This requires that a local authority's development plan documents must, taken as a whole, include policies designed to secure that the development and use of land in its local planning authority area contribute to the mitigation of, and adaptation, to climate change.

The Council's powers to take carbon reduction measures across any of these functions stem, if not from function-specific legislation, from section 1 of the Localism Act 2011, which grants the 'general power of competence' to qualifying local authorities.

Lawyer consulted 08.01.20 *Legal ref: 008861-EBC-OD*

7 Risk management implications

7.1 Failure to agree and progress the actions at pace could lead to failure to meet the aims and targets within the Climate Emergency Declaration of July 2019

8 Equality analysis

8.1 It is assessed that an Equality Analysis is not required for this report.

9 Environmental sustainability implications

9.1 This report directly relates to the achievement of making the Council zero carbon by 2030 and assisting the Borough to become Carbon Neutral. Implementation of actions to achieve carbon neutrality is key to mitigate the predicted negative impacts of climate change on the environment, economy and communities.

10 Background papers

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

Carbon Neutral Motion Full Council meeting July 2019 - Declaration of Climate Emergency
https://democracy.lewes-eastbourne.gov.uk/ieListDocuments.aspx?CId=126&MId=2921

Report to:	**Cabinet**
Date:	**5 February 2020**
Title:	**Downland Whole Estate Plan**
Report of:	**Director of Regeneration and Planning**
Cabinet member:	**Councillor Jonathan Dow, Cabinet member for Climate Change**
Ward(s):	**All**
Purpose of report:	**For Cabinet to approve the draft Downland Whole Estate Plan, subject to further consultation February- April 2020.**
Decision type:	**Key Decision**
Officer recommendation(s):	**(1) To provide comments and agree the draft Downland Whole Estate Plan, subject to the outcome of public consultation;** **(2) To delegate authority to the Director of Regeneration and Planning in consultation with the Cabinet Member for Climate Change to approve the final Downland Whole Estate Plan, following completion of consultation on the draft Plan.**
Reasons for recommendations:	**The Downland Whole Estate Plan requires formal adoption by the Council prior to endorsement by the South Downs National Park Authority.**
Contact Officer(s):	**Name: Mark Langridge-Kemp** **Post title: Head of Property, Delivery and Compliance** **E-mail: mark.langridge-kemp@lewes-eastbourne.gov.uk** **Telephone number: 01323 415876**

1 Introduction

1.1 The South Downs National Park Authority (SDNPA) is seeking to collaborate with landowners across the National Park in the development of Whole Estate Plans (WEPs), a non-statutory plan that seeks to protect the Park and demonstrates the aspirations of its landowners. The Whole Estates Plan process seeks to assist SDNPA and large estate organisations to work together in delivery of this vision.

1.2 The Council has been developing a WEP for the Downland Estate over the last 18 months. In June 2019 Cabinet agreed the vision for the plan which focussed on conservation and preservation of the estate, supporting the tenant farmers and enabling a self-sustaining, financially resilient Estate with high quality attractions for visitors and tourists.

1.3 Following further Member and public engagement, the draft WEP has been completed and will now be subject to an 8 week consultation period commencing 9th February. A copy of the draft plan is attached to this report at Appendix 1 and Cabinet is asked for any further comments and agreement of the draft prior to final sign-off once public consultation has ended and comments have been considered.

1.4 In recognition of the importance of the Eastbourne Downland, EBC is set to be the first Council to adopt a WEP.

2 Proposal

2.1 Officers have worked closely with SDNPA in production of the Eastbourne Downland WEP, which has been produced in accordance with the guidelines set down by SDNPA. There are four main sections of the plan:

- Vision: this was agreed by Cabinet in June 2019;
- Asset Audit : this audit establishes a complete picture of all of the assets on the Downland;
- Ecosystem Service Analysis: this includes a SWOT (Strengths, weaknesses, opportunities and threats) analysis of the many eco systems on the Estate which provide life's essentials such as clean air and water, food, fuel and raw materials and opportunities for improved health and wellbeing.
- Action Plan: this takes the opportunities and threats identified in the Ecosystem Services Analysis and identifies the actions required and the specific projects attached to achieving those actions.

2.2 In many ways, the Action Plan is the most important aspect of the plan as this identifies projects that could be taken forward. Recognising the Council's financial situation and limited officer capacity, it is suggested through the Action Plan that a Trust or similar body (a "Trust Body") be set up to act as a fundraiser and main stakeholder liaison to prioritise and take projects forward. The Council would have a significant role in terms of setting up key elements of the Trust Body, such as the charitable objects (where charitable status is sought), the governance arrangements and the assets to be transferred to the body. The Trust Body could be set up on the basis that the Council has voting rights that enable it to influence the body's governance.

2.3 Full details of suggested projects are outlined within the Plan but summarised below; there is no financial commitment from the Council to any projects over and above those that are already planned and budgeted for:

<u>Short Term</u>

- Support a safe and sustainable woodland;
- Continued scrub management and control;
- Work with partners to explore opportunities for social prescribing (enabling health and care professionals to refer people to a range of local, non-clinical services to address people's needs in a holistic way, aiming to support individuals to take greater control of their own health);

- Work with the tenant farmers to prepare for the transition from the current subsidy arrangements;
- Work with partners to promote best practice in sustainable land management to protect the acquifer;
- Increase opportunities for holiday lettings.

Medium/Longer Term

- Creation of an Eastbourne Downland Trust Body to fundraise and progress projects;
- Prepare for the role out of the new Environmental Land Management system;
- Maximise the biodiversity and amenity value of the Estates woodlands including upgraded/new tracks and walking routes with new focal points;
- Contribute to a Nature Recovery Network, identify opportunities for habitat restoration and creation on the Estate;
- Exploring opportunities for Biodiversity Net Gain ensuring developments in the borough leave biodiversity in a better state than before;
- Consider access charging for non-local residents on the Beachy Head Road;
- Improving the visitor centre offer;
- Improving the educational offer, recognising and support opportunities for outside learning in the natural environment;
- Diversification and re-purposing of redundant farm buildings;
- Further opportunities for providing additional tourist accommodation;
- Improving the provision of public transport;
- Maintaining and, where possible, restoring the Estate's dew ponds;
- Putting the Estate's water supply on a more sustainable footing;
- Encouraging visitor donations;
- Building a value-added brand for produce from the Estate.

2.4 Final public consultation on the draft WEP runs from 9th February to 5th April. Comments will then be considered and amendments made, where appropriate, with a view to final sign-off of the plan by end April 2020. SDNPA has its own process for endorsement of WEPs and aims to endorse the plan in early June.

3. Corporate plan and council policies

3.1 This proposal meets the following aspirations of the Corporate Plan:

- Prosperous economy: by improving Eastbourne as a destination through securing the future of the Bandstand and supporting employment
- Sustainable performance: by making the best use of our assets and proactively working to improve building performance.

In addition it supports achieving the 2026 Partnership vision of Eastbourne being a premier seaside destination.

3.2 Cabinet adopted the Corporate Asset Management Plan (AMP) in 2017. The AMP focuses on 4 key areas:

- Improving yield from the investment portfolio.
- Reducing maintenance costs and liabilities.
- Delivering efficiencies through smarter procurement.
- Increasing the capital value of the Council's asset base.

The AMP provides the strategy framework for the Council to manage and exploit the potential of its property portfolio, part of which is ensuring that future maintenance liabilities are reduced and opportunities for increasing social and economic value are maximised wherever possible, which are supported through this proposal.

4. Financial appraisal

4.1 There are no financial implications arising directly from this report, which recognises the Council's financial situation and limited officer capacity. The report suggested through the Action Plan that a Trust/body be set up to act as a fundraiser and main stakeholder liaison on behalf of the Council to prioritise and take agreed projects forward. Any future financial implications arising from the Downland Whole Estate Plan will be reported to Members alongside the established financial/performance monitoring reports.

5. Legal implications

5.1 A further report relating to the creation of the Trust Body will be brought to Cabinet in due course. In the meantime the following high level comments can be made in connection with the Trust Body.

- Establishing the Trust Body with charitable status could bring a number of benefits including tax reliefs. As an example, various tax incentives are available to encourage individuals and businesses that pay tax in the UK to make gifts to charities and to individuals to invest in charities. The availability of such fiscal advantages is important in the context of the Trust Body being able to act as the main fundraiser. It is therefore assumed that charitable status is a core principle of the proposal to set up the Trust Body.

- Charity trustees are those persons having the general control and management of the administration of a charity. The main duty of charity trustees (the directors in the case of a charitable company) is to ensure that the charity's assets are applied in pursuance of its charitable objects, for the public benefit. A charity trustee has a duty to act at all times in the best interests of their charity and its beneficiaries. Council nominated trustees would have to act on this basis. A similar level of accountability applies even in the absence of charitable status. For example, the directors of a non-charitable company have a general duty to act at all times in the best interests of their company.

- The level of control that could be exercised by the Council is subject to the limitations mentioned above. However, the following observations should be noted.

    - If the Trust Body is set up as a charitable company this could be done on the basis that the Council is a member of the company in addition to having the right to nominate a certain number of directors (trustees). The primary function of the membership is scrutiny of the directors. The members have rights to vote to influence the charitable company's governance.

  - A lease of the Estate to the Trust Body (as outlined below) would give the Council a certain level of control over the activities of the Trust Body in the context of the landlord and tenant relationship. For example, it is usual for tenants to be constrained by controls relating to the use of the land, alterations to the land and sublettings.

- It is suggested that the freehold of the Estate should remain in the public ownership of the Council to secure it for future generations. When setting up the Trust Body the assets transferred to the body by the Council could include a long lease that would enable the body (as lessee) to manage the Estate in accordance with its charitable objects and the obligations contained in the lease. Consideration should be given to including a forfeiture clause allowing the lease to be terminated where the tenant is in breach of its obligations under the lease or on the occurrence of certain events specified in the lease, such as the tenant's insolvency.

- Parts of the Estate are affected by pre-emption rights. Any asset transfer to the Trust Body involving a lease would have to take account of the pre-emption rights.

- A detailed analysis of the appropriate legal structure for the Trust Body will be carried out as the project progresses. The current thinking of the Council's in-house legal team is that there are clear advantages in using a charitable company limited by guarantee as the legal structure for the Trust Body.

7 January 2020 Ref: 008843-EBC-MR

6. Risk management implications

6.1 Producing a WEP is the best way in order to ensure that the Eastbourne Downland Estate is protected, meets future environment priorities and is enhanced for future generations. Once adopted, the Council will have a clear action plan setting out its future commitments to the operation of the Estate that stakeholders can help support and take forward.

7. Equality analysis

7.1 An equality screening has been undertaken and has assessed that an Equality Analysis is not conducive to this report.

8. Environmental impact analysis

8.1 The WEP by its very nature seeks to conserve and preserve the Downland Estate and the Action Plan sets out workstreams that will help support the Council's ambition for a carbon neutral town by 2030.

9. Appendices

- Appendix 1 – Draft Eastbourne Downland Whole Estate Plan (please note that the plan will be re-formatted and finalised post consultation)

10. Background papers

- Cabinet report 5th June 2019 'Downland Whole Estate Plan' https://democracy.lewes-eastbourne.gov.uk/documents/s10195/Downland%20Whole%20Estate%20Plan.pdf

EASTBOURNE DOWNLAND ESTATE

DRAFT WHOLE ESTATE PLAN

EASTBOURNE
Borough Council

The Vision for the Eastbourne Downland Estate over the next 25 years

Conserve the iconic downland landscape and cultural heritage of the Estate, so that these special qualities can be enjoyed, understood and valued by the public, with access for all, contributing to Eastbourne's sense of community, wellbeing and belonging and instil a strong sense of public stewardship that encourages visitors and people from all backgrounds to actively care for the Estate and invest in it.

Maintain and enhance the 'natural capital' of the Estate, so that high-quality, well-managed habitats are resilient and adaptable to climate change, pests or disease; support wildlife networks throughout the landscape; and continue to deliver the widest range of ecosystem services into the future.

Ensure that these ecosystem services are enjoyed, valued and understood by the public, with all Eastbourne residents feeling they are beneficiaries of the Estate – not just those who are able to visit regularly.

Ensure that our farmers are supported and valued as stewards of our land, its soils and its wildlife, with sustainable and profitable businesses that can continue to flourish and innovate.

Protect the Estate for future generations, ensuring that it is self-sustaining and financially resilient, built on diversified income streams, promoting innovation, craftsmanship, rural creative industries, and high-quality visitor experiences, supporting tourism and local communities.

Introduction

Background

The Eastbourne Downland Estate extends to approximately 4,174 acres, of which 2,963 acres is mainly farmed (the Council leases four farms and a smallholding) and 1,211 acres is open access land; it lies at the easternmost end of the South Downs National Park. The Estate was bought by the local authority with compulsory purchase powers under The Eastbourne Corporation Act of 1926 and it is currently owned and managed, on behalf of the public, by Eastbourne Borough Council (EBC).

The Council is committed to the conservation and enhancement of the Downland Estate to preserve it for future generations and it has developed a Whole Estate Plan (WEP) to help guide the longer-term management of the Estate. The Council's aim is to prioritise preservation of the Estate's special qualities and the ecosystem services it provides, while providing an income strategy within an informed context.

WEPs are an initiative from the South Downs National Park Authority (SDNPA) in order to enable *"…collaboration between individual estates and the National Park Authority to achieve the ambitions of the organisation and the purposes of the National Park".* The SDNPA Local Plan is landscape-led, with the concept of ecosystem services (the many and varied well-being benefits that humans freely gain from the natural environment) and natural capital (the earth's natural assets which include geology, soil, air, water and all living things) the core focus of the approach. It recognises the significant influence of the estates and farms across the National Park, and the impact the management activities of these estates has in the short, medium and long term. It also recognises the challenges faced by those who own and operate these estates to manage the land profitably while maintaining some of the most significant cultural/heritage assets within the National Park. By providing a degree of flexibility when considering development proposals on estates which have prepared an endorsed WEP (Strategic Policy SD22: Development Strategy) it is hoped that balance can be achieved. However, this can only be done within an informed context which clearly sets out the longer-term role of a development proposal within the overall ambition of the organisation and its contribution to the conservation and enhancement of the National Park, its special qualities and the ecosystem services it provides.

The WEP itself follows the format set out in the *Whole Estate Plans Preparation Guidelines*, issued by the SDNPA (Revision B, published 22.05.2017). The simple form of the content is: **Vision** (Section 2); **Asset Audit** (Section 3); **Ecosystem Services Analysis** (Section 4); and **Action Plan** (Section 5). In line with the SDNPA Local Plan, the concept of ecosystem services and natural capital is the core focus of the approach.

Natural Capital and Ecosystem Services

The Natural Capital Committee (NCC) is an independent advisory committee to the Government and defines natural capital as *"the elements of nature that produce value or benefits to people (directly and indirectly), such as the stock of forests, rivers, land, minerals and oceans, as well as the natural processes and functions that underpin their operation"*[1]. More simply, natural capital is the stock of assets provided by nature with the capacity to generate goods and services, often called 'ecosystem services', over time.

Source: Natural Capital Protocol

[1] Natural Capital Committee (2013) The State of Natural Capital: Towards a framework for measurement and valuation. A report from the Natural Capital Committee [online] available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/516707/ncc-state-natural-capital-first-report.pdf (last accessed 06 July 2019)

These services, often in combination with other forms of capital (human, manufactured, social and financial) contribute to the economy and human wellbeing directly and indirectly in many different ways. They provide products that:

- are sold directly, such as timber or agricultural crops;
- supply inputs to the production of goods, such as water; support landscapes and wildlife that promote tourism and recreation; and
- deliver the wider conditions that underpin a well-functioning economy, such as a healthy environment that supports a productive workforce, and natural infrastructure that reduces exposure to climate-related impacts such as floods, landslides, or fires.

The Government has aspirations to improve the environment within a generation and have launched 'A Green Future: Our 25 Year Plan To Improve The Environment'[2], which is based on a natural capital approach. The NCC has recommended that *"Local authorities and major infrastructure providers should ensure that natural capital is protected and improved, consistent with the overall objective of the 25 Year Environment Plan"*[3]. The Plan emphasises the natural capital approach as an important tool in decision making and a means of addressing past failures to *"understand the full value of the benefits offered by the environment and cultural heritage".* By using a natural capital approach, *"we give the environment its due regards as a natural asset – indeed a key contributor – to the overall economy, [and] we will be more likely to give it the value it deserves to protect and enhance it".* Understanding the natural capital of the Estate is therefore a key objective of this Whole Estate Plan.

[2] HM Government (2018) A Green Future: Our 25 Year Plan to Improve the Environment [online] available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file693158/25-year-environment-plan.pdf (last accessed 21 Jan 2020)

[3] Natural Capital Committee (2018) Annual Report 2018. Fifth Report to the Economic Affairs Committee [online] available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/677873/ncc-annual-report-2018.pdf (last accessed 06 July 2019)

Developing the Vision

Visitor Data Analysis

A desktop analysis of visitor numbers was undertaken using the Outdoor Recreation Valuation Tool (ORVal), which was developed by the University of Exeter for Defra. ORVal is an online tool that allows users to explore the recreational use and welfare value of accessible open spaces, trails, and beaches in England and Wales. It has recently been incorporated into the UK Treasury's Green Book – the government's guidance for project appraisal and evaluation (H.M. Treasury 2018)[4] – and features in the Government's 25-Year Environment Plan (H.M. Government 2018). ORVal estimates that 940,911 visits are made to the Eastbourne Downland Estate each year, and that these visits are associated with recreational values of £2.3 million per year. Analysis of visitors' walking routes across the Estate suggest a very strong link with the National Trust owned Birling Gap and the Seven Sisters, via the South Downs Way. This testifies the place the Estate has as a gateway for recreational walkers in the South Downs National Park. Far fewer visitors explore the rest of the Estate, and those that do tend to be local Eastbourne residents.

Consultation with the National Park

The following key priorities were identified for the Estate through discussions with SDNPA officers:

Improving connections between Eastbourne residents and the Estate – particularly those in the town who are least well off. The Estate should be seen as a place that everyone can enjoy, helping to build a sense of place and develop relationships with their community and the land. The contribution the Estate can make to residents' health and wellbeing should be emphasised.

[4] HM Treasury (2018) The Green Book: Central Government Guidance on Appraisal and Evaluation [online] available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf (last accessed 09 Dec 2019)

Promoting the Estate as an educational resource, encouraging young people to enjoy it, care for it, value it, and understand how its special qualities and habitats should be managed.

Investing in natural capital and ensuring that ecosystem services are embedded in decision-making and management principles.

Identifying opportunities for strategic investment in habitat creation and restoration, to help extend, buffer, and join up ecological networks across the South Downs.

Looking for added-value opportunities from the significant visitor footfall. Eastbourne and the Estate are an important gateway to the National Park, and there is also the potential to develop a heritage trail along the south coast.

Encouraging and incentivising good environmental land management. The UK's departure from the Common Agricultural Policy, and the formulation of a new subsidy regime based on public payments for public goods, can help to deliver the step-change required to mainstream the environment into the way the Estate is managed and farmed.

Exploring 'payments for ecosystem services' schemes. There are potentially opportunities to deliver revenue returns and reduce costs by crystallising the value of ecosystem services delivered by the Estate – from soil carbon sequestration (the long-term storage of carbon in plants, soils, geologic formations, and the ocean) and air pollution mitigation, to water filtration and flood attenuation.

Managing woodland on the Estate, and restoring and re-creating priority habitat that has been lost to scrub encroachment.

Consultation with EBC Councillors

Internal stakeholder workshops with EBC Councillors identified the following key priorities:

Maximising the social value of the Estate. Maximising the social and cultural value of the Estate, specifically:

- The Estate's contribution to Eastbourne's sense of community and belonging;
- The Estate's role in building connections among people that helps to ensure community cohesion and mental and physical wellbeing;
- The importance of instilling a sense of community ownership and involvement in decision-making;
- The Estate's role providing opportunities for communities to take part in a full range of cultural, sport, leisure, creative activities and events;
- Promoting health and wellbeing through the environment;
- The Estate's role in providing high quality recreational and open space;
- The Estate's role as an important educational resource.

Enhancing the natural value of the Estate. The importance of investing in the 'natural capital' of the Estate – its habitats and natural features – to maintain and enhance its special qualities, its iconic landscape, its wildlife, and the ecosystem services that flow from it.

Improving the visitor experience and capturing the benefits of tourism. The potential the Estate offers as a 'gateway' to the South Downs National Park, its iconic downland landscape and historical significance, and the significant number of UK and foreign visitors. Promoting and improving the visitor experience, with added-value tourism ventures, and capturing more of the visitor spend on the Estate.

Seeking opportunities to realise revenue returns. Exploring income opportunities beyond agricultural rental income, and working with the farm tenants to capitalise on other potential opportunities – including different farming systems (such as winegrowing), renewables, leisure and tourism enterprises, 'habitat banking', and emerging 'payments for ecosystem services' schemes. Reducing ongoing costs associated with maintenance of the water infrastructure on the Estate is a priority.

Consultation with public stakeholders

Consultation with public stakeholders identified the following key priorities:

Maintaining and enhancing the heritage assets on the Estate. All of the downland should be treated as archaeologically sensitive, and it should be recognised that the Estate forms an integral part of the wider downland landscape. The Estate should be conserved "as it is".

Using phone apps to educate visitors about the special characteristics of the Estate, such as historical field systems, to direct them away from the tourist 'honeypots', improve the historical interpretation of the land, and expand their knowledge and appreciation of the Estate.

Preserving dew ponds and historical buildings that tell the story of historical farm practices, and the potential to build a visitor experience around traditional farming skills and crafts.

Ensuring all Estate buildings are maintained and preserved, not just those that are scheduled / registered / listed.

Emphasising the war-time heritage of the Estate, and the connection to famous authors such as Kipling and Orwell.

Improving transport links and accessibility. Address inadequate public transport links between Eastbourne and the Estate which particularly penalises the young and the least well-off who do not have the use of a private vehicle; improve car parking space; prioritise investment in public rights of way and access land, with the aim of greater accessibility for all to the downland for walking and quiet enjoyment.

Nature conservation. Chalk grassland habitat should be a priority for protection and enhancement, along with the potential for arable reversion to increase the extent of chalk grassland on the Estate. The role that habitats play in the provision of ecosystem services, particularly public amenity and water filtration should be recognised. The chalk aquifer underneath the Downland Estate should be recognised as particularly important, along with the links between artificial chemicals applications, diffuse pollution, and water quality, and the role that natural systems play in filtering and protecting water sources.

Educational resource. The potential of the Estate as a learning resource should be enhanced, and links with schools and colleges improved.

Encouraging visitors to act responsibly. Encouraging dog owners to keep their animals under close control, and to pick up after them. Educating Walkers who often stray beyond the public rights of way or open access land and do not observe the Countryside Code. The very large number of day visitors, particularly from overseas, puts pressure on the ecology of the honeypot locations. Information boards or mobile phone apps could be used as means of educating visitors and encouraging them to care for the Estate, potentially including the opportunity to make voluntary financial contributions.

Consultation with tenant farmers

The tenant farmers are key stakeholders in the delivery and supply of many of the ecosystem services on the Estate. Ideas from them included:

More opportunities for New Entrants. Issues around business succession / routes into farming / opportunities for new entrants should be recognised as important. New entrants to the agricultural sector face significant hurdles; the price of land has increased over the last fifteen years so that it is almost impossible for conventional new entrants to start out in farming by purchasing their own land. An alternative route to enter farming is by taking a tenancy; tenancies effectively separate the farming business from the land as an underlying asset, making it cheaper to become established as a farming business. Tenancies on council farms have historically provided many new entrants with a route into the industry, most recently at Black Robin Farm in 2019. Established farmers have an advantage over new entrants in securing whatever land does come onto the rental market, as they are more likely to be able to offer higher rents. New entrants can also often struggle to show sufficient track record, skills and financial security.

The conservation / stewardship ethic. Recognising the role the farm tenants play as stewards of the iconic downland landscape and its special qualities. The farmers highlighted their motivation by a strong conservation and stewardship ethic.

Importance of the farmed environment. - Farmers take pride in their role as food producers as well as good stewards of the land. There are concerns to the extent to which managing land primarily for environmental outputs might mean more than just a shift in the use of the land to favour certain ecosystem services over agriculture, and potentially an absolute move away from agriculture towards 're-wilding' of the land. It needs to be recognised that the same farm and same farmer can produce both food and ecosystem services, and that many of the Estate's most valued habitats are a function of historic farming practices, with farming still integral to their maintenance in many cases. Cattle grazing is generally considered to be more beneficial for the restoration and maintenance of downland habitats than sheep grazing; sheep have a reputation for over-grazing, and are much more selective grazers than cattle, targeting flowering plants which can have a negative impact on species diversity; they also find it harder to graze longer, coarser vegetation. Grazing by cattle in the early spring and late summer can reduce the cover of coarser, more unpalatable grasses or scrub encroachment, as cattle are less discriminating in their grazing than sheep.

Encouraging visitors to act responsibly. Helping to reduce irresponsible dog walkers who often stray beyond the public rights of way or open access land, dog fouling, sheep worrying, and leaving gates open. Educating the public of the work of the farmers and encouraging them to actively care for the Estate and its farmed landscape.

Policy Context

Council Corporate Plan. The Council's Corporate Plan 2016-2020 sets out the priority aims in order to help make Eastbourne the best place to live, work and visit. The current plan is divided into four priority themes, framed around a 2020 vision:

- **Prosperous Economy**. 2020 vision: "we will have a prosperous and thriving economy which provides opportunities for businesses to grow and invest, supports employment and skills, invests in housing and regeneration along with the infrastructure to support economic growth. Eastbourne will continue to be an outstanding destination for tourism, arts, heritage and culture". Priority aims include having an outstanding seaside resort and gateway to the South Downs National Park, a transformed and accessible town centre, and creating opportunities for improving skills, employment, learning, and participation for residents and tourists.

- **Quality Environment**. 2020 vision: "we will have a clean and attractive low carbon town, producing less waste than before. It will have a high quality built environment, excellent parks, open spaces and be served by a number of good transport options". Priority aims are to transform sites that are currently under-used in the town centre, improve the quality and quantity of public space, produce less waste and recycle and reuse more and improve public transport and cycling facilities.

- **Thriving Communities**. 2020 vision: "we will have vibrant communities where diversity is valued, where people feel safe and healthy, and are able to access activities and opportunities to help them thrive". Priority aims include having the lowest levels of crime in comparison to similar towns in the South East, supporting families and young people to reach their full potential, and having communities that are active in developing and taking part in a full range of cultural, sport, leisure, creative activities and events.

- **Housing and Development**. 2020 vision: "we will have communities whose housing needs are met through decent, affordable and well managed homes and communities; responding to and addressing homelessness and housing needs and through providing affordable housing". Priority aims include: increasing the supply of housing and in particular affordable housing; delivering a well-managed housing service to Council tenants; and developing sites where there is a clear housing and/ or site development need. This is a general vision for Eastbourne as part of the Corporate Plan priorities, and there are no aspirations for any new-build housing as part of the WEP.

The Plan also sets out the 2026 'Pride of Place' Partnership vision for Eastbourne to be a premier seaside destination within an enhanced green setting - a safe, thriving, healthy and vibrant community with excellent housing, education and employment choices, actively responding to the effects of climate change. Eastbourne is one of six local authorities and six Local Strategic Partnerships that have worked together to produce Pride of Place. Priorities include developing the economy; providing high quality education, learning and skills opportunities; improving travel choices and access to services; providing high quality affordable housing; protecting natural and built environments and adapting and responding to climate change; improving health, well-being, safety, security; creating strong communities and community leadership; and supporting older people, children, young people and carers.

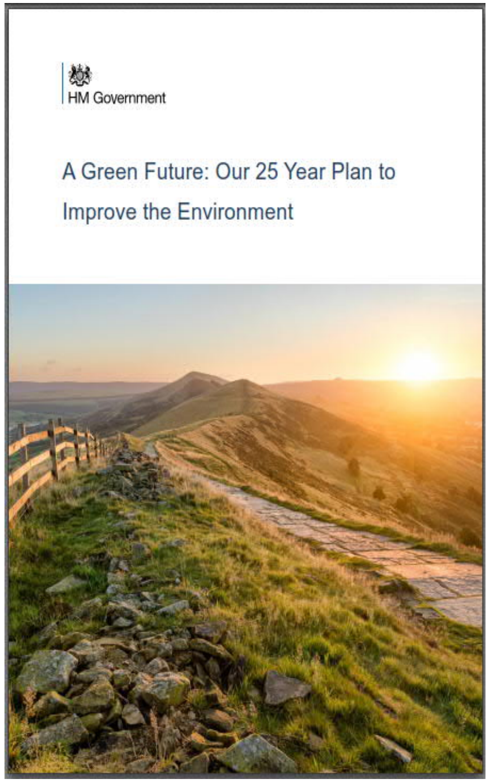
Corporate Asset Management Plan. While the key corporate objectives and priorities for Eastbourne are outlined in the Corporate Plan, supported through the Medium Term Financial Strategy, the Asset Management Plan is the primary tool to deliver the property elements of the corporate objectives. It sets out how the Council plans and manages its corporate property portfolio.

The Asset Management provides the strategy framework for the Council to manage and maximise the potential of its property portfolio and ensure that it is managed and operated in accordance with the Council's Corporate plan and priorities and Medium Term Financial Strategy. It focuses on improving yield (income), reducing the Council's maintenance costs and liabilities, delivering efficiencies through smarter procurement, and increasing the capital value of the Council's assets. The Downland Farms are recognised by the Council as being an under-performing asset, producing an income yield of less than 2% per annum.

Reducing on-going maintenance costs is therefore critically important if the Downland Estate is to provide a positive revenue return, as well as generating alternative income streams. Income opportunities extend beyond food production and include:

- Energy
- Forestry
- Diversification and non-farming opportunities, including leisure and tourism enterprises
- 'Natural capital' assets and the developing market for payments for ecosystem services from both public and private buyers
- Property rental from residential and commercial assets

There may also be opportunities to crystallise capital returns through change-of-use or small scale development of redundant agricultural buildings, and this WEP helps to provide an informed context which clearly sets out the longer term role of any development proposal within the overall ambition of the Council and its contribution to the conservation and enhancement of the National Park, its special qualities, and the ecosystem services it provides.



Climate Emergency. The Council has declared a climate emergency and is committed to making Eastbourne a carbon neutral town by 2030. The WEP sits alongside this commitment in recognising the important role that the Estate has to play in meeting this commitment.

National Policy Context. The Corporate Asset Management Plan notes that, against a backdrop of the UK's decision to leave the European Union, the Council's property assets need to work harder than ever before to sustain not only the Council, but support other services. The Agriculture Bill, which brings forward proposals for a new Environmental Land Management system, heralds a new era in the rural economy, challenging everything from tenancy arrangements to supply contracts.

The Government's 25 Year Environment Plan recognises the enormous contribution that nature makes to wellbeing and the economy. The Government's overriding ambition expressed in the 25 Year Environment Plan is to "leave our environment in a better state than we found it". The Plan sets out a number of priorities that will need to be reflected in the WEP. Those of most relevance to the Downland Estate are:

<u>Using and managing land sustainably</u>

- Embedding an 'environmental net gain' principle for development, including housing and infrastructure

- Improving how we manage and incentivise land management
    1. Designing and delivering a new environmental land management system
    2. Introducing new farming rules for water
    3. Working with farmers to use fertilisers efficiently
    4. Protecting crops while reducing the environmental impact of pesticides

- Improving soil health

- Focusing on woodland to maximise its many benefits
    1. Supporting larger scale woodland creation

- Reducing risks from flooding and coastal erosion
    1. Expanding the use of natural flood management solutions
    2. Putting in place more sustainable drainage systems
    3. Making 'at-risk' properties more resilient to flooding

<u>Recovering nature and enhancing the beauty of landscapes</u>

- Protecting and recovering nature
    1. Publishing a strategy for nature
    2. Developing a Nature Recovery Network
    3. Providing opportunities for the reintroduction of native species
    4. Exploring how to give individuals the chance to deliver lasting conservation
    5. Improving biosecurity to protect and conserve nature

- Conserving and enhancing natural beauty
    1. Reviewing National Parks and Areas of Outstanding Natural Beauty

- Respecting nature in how we use water
    1. Reforming our approach to water abstraction

ii. Increasing water supply and incentivising greater water efficiency and less personal use

Connecting people with the environment to improve health and wellbeing

- Helping people improve their health and wellbeing by using green spaces
  i. Considering how environmental therapies could be delivered through mental health services
  ii. Promoting health and wellbeing through the natural environment

- Encouraging children to be close to nature, in and out of school
  i. Helping primary schools create nature-friendly grounds
  ii. Supporting more pupil contact with local natural spaces
  iii. Helping children and young people from all backgrounds to engage with nature and improve the environment.

- Greening our towns and cities
  i. Creating more green infrastructure
  ii. Planting more trees in and around our towns and cities

The **Agriculture Bill** will move agricultural subsidies away from the current flat rate, area-based Basic Payment Scheme under the Common Agricultural Policy, towards a new system of paying farmers 'public money for public goods'. The principal public good the Government wants to invest in is environmental enhancement. This new environmental land management system is intended to incentivise and reward land managers to restore and improve natural capital and rural heritage. It will also provide support for farmers and land managers as the UK moves towards a more effective application of the 'polluter pays' principle (whereby costs of pollution lie with those responsible for it). New and innovative funding and delivery mechanisms will be explored as part of the environmental land management system, which may include private payments for ecosystem services, reverse auctions and conservation covenants.

South Downs National Park Vision. The SDNPA has a Vision for the National Park as follows:

By 2050 in the South Downs National Park:

The iconic English lowland landscapes and heritage will have been conserved and greatly enhanced. These inspirational and distinctive places, where people live, work, farm and relax, are adapting well to the impacts of climate change and other pressures

People will understand, value, and look after the vital natural services that the National Park provides. Large areas of high-quality and well-managed habitat will form a network supporting wildlife throughout the landscape

Opportunities will exist for everyone to discover, enjoy, understand and value the National Park and its special qualities. The relationship between people and landscape will enhance their lives and inspire them to become actively involved in caring for it and using its resources more responsibly

Its special qualities will underpin the economic and social well-being of the communities in and around it, which will be more self-sustaining and empowered to shape their own future. Its villages and market towns will be thriving centres for residents, visitors and businesses and supporting the wider rural community

Successful farming, forestry, tourism and other business activities within the National Park will actively contribute to, and derive economic benefit from, its unique identity and special qualities

Explaining the Vision

The Vision Statement is dissected below to explain the reasoning behind it referencing the consultation input and local and national policy context,

"Our Vision for the Eastbourne Downland Estate over the next 25 years is to:…"

25 years is generally taken to be the span of a generation, and this timeframe aligns with the Government's 25 Year Environment Plan.

"Conserve the iconic downland landscape and cultural heritage of the Estate…"

- Public consultation showed a strong consensus for conserving the Estate "as it is". The reality is that natural systems are dynamic, and there is a general recognition that business-as-usual in the way land is managed is not going to reverse the downwards trends seen in key indicators of biodiversity over the last 50 years. However, it would seem sensible to allay concerns that any future management might result in changes to the special characteristics and iconic landscape that the public cherish.

- Sheep-grazed downland is the iconic habitat of the chalk landscape, and this 'special quality' as recognised by the National Park was emphasised during public consultation. Well-conserved historical features and a rich cultural heritage is also seen as a special quality of the National Park as a whole, but particularly the Estate with its dew ponds, association with well-known writers, and landmarks of the two World Wars. The Estate is itself a legacy of the early 20th century conservation movements to protect the iconic cliffs and Downs, giving it a special place in history.

"…so that these special qualities can be enjoyed, understood and valued by the public, with access for all, contributing to Eastbourne's sense of community, wellbeing and belonging;…"

- Makes specific reference to those 'special qualities' of the National Park that are most relevant to the plan. 'enjoyed, understood and valued by the public' reflects wording in the SDNPA's Vision. Helping the public to understand and value the Estate can make it an important educational resource, especially for local children. This reflects the Government's aim of 'encouraging children to be close to nature, in and out of school'. 'Access for all' is a priority for the Council.

- 'Contributing to Eastbourne's sense of community, wellbeing and belonging' reflects the Council's Corporate Plan Vision of 'Thriving Communities'; it reflects the SDNPA's priorities and EBC Councillors' wishes to maximise the social value of the Estate, whilst also reflecting the Government's commitment to connect people with the environment to improve health and wellbeing.

"…and instil a strong sense of public stewardship, that encourages visitors and people from all backgrounds to actively care for the Estate and invest in it."

- Public consultation has shown that there is enormous interest in safeguarding the future of the Downland Estate. 'A sense of public stewardship' reflects the Government's aim of improving connections between people and their environment, and the SDNPA's vision that 'the relationship between people and landscape will enhance their lives and inspire them to become actively involved in caring for it and using its resources more responsibly'.

- Caring for the Estate, and investing in it, reflects the Government's commitment to help people 'from all backgrounds to engage with nature and improve the environment'.

- This also reflects the reality of securing funding for the maintenance and conservation of the Estate, and one of the key over-arching corporate objectives that the Council has set for its property portfolio: ensuring assets can be self-sustaining. This might include, for example, some form of visitor payback scheme or opportunities to make voluntary contributions.

“Maintain and enhance the ‘natural capital’ of the Estate…”

- This reflects the SDNPA’s guidance that recommends the concept of ecosystem services and natural capital should be the core focus of the approach.
- The natural capital approach is a central tenet of the Government’s 25 Year Environment Plan. It is extremely important in public policy terms, and it is a phrase that the public are becoming more familiar with.
- It is important that the Vision goes beyond ‘business-as-usual’ and is aspirational about enhancing natural capital, rather than just conserving or maintaining it.
- Enhancing natural capital and delivering ‘net gains’ for biodiversity is embedded in the National Planning Policy Framework and the 25 Year Environment Plan.
- ‘Recovering nature and enhancing the beauty of landscapes’ is one of the priorities in the 25 Year Environment Plan, and the Government advocated ‘natural capital investment plans’ as part of their strategy for nature. These plans will be aligned with the 25 Year Environment Plan (ensuring a clear line of sight to national government) but be particularly relevant to the local area or geographies within them.

“…so that high-quality, well-managed habitats are resilient and adaptable to climate change, pests or disease”

- There is growing recognition that the quality or condition of habitat is critically important for biodiversity, rather than just the extent of that habitat.
- The SDNPA Vision refers to ‘large areas of high-quality and well-managed habitat’.
- Resilience to climate change is important and is referred to in the 2026 ‘Pride of Place’ partnership vision, the SDNPA vision, and is one of the conservation principles that informs where we should invest in strategic habitat restoration and creation. It supports the Council’s climate emergency declaration.
- Adaptation to pests and diseases, such as Ash Dieback, and the fact that natural systems are dynamic, was emphasised in the consultation with the National Park.

“…support wildlife networks throughout the landscape,”

- Ecological networks are a major focus of conservation efforts. The scientific consensus is that ‘fortress conservation’ does not work effectively, and wildlife need to be able to move throughout the landscape in order to avoid genetic bottlenecks, mitigate the risk of local extinction, and adapt to a changing climate and other pressures.

- The importance of wildlife networks was laid down in Professor Sir John Lawton's 'Making Space for Nature' report – the 'Lawton Review'[5] – which was launched in 2009 to look at England's collection of wildlife areas and whether they were capable of responding and adapting to challenges such as climate change. It concluded that a more coherent and resilient ecological network was needed to help wildlife cope with change: bigger, better, and more joined up.

- The SDNPA refers to 'a network supporting wildlife throughout the landscape'.

- The 25 Year Environment Plan commits the Government to developing a 'Nature Recovery Network' to 'protect and restore wildlife, and provide opportunities to re-introduce species that we have lost from our countryside'. The aim is to provide 500,000 hectares of additional wildlife habitat, more effectively linking existing protected sites and landscapes, as well as urban green and blue infrastructure. Such a network will deliver on the recommendations from Professor Sir John Lawton: recovering wildlife will require more habitat, in better condition, in bigger patches that are more closely connected.

"…and continue to deliver the widest range of ecosystem services into the future.

- As well as helping wildlife thrive, the Government foresees the Nature Recovery Network delivering a wide range of additional benefits: greater public enjoyment; pollination; carbon capture; water quality improvements and flood management.

- This reflects the SDNPA's guidance that recommends the concept of ecosystem services and natural capital should be the core focus of the WEP approach.

[5] Lawton, J.H., Brotherton, P.N.M., Brown, V.K., Elphick, C., Fitter, A.H., Forshaw, J., Haddow, R.W., Hilborner, S., Leafe, R.N., Mace, G.M., Southgate, M.P., Sutherland, W.J., Tew, T.E., Varley, J. & Wynne, G.R. (2010) Making Space for Nature: a review of England's wildlife sites and ecological networks. Report to Defra.

- It also reflects the wording of the SDNPA's own Vision: "People will understand, value, and look after the vital natural services that the National Park provides".

- The SNDPA encouraged us to 'stress test' the Vision statement for longevity and ensure that all aspects will remain relevant, ambitious and sustainable for the timeframe in mind. Pledging to deliver the 'widest range of ecosystem services into the future' is a critical aspect of future-proofing, and helps to contribute to inter-generational equity and fairness.

"…Ensure that these ecosystem services are enjoyed, valued and understood by the public, with all Eastbourne residents feeling they are beneficiaries of the Estate – not just those who are able to visit regularly".

- This emphasises the public benefits that the Estate provides for everyone, including those who don't visit but who are still beneficiaries of (for example) its clean water, biodiversity or iconic landscape.

- There may be Eastbourne residents who do not feel able to visit the Estate regularly, for reasons of poor mental health, anxiety, or cultural or social barriers, and who need extra encouragement or support to enjoy, value and understand the ecosystem services it provides.

"…Ensure that our farmers are supported and valued as stewards of our land…"

- This reflects the input of the Estate's agricultural tenants, who are motivated by a strong conservation and stewardship ethic, and who take pride in their responsibilities as stewards of the farmed environment.

- 'Support and value' should come from both the Council, as landlord, and members of the public, who should be encouraged to understand how the Estate is managed and the role that farming plays in that.

- This also reflects the Government's ambition in the 25 Year Environment Plan to improve how we manage and incentivise good land management.

- The SDNPA sees farming as an integral part of the South Downs landscape, with successful farming businesses actively contributing to its unique identity and special qualities.

"…Its soils and …"

- 'Improving soil health' is one of the priorities set down in the 25 Year Environment Plan. The Government wants to ensure healthier soils by addressing factors in soil degradation such as erosion, compaction and the decline in organic matter, and it wants to work with farmers to achieve good soil management practices, including appropriate tillage choices, reintroducing grass leys into arable rotations and the use of cover crops.

- Wildlife-friendly farming is a priority for the Government and the SDNPA, and it is something that the Estate's farm tenants take pride in.

"…with sustainable and profitable businesses that can continue to flourish and innovate."

- This reflects the issues around business succession / routes into farming / opportunities for new entrants that were particularly salient in the minds of the Estate's tenants.

- It reflects the SDNPA vision of successful farming business activities within the National Park actively contributing to, and deriving economic benefit from, its unique identity and special qualities.

- It also reflects the Council's corporate objectives for the let agricultural portfolio, which should at least 'break-even' and pay for itself. Profitable farm businesses will sustain higher rental yields for the Council.

- It recognises that farming will need to innovate to remain profitable, anticipating significant changes in the industry once the UK leaves the Common Agricultural Policy, with the Agriculture Bill likely to usher in a new era in the rural economy, challenging everything from tenancy arrangements to supply contracts.

"Protect the Estate for future generations, ensuring that it is self-sustaining and financially resilient…"

- Reflects the Government's overriding objective of "leaving our environment in a better state than we found it" over the course of a generation.

- Reflects the Council's corporate objectives in the Asset Management Plan

"…built on diversified income streams, promoting innovation, craftsmanship, rural creative industries, and high-quality visitor experiences"

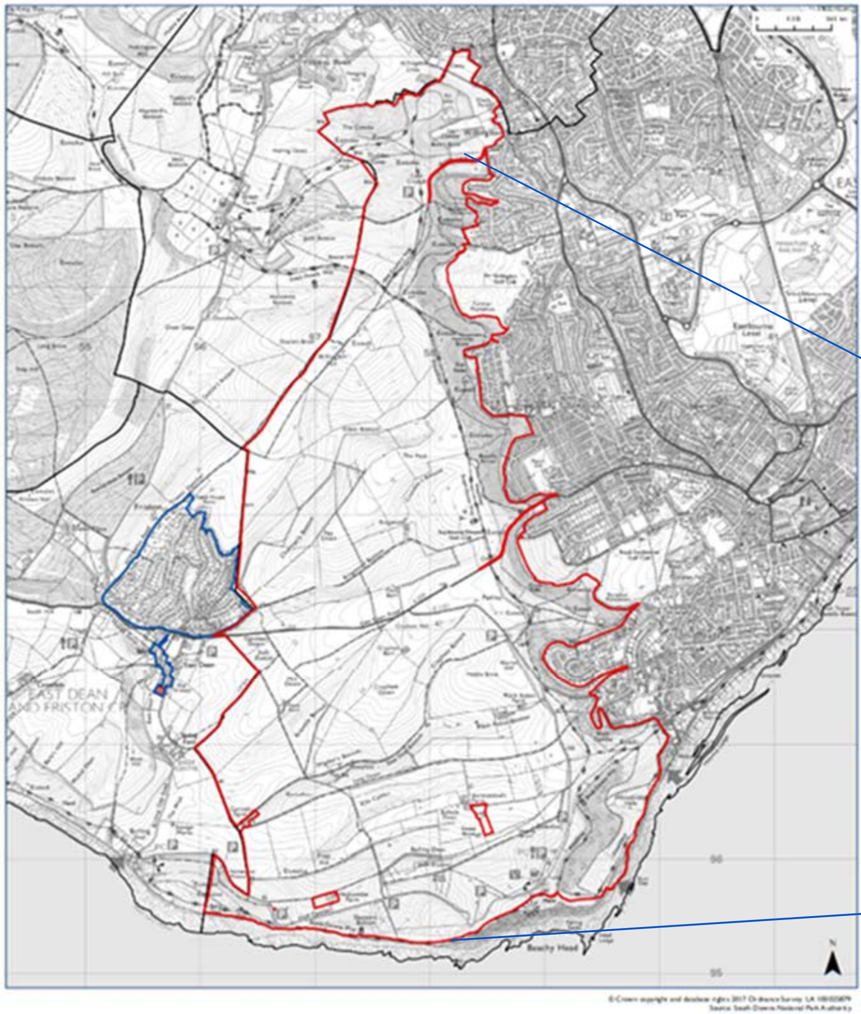
- Reflects Asset Management Strategy theme 4, 'Seek opportunities where key strategic assets could realise significant capital and/or revenue returns in order to reinvest in the retained operational portfolio'.

- Reflects EBC Councillors' aspirations to explore income opportunities beyond agricultural rental income, and to work with the farm tenants to capitalise on other potential opportunities – including different farming systems, renewables, leisure, and tourism enterprises.

- Reflects the Council's Corporate Vision for a prosperous economy: "Eastbourne will continue to be an outstanding destination for tourism, arts, heritage and culture", a gateway to the South Downs National Park, a transformed and a place for improving skills, employment, learning, and participation for residents and tourists.

- Reflects the SDNPA's Vision of successful farming, forestry, tourism and other business activities within the National Park.

Asset Audit: The Downland Estate's Special Qualities



Overview

This chapter sets out the assets and activities on the Estate in their context: locally, within the National Park; and nationally / internationally. This 'Asset Audit' allows everyone involved in the stewardship of the Estate and the National Park to see the context and connectivity of the whole Estate and all of its activities, rather than just individual elements. Particular attention is paid to those 'special qualities' of the Estate which the Council has committed to conserving, maintaining and enhancing in the Vision Statement.

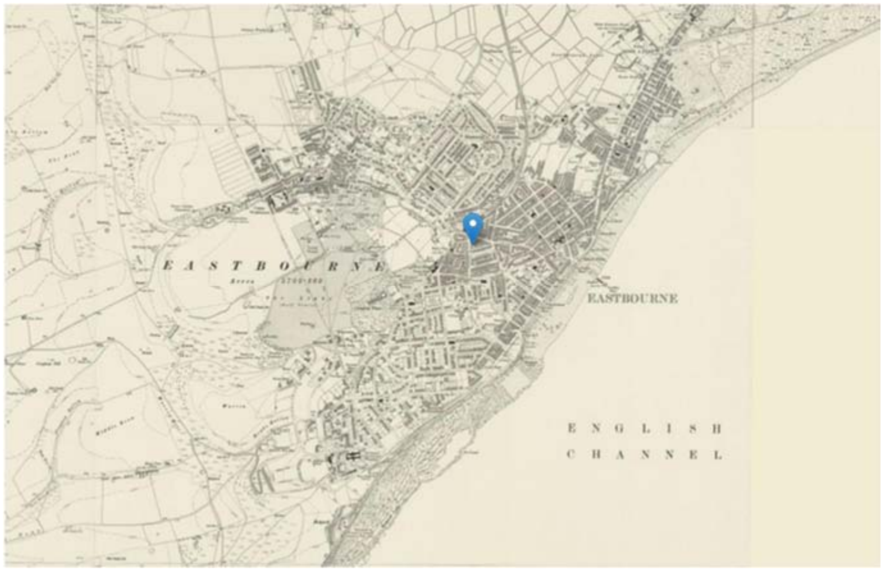
The Estate extends to approximately 1,689 hectares (4,174 acres), of which 1,199 hectares (2,963 acres) is predominantly farmland and a golf course, and 490 hectares (1,211 acres) is open public access land. This open access land includes the land around the internationally famed Beachy Head beauty spot and Belle Tout Lighthouse, and comprises coastal chalk cliff, chalk heath, calcareous grassland, scrub and woodland.

Location

The Estate is situated at the easternmost end of the South Downs National Park in East Sussex. It extends from the English Channel at its south end to the village of Willingdon at the north end with the scarp overlooking the urban area of Eastbourne to the east. Beachy Head is the southern-most headland of the East Sussex coast and the countryside formed of this headland is a complex mosaic of grassland, scrub, woodland and farmland.

A large proportion of the land sits within the Seaford Head to Beachy Head Site of Specific Scientific Interest (SSSI) and is of high ecological, geological, educational and amenity value. Inland are three further SSSIs at Bulling Dean, Long Down and Combe Hill above Willingdon.

Eastbourne, which lies underneath the eastern scarp of the Estate, is a seaside resort town with a population of approximately 100,000 people.



History

The land and property comprising the Estate was acquired from the Cavendish and Gilbert families by way of compulsory purchase powers conferred to the Eastbourne Corporation under the Eastbourne Corporation Act 1926. The Eastbourne Corporation was the local authority of the municipal borough of Eastbourne, incorporated in 1883. The late 19th century had been a period of rapid growth for what was essentially a new town, transforming an area of small rural settlements into desirable seaside resort. The population grew from less than 4,000 people in 1851 to nearly 35,000 in 1891. Four villages or hamlets occupied the site of the modern town: Bourne (or, to distinguish it from others of the same name, East Bourne), which is now known as Old Town, surrounded the bourne (stream) which rises in the present Motcombe Park; Meads, where the Downs meet the coast; South Bourne (near the town hall); and the fishing settlement known simply as Sea Houses, which was situated to the east of the present pier.

This period of growth and development continued throughout the early 20th century, and coincided with rapid social change. The Eastbourne Corporation Act 1926 was a landmark piece of legislation, and it reflected an emerging inter-War consensus around the importance of public access rights, leisure opportunities, and preserving scenic and historic landscapes. This was the same year that the Society for the Preservation of Rural England was launched, at the London offices of the Royal Institute of British Architects, with the aim of arresting *"the growing destruction of the beauty of the English countryside… to preserve beauty and to see that what is added to the face of the land is not unbeautiful".* There were particular concerns at the time about the *"Sussex Downs near Eastbourne [being] threatened with a rash of bungalows"* and the *"unregulated chaos of architecture in building schemes"*.[6]

The Eastbourne Corporation Act 1926 empowered Eastbourne Corporation to raise local taxation to fund the compulsory acquisition of the Downs. Until this point, governments had been reluctant to grant such powers as part of town planning schemes, because it was thought that

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[6] Editorial (1926) Preservation of Rural England: war on ugly buildings: watching growth of suburbs, *The Guardian*, London, 3 September.

public opinion *"is not yet sufficiently advanced for such an interference with private rights"*. This Act was a turning point, and was held up as a good example of enlightened action by a local authority; as such, it can be considered a harbinger of the Town and Country Planning Act 1947 and the National Parks and Access to the Countryside Act 1949.

The purchase was completed in 1929 at a price of £91,291, 1s, 7d. Restrictive covenants on the land were included in the conveyance. Restrictive covenants are binding obligations on freehold land, and are created for the benefit of neighbouring land (in this case, the retained land owned by the Cavendish and Gilbert families). They are enforceable for as long as the covenantees retain land benefiting from the covenants, and they are 'negative' – i.e. they are a promise *not* to do something (a restrictive obligation), rather than a promise to do something (a positive obligation). Two examples of restrictive covenants on the Estate are:

'The Transferees will not do or permit to be done any act or thing on or about the property hereby transferred which shall be or may be or grow to be an annoyance nuisance damage or disturbance to the Transferors or the owner or occupier of any adjoining land and premises.'

'Not without the previous written consent of the Trustees (such consent not to be unreasonably withheld) to erect or build or suffer to be erected or built upon the premises any new or substituted building nor to alter the exterior of or add to the buildings for the time being on the premises'.

Consequently, land use on the Estate is very strictly controlled: not only is it subject to the usual planning restrictions and statutory and non-statutory designations, there are also established public open access rights dating right back to at least 1929, as well as restrictive covenants that are enforceable at common law.

Eastbourne Borough Council is the successor authority to the Eastbourne Corporation, and is the freehold owner of the Estate today.

'Natural Capital'

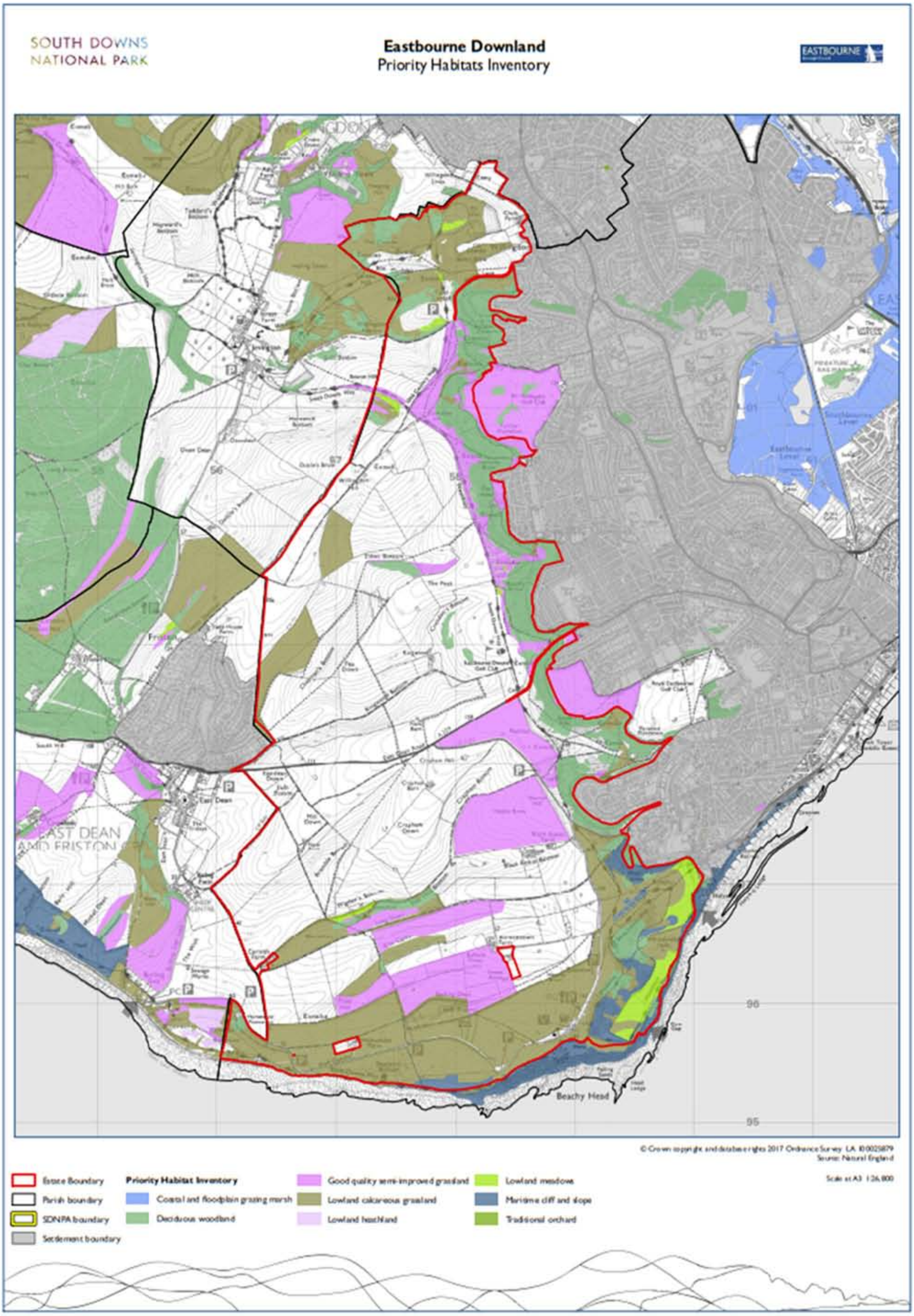
Overview.

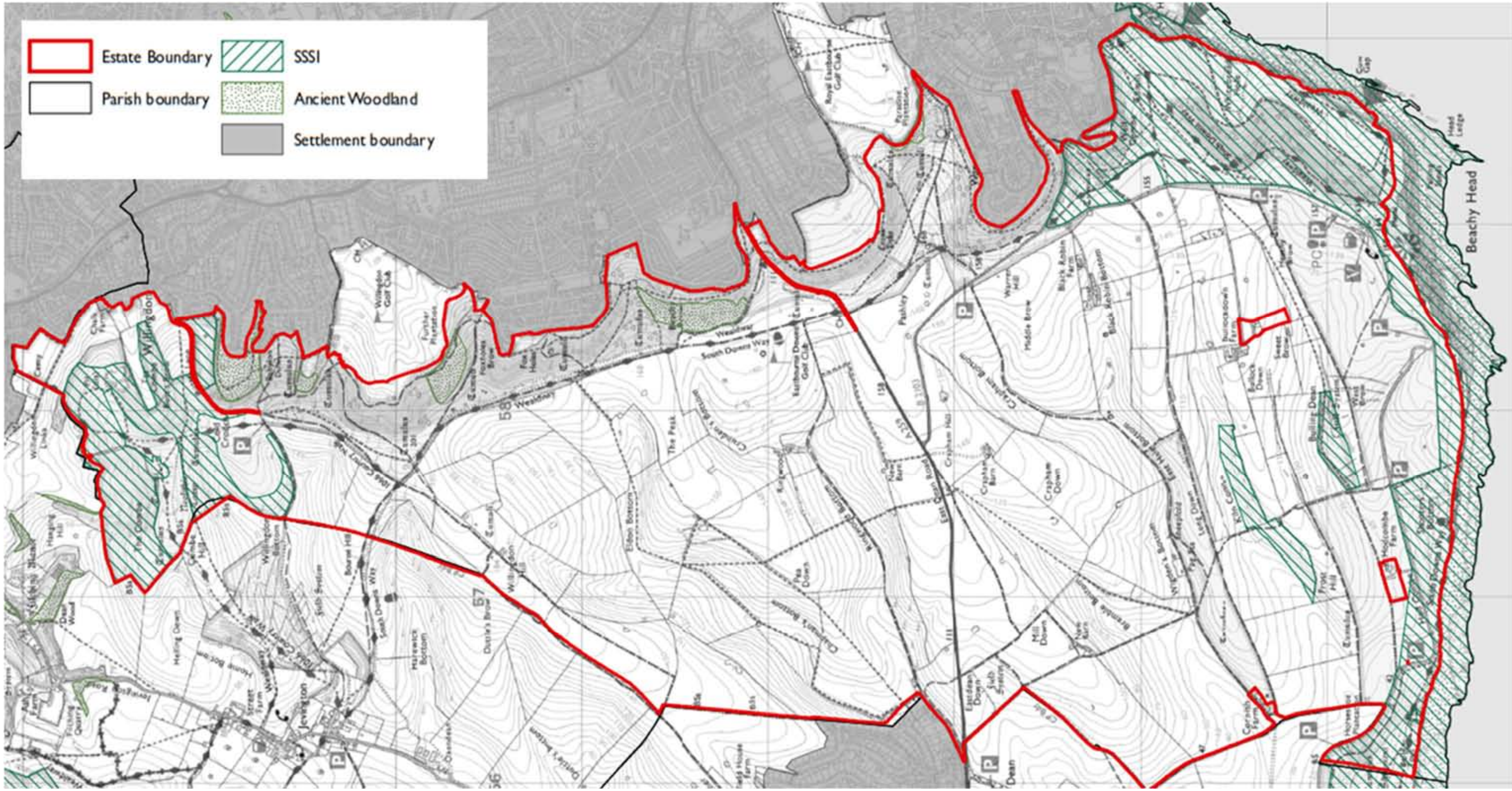
The Estate is of high ecological and geological value. The number of statutory designations covering the Estate are testament to this:

- Site of Special Scientific Interest (SSSI) - Seaford to Beachy Head SSSI
- Site of Special Scientific Interest (SSSI) - Willingdon Down SSSI
- Site of Special Scientific Interest (SSSI) – Bulling Dean SSSI
- Site of Special Scientific Interest (SSSI) – Long Down SSSI
- Sussex Heritage Coast
- RIGS (Regionally Important Geomorphological Site)

Woodland. Woodland habitat on the Estate extends to approximately 145.8 hectares (360 acres), much of it running north-south along the steep scarp slope on the eastern edge of the downs. This scarp woodland provides a backdrop to much of Eastbourne and is a defining feature of the wider landscape character. There are also some smaller woodland parcels on the plateau. The woodland habitat is primarily secondary semi-natural woodland, with a number of Ancient Semi-Natural Woodland components forming the core of the main woodland areas. These ancient woodlands are comprised of mature Ash, Beech, Sycamore and Oak hanger woodland, with sporadic Lime, Elm, Sweet Chestnut and Cherry throughout. The area of Ancient Semi-Natural Woodland extends to approximately 29 hectares (71.7 acres). The secondary woodland that makes up the majority of the woodland resource is Ash dominated, semi-mature (generally 30-40 years old) with a sycamore understory. Shrub species include hawthorn, blackthorn, dogwood, wayfaring tree, elder, field maple and hazel.

Calcareous Grassland. There are large areas of lowland calcareous grassland across the Estate. The total area is approximately 650 hectares (1,606.2 acres). This is the key feature of the Estate's SSSI designation at Beachy Head and above Willingdon. The species rich calcareous grassland provides a diverse resource of herbaceous vegetation which supports a rich invertebrate assemblage.


SOUTH DOWNS
NATIONAL PARK
Eastbourne Downland
Priority Habitats Inventory
EASTBOURNE
EAST DEAN
AND FRISTON
Beachy Head
© Crown copyright and database rights 2017 Ordnance Survey LA 100025879
Source: Natural England
Scale at A3 1:26,000
Estate Boundary
Parish boundary
SDNPA boundary
Settlement boundary
Priority Habitat Inventory
Coastal and floodplain grazing marsh
Deciduous woodland
Good quality semi-improved grassland
Lowland calcareous grassland
Lowland heathland
Lowland meadows
Maritime cliff and slope
Traditional orchard



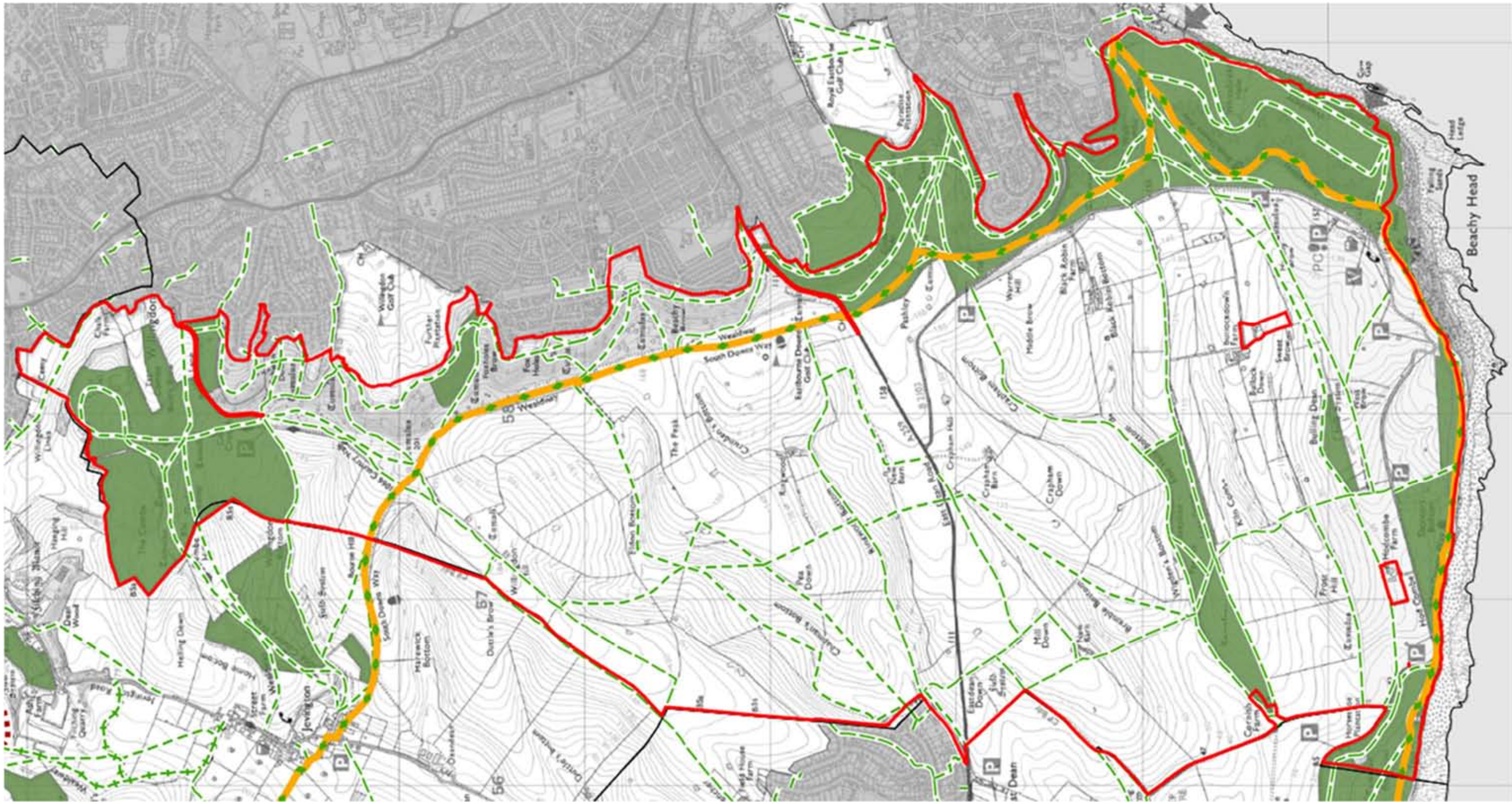
SOUTH DOWNS NATIONAL PARK

Eastbourne Downland

Biodiversity

EASTBOURNE Borough Council

Source: Historic England



SOUTH DOWNS NATIONAL PARK

Eastbourne Downland
Public Rights of Way and Open Access

EASTBOURNE Borough Council

Source: East Sussex County Council

The calcareous sward can also be an important pollen and nectar resource and the bare ground present within the nutrient poor soils provides nesting habitat for ground nesting bees, wasps and ants.

The most species-rich calcareous grassland occurs as a narrow strip along the cliff edge, at Shooters Bottom, around the Belle Tout, Willingdon Down, Bulling Dean, and Long Down.

Neutral Grassland. The grasslands in this broad habitat have swards (areas of land covered in grass) consisting mainly of Yorkshire fog Holcus lanatus, red fescue Festuca rubra, false oat-grass Arrhenatherum elatius, cock's-foot Dactylis glomerata, crested dog's-tail Cynosurus cristatus. These swards vary in height according to grazing. Ungrazed or little-grazed swards are taller, and are most commonly species-poor. More grazed swards are shorter, with a more even mix of the grass species listed above, and commonly with an abundance of herbs. This grassland resource is not only important for vascular plants (those that conduct water and minerals throughout the plant) and invertebrates, but provides habitat for ground nesting breeding bird species such as skylark, and is an important resource for insectivorous migrant birds (those that feed on insects, worms and other invertebrates). The total area of neutral grassland on the Estate is approximately 313 hectares (773.1 acres).

Chalk Heath. There is a very small area (approximately 0.8 hectares) of chalk heath on the southwestern-most boundary of the Estate.

Scrub. There are pockets of scrub across the Estate. On the chalk, species rich chalk scrub occurs, and off the chalk a more species poor scrub is present. Gorse scrub is present on acidic soils particularly on some of the higher summits.

Enclosed Farmland. Farmland in arable cultivation or short rotational grazing extends to approximately 495 hectares (1,223.1 acres).

Amenity grassland. Includes the Downland Estate Golf Course and recreation ground.

Standing freshwater is represented by a series of dew ponds throughout the Estate, some of which have been restored and maintained, but the total area of freshwater on the Estate is minimal. The permeable nature of the chalk prevents the development of surface streams, although low on the eastern scarp there is a spring line. The base of the sea cliffs often exhibits chalybeate (fresh or brackish water) springs in the section between Holywell and Falling Sands.

'Built Capital'

Residential and Agricultural Dwellings. There are a number of dwellings on the Estate, some of which fall within the agricultural tenancies, some of which are sub-let, and some of which are managed directly by the Council:

Dwelling	Occupation
Black Robin Farm House	With EBC, future holiday let possibility
1 Black Robin Farm Cottages	With EBC; future holiday let possibility
2 Black Robin Farm Cottages	With EBC; future holiday let possibility
3 Black Robin Farm Cottages	With EBC; future holiday let possibility
4 Black Robin Farm Cottages	Falls within Black Robin Farm Business Tenancy
Stables Flat	With EBC; future holiday let possibility
Ringwood Cottage	Falls within Black Robin Farm Business Tenancy
1 Bullock Down Cottages	Falls within Bullock Down Farm Business Tenancy
2 Bullock Down Cottages	Falls within Bullock Down Farm Business Tenancy
Bullock Down Cottage	Falls within Bullock Down Farm Business Tenancy
Bullock Down Farmhouse	Falls within Bullock Down Farm Business Tenancy
1 Chalk Farm Cottages	Falls within Chalk Farm Agricultural Holdings Act Tenancy
2 Chalk Farm Cottages	Falls within Chalk Farm Agricultural Holdings Act Tenancy
3 Chalk Farm Cottages	Falls within Chalk Farm Agricultural Holdings Act Tenancy
Chalk Farmhouse	Falls within Chalk Farm Agricultural Holdings Act Tenancy
3 Cornish Cottages	With EBC; future holiday let possibility
Beachy Head Bungalow	Falls within commercial lease of Beachy Head buildings

1 Halfway Cottages, East Dean	Sub-let

Farm Buildings

Building	Description / Occupation
Black Robin Farm Buildings	Falls within Black Robin Farm Business Tenancy
Crapham Barn	Falls outside Black Robin Farm Business Tenancy
Ringwood New Barn	Falls outside Black Robin Farm Business Tenancy
Ringwood Farm Buildings	Includes a big steel frame building used for machinery, hay storage; dutch open barn at back used for livestock handling, sussex barn. Adjacent to the barn, as a lean to, is Ringwood farm pumping station. Up to 17 buildings in total.
Bullock Down Farm Buildings, including Sweetbrow fold	Bullock Down FBT. 14 main buildings in total within farm buildings. Sweetbrow fold is a flint shepherd hut used for lambing. One of the farm buildings is used half for EBC arboricultural operational.
Cornish New Barn complex	Bullock Down Farm Business Tenancy.
Summerdown Farm building	Former grain store
Chalk Farm Buildings	Within the Chalk Farm Agricultural Holdings Act tenancy
Old open sheepfold	Within the Chalk Farm Agricultural Holdings Act tenancy
Cornish Farm Buildings	Split into two parts separated by yard. One side EBC operational use – Specialist Advisor and team use for storage of vehicles and materials mainly, three storage areas used by Tourism.

Beachy Head Buildings. The building complex at Beachy Head replaces previous structures which had been gutted by fire. The buildings now comprise The Beachy Head Hotel, the Countryside Centre, and the Chaplain's facilities.

Youth Hostel. Let to the Youth Hostel Association, operating as Youth Hostel Eastbourne.

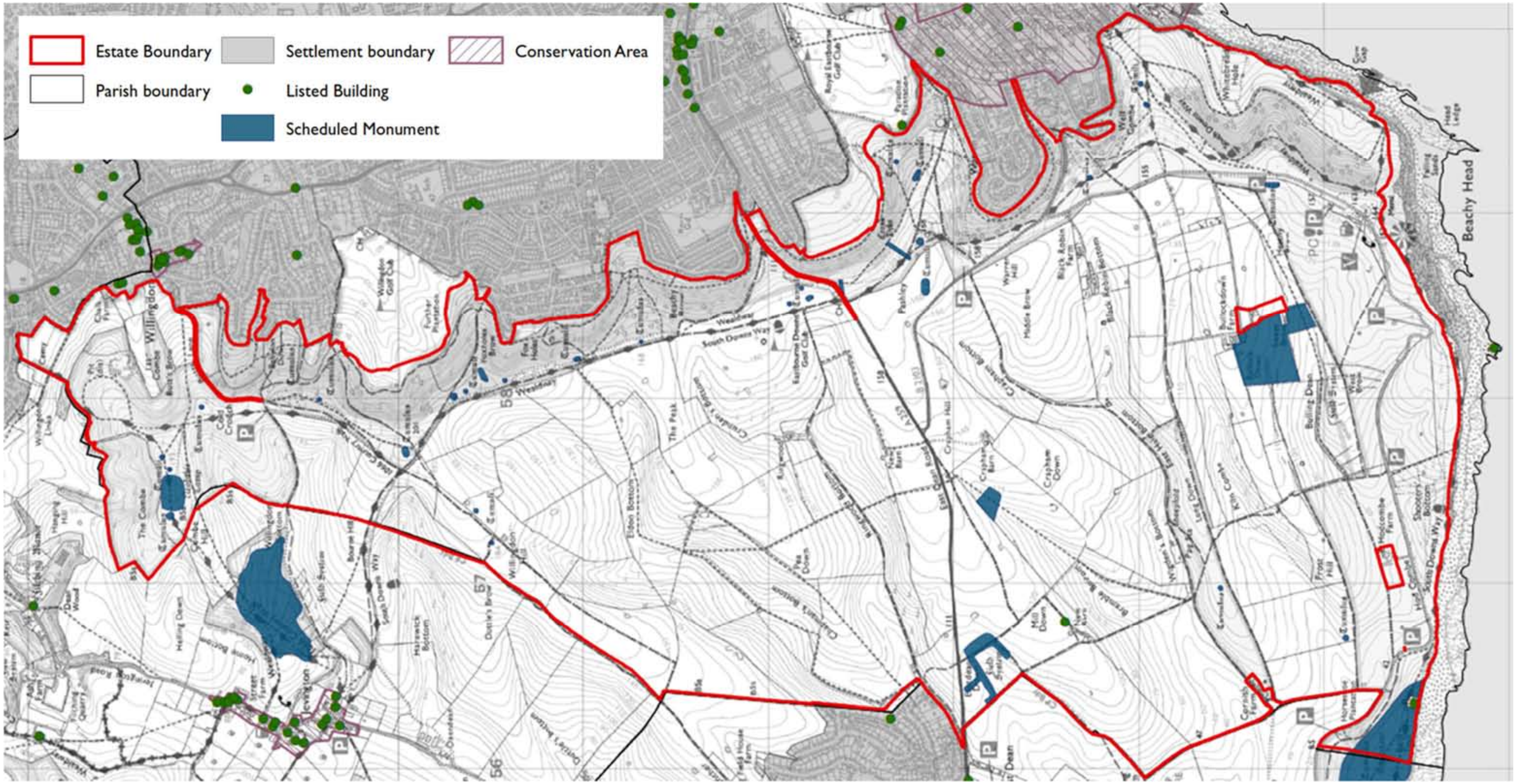
Downs Golf Club House. Built in the early 1970s, this is the main club house for the Eastbourne Downs Golf Club.

Car parks. There are a total of 9 car parks serving Beachy Head and the Open Downland, and an additional car park at Butts Brow.

Reservoirs and Holding Tanks. These comprise:

- Reservoir at Beachy Head
- Ringwood Farm Holding Tank and pumping station
- Chalk Farm Reservoir and Holding Tank
- Downs Reservoir, above priory heights
- Paradise Woods Reservoir

Miscellaneous Assets. These include the Bird Ringers Hut, three boreholes, pumping stations, Emergency Repeater Station at Butts Brown, an abandoned RADAR bunker at Beachy Head, the Lloyds Watch Tower, and Public Conveniences at Beachy Heat.



SOUTH DOWNS NATIONAL PARK

Eastbourne Downland
Historic Environment

EASTBOURNE

0025879
Source: Historic England

Heritage Assets

There are a significant number of buildings of heritage interest on the Estate. They are mostly agricultural buildings, including farm houses, barns, cottages, field walls and stock yards. All are constructed of traditional materials: flint, brick and tile. They are of varying condition, ranging from well-maintained to ruins. All contribute positively to the landscape to some extent, and are valuable reminders of the farming history of the Downs. However, because they are mainly of nineteenth century date, with the exception of one small shepherd's cottage, none are listed.

A summary of these structures has been compiled by the Eastbourne Downland Group and is reproduced at Appendix 1.

Archaeological Features

The South Downs are extremely rich in archaeological features created during several millennia of human occupation and the Eastbourne downland is no exception to this. A large proportion of the Estate is classified as an 'Archaeologically Sensitive Area'. EBC has a management agreement with English Heritage that applies to 28 scheduled monuments. These range from relatively large expanses of ancient field systems to individual tumuli (burial mounds).

Human occupation probably extends back to not long after the end of the last ice age around 7,000 years BC. By around 6,000BC there is some evidence of limited cultivation and stock farming. Between about 2,500 and 600BC small ploughs appear to have been used in cultivation, but large arable and stock farms weren't established until after the end of this period. During the Roman period between about 40 and 400AD perhaps 80 percent of the downland was under arable use. In the period either side of the Norman invasion it appears that farming split about 50:50 into arable and stock-rearing. From around 1400 larger farms began to be formed and, as well as livestock, oats and wheat were cultivated. By the 19th Century around 40 percent of the downland was grazed by sheep. Oats and wheat were also still grown and several windmills, including ones formerly located on Willingdon Hill and at Pashley Down, were built to process these cereals.

Only a limited number of monuments, mainly conspicuous features such as tumuli, are statutorily protected by scheduling. However, many remains are not so visually obvious, and there must be many important remains that are currently unknown, none of which is protected. The planning system includes requirements for archaeological assessments when development is proposed; these ensure that unscheduled remains are identified and, where necessary, excavated and preserved. However, agricultural activities are largely outside planning control and so archaeological remains could be vulnerable to farming activities, including ploughing, excavating post holes, drainage and pipe laying and construction of farm roads and buildings[7].

[7] Eastbourne Downland Group (2019) Personal Correspondence.

Appendix 2, which is reproduced by permission of the Eastbourne Downland Group, shows the contrast between the small number of scheduled monuments and the many other known but unprotected remains included in Historic England's Historic Environment Record.

Economic Activity

Farms. There are four main agricultural holdings on the Estate: Black Robin Farm, Bullock Down Farm, Chalk Farm, and Cornish Farm. These holdings are let by the Council to farm tenants. The tenants are responsible for the day-to-day management of the land within their tenancies and the conduct of their business, and they pay a rent to the Council. Agricultural landlord and tenant relations are governed by one of two statutory schemes of protection: Black Robin, Bullock Down and Cornish farms tenancies are all governed by the Agricultural Tenancies Act 1995, and the Chalk Farm tenancy is governed by the Agricultural Holdings Act 1986. These Acts provide the framework for agreement between landlord and tenant, conferring protection to the tenants in respect of rent, security of tenure, repairing obligations, etc.

Commercial lettings. The Council let the Beachy Head buildings to Mitchells and Butlers plc, which runs The Beachy Head Hotel as a gastropub. The Countryside Centre falls within this lease, and is run by volunteers. The Beachy Head Youth Hostel is let to the Youth Hostel Association, which operates as YHA Eastbourne. About 21 acres of the Downland Estate is leased to the Royal Eastbourne Golf Club, and Whitbread Hollow is leased to St Bede's School as a playing field.

EBC directly managed property. The Eastbourne Downs Golf Course is an 18-hole golf course, managed by the Council. It is run as a members' club, but visitors are welcome and it offers men's, ladies', seniors' and juniors' competitions. The clubhouse was opened in 1974, and offers refreshments, catering and room hire, there is also a golf shop.

Ecosystem Service Analysis

What is an Ecosystem Service Analysis?

The Partnership Management Plan and Local Plan for the South Downs National Park is based on the concept of the SDNPA and landowners' combined stewardship, enabling the National Park to continue providing the many ecosystems services which provide us with 'life's essentials': clean air and water, food, fuel and raw material, climate regulation, flood management, pollution filters and opportunities for improved health and wellbeing.

The Ecosystem Services Analysis is essentially a tailored SWOT (Strengths, Weaknesses, Opportunities & Threats) Analysis, which is a simple but effective tool to understand current and future issues and opportunities. By prioritising what is identified, the greatest opportunities for positive impact can be identified.

Natural Capital Accounting

Natural capital accounting is the process of calculating the total stocks of natural resources, and flows of ecosystem services, in a given area. It is an approach that has been developed by Defra and the Natural Capital Committee to measure the changes in the stock of natural capital, and the ecosystem services it provides, in monetary terms and to integrate the value of ecosystem services into accounting and reporting systems. The development of natural capital accounts and accompanying assessment approaches have been flagged by the Natural Capital Committee and the UK National Ecosystem Assessment as a fundamental activity that is necessary if natural capital is to be mainstreamed in decision-making.

Natural capital assessments aid in the effective and sustainable management of natural capital by combining information on its extent, condition, and value in a structured and systematic way that can be used to identify actions that can achieve higher (long-term) benefits while minimising costs.

These assessments produce information on the presence and condition of natural capital assets, the flow (or annual quantity) of ecosystem services they provide and the value of those flows in monetary terms. This information can be used by the Council to monitor, measure, and communicate the value and health of the natural capital it owns and manages. It can also be used as an assessment tool, for example to quantify and monetise impacts to natural capital that might arise from developments or project and policy decisions, and the associated impacts to the value of services they provide.

Although a relatively new framework and approach, natural capital assessments have already been developed and used by public and private organisations as a tool to make strategic and business decisions about the future management and development of their natural capital.

Natural Capital Accounts provide a structured and transparent way of recording the extent and condition of habitats within the Downland Estate, the value of the ecosystem services that flow from these and the impact of the Estate's habitat management. Crucially, these accounts reflect both value to Eastbourne Borough Council (private value) and wider society (external value), providing a broader perspective than financial reporting.

Asset Register

This is an inventory of the extent, condition and location of natural capital assets. Changes in these metrics over time assist in understanding the capacity of the Downland Estate to produce benefits into the future. The asset register can be used as a tool in its own right to monitor trends in natural capital asset status.

Using an asset register to map habitat types to natural capital/ecosystem services can be an important step in engaging stakeholders with the natural capital concept.

The key objective of the asset account/register is to provide indicators of the extent and condition of ecosystem assets in order to allow monitoring of the capacity of these assets to provide ecosystem services over time. Defra and the Office for National Statistics have issued guidance on a number of indicators of ecosystem condition under five broad categories:

biomass/carbon; biodiversity; soil/water quality; accessibility; and conservation status.

The Asset Register shown below is the starting point for the Estate's Ecosystem Service Analysis. It captures the extent and the average condition of the main habitat categories on the Estate. Note that we have used JNCC Phase 1 habitat classifications; we show how these relate to UK NEA Ecosystems at Appendix 3.

Most of the habitats are deemed to be in good or moderate condition, and management actions undertaken by the Council (for example, scrub clearing) are helping to maintain this. However, some of the woodland habitat is in poor and declining condition, with low species diversity and with the impact of Ash Dieback becoming very severe: a transition to a sycamore monoculture is likely without management intervention.

	Baseline year (2018/2019)			
Phase 1 Habitat Types	**Area (ha)**	**Condition**	**Trend**	**Designations**
Broadleaved woodland - semi-natural	29.4	Moderate	**Maintaining**	
Broadleaved woodland - plantation	116.4	Poor	**Declining**	
Calcareous grassland - semi-improved	650.0	Good	**Maintaining**	
Coastal heathland	0.8	Good	**Maintaining**	
Neutral grassland - semi-improved	313.0	Good	**Maintaining**	
Soft cliff	56.5	Good	**Maintaining**	
Scrub	28.0	Moderate	**Maintaining**	
Cultivated/disturbed land - ephemeral/short perennial	495.0	Good	**Maintaining**	
Total	**1689.0**		-	

Asset register summary report outputs

	Baseline year (2018)		
Habitat type	**Total extent (ha)**	**Average condi**	**Average trend**
Broadleaved woodland - semi-natural	**29.4**	Moderate	⇨
Broadleaved woodland - plantation	**116.4**	Poor	⬇
Calcareous grassland - semi-improved	**650.0**	Good	⇨
Coastal heathland	**0.8**	Good	⇨
Neutral grassland - semi-improved	**313.0**	Good	⇨
Soft cliff	**56.5**	Good	⇨
Scrub	**28.0**	Moderate	⇨
Cultivated/disturbed land - ephemeral/short perennial	**495.0**	Good	⇨
Total	**1,689.0**		

Physical Flow Account

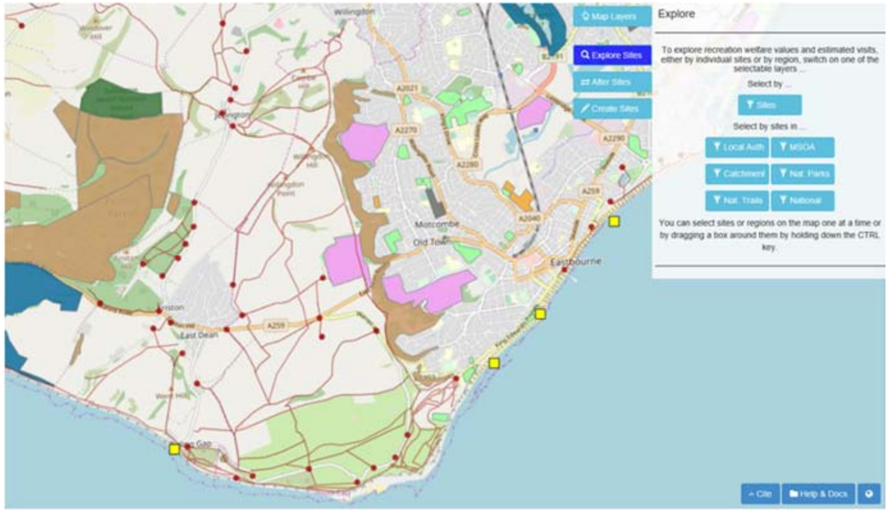
The Physical Flow Account records the volume of ecosystem service flows from the habitats on the Downland Estate. It can cover both market and non-market goods and services.

We have scoped out those ecosystem services that are unlikely to be significant and/or lack a robust method of quantification, and we have had particular regard to those ecosystem services that were prioritised by stakeholders and participants at the workshops: the provision of recreation and benefits to physical health; carbon sequestration; and air quality regulation.

Name	Natural Capital Account - Eastbourne Downland Estate
Year	2018/2019

Ecosystem service	Annual quantity	Units
Recreation	940,911	Visits per year
Physical health		
Active visitors	1,065	Active visits per year
QALYs gained	36	QALYs gained per year
Biodiversity		Biodiversity units
Carbon		
Carbon stock	97,285	t/CO2e
Carbon sequestr	871	t/CO2e/yr
Food	495	Ha of arable land
Air quality		
SO2	1,587	kg per year
O3	16,385	kg per year
NO2	2,658	kg per year
NH3	813	kg per year
PM10	812	kg per year
PM25	474	kg per year

A desktop analysis of visitor numbers was undertaken using the Outdoor Recreation Valuation Tool (ORVal), which was developed by the University of Exeter for Defra. ORVal is an online tool that allows users to explore the recreational use and welfare value of accessible open spaces, trails, and beaches in England and Wales. It has recently been incorporated into the UK Treasury's Green Book – the government's guidance for project appraisal and evaluation (H.M. Treasury 2018). ORVal estimates that 940,911 visits are made to the Eastbourne Downland Estate each year.



We have used peer-reviewed studies[8] to estimate the frequency and intensity of visits to nature involving physical activity. Assessment of the health implications of visits focused on those individuals who met recommended physical activity guidelines either fully, or partly, in natural environments.

Habitats sequester – or lock away – atmospheric carbon dioxide, holding it as soil organic matter or carbon in plant biomass. Different habitats

[8] White, M.P.; Elliott, L.R.; Taylor, T.; Wheeler, B.W.; Spencer, A.; Bone, A.; Depledge, M.H.; Fleming, L.E. (2016). Recreational physical activity in natural environments and implications for health: a population based cross-sectional study in England. Preventive Medicine. Vol 91, pp. 383-388. Available online: https://doi.org/10.1016/j.ypmed.2016.08.023

sequester carbon at different rates. We have referred to a number of academic papers which examine sequestration rates for those habitats on the Estate, and set these out at Appendix 3. The Flow Account shows that nearly 900 tonnes of atmospheric Carbon Dioxide equivalent is sequestered by habitats on the Estate every year, and this is something the Council is particularly mindful of given its commitments to make Eastbourne carbon neutral by 2030.

Vegetation also plays an important role in regulating air quality. Eastbourne is susceptible to poor air quality owing to its geography, with particulate air pollutants blowing in from both shipping traffic to the south and London to the north. The Physical Flow Account draws on data from the ONS[9] to calculate the amount of different air pollutants removed by habitats on the Estate: SO2 (Sulfur Dioxide) O3 (ozone) NO2 (Nitrogen Dioxide) NH3 (Ammonia) PM10 (coarse particulate matter) and PM 2.5 (fine particulate matter). This pollution removal obviously has significant value in avoided health damage costs.

Monetary Flow Account

This is where the annual value of the goods and services flowing from the natural capital on the Estate is reported. Although many ecosystem services are not traded in the market place and do not therefore have a price, they do still have significant *value*; the aim of natural capital accounts is to capture this value, providing a broader perspective than conventional financial reporting. The key points are as follows:

- The 940,000+ visits to the Estate each year are associated with recreational values of approximately £2.3M per annum;
- The direct and indirect costs of inactivity avoided because of this natural resource on Eastbourne's doorstep is nearly £500,000 per annum;
- Welfare gains (increased 'quality-adjusted life years', a generic measure of disease burden, including both the quality and the quantity

Name	Natural Capital Account - Eastbourne Downland Estate
Year	2018/2019

Benefit	Annual value	PV
Recreation	£2,293,446	£39,122,445
Physical health		
Avoided direct and indirect costs of inactivity	£473,353	£9,954,805
Welfare gains (increased QALYs)	£726,021	£15,268,519
Biodiversity*		
Carbon		
Carbon stock**	£6,429,133	-
Carbon sequestration	£57,549	£1,362,195
Food	£122,315	£2,086,486
Water quality		
Air quality	£11,676	£245,553
Total	£10,113,493	£68,040,002

**Monetary estimates for the changes in physical flow of biodiversity units can be incorporated as annual net changes are calculated in future.*

***Carbon stock does not represent an annual flow.*

Discount Rate (0 -30)	3.5%
Discount rate (31 - 75)	3.0%
Discount rate (76 - 100+)	2.5%
Time horizon (years)	25

Health Discount Rate (0 -30)	1.5%
Health Discount rate (31 - 75)	1.3%
Health Discount rate (76 - 100+)	1.1%

[9] ONS (2018). UK air pollution removal by vegetation (geopackage).

of life lived and used in economic evaluation to assess the value of medical interventions) are valued at more than £700,000 per annum;

- The volume of carbon sequestered by habitats on the Estate is valued at more than £50,000 per annum;
- The value in avoided health damage costs as a result of air pollution removal by vegetation on the Estate equates to more than £10,000 per annum.

Strengths

Amenity, Tourism and Recreation Resource. Beachy Head and the chalk cliffs between Eastbourne and Seaford are a widely recognised and very important visitor attraction. The area is internationally famous and has appeared in numerous films and television programmes. The stunning natural beauty of this part of the Sussex coastline draws in hundreds of thousands of visitors each year and the Estate is one of the most popular countryside visitor attractions in East Sussex.

The Estate is also important for local amenity and education due to its urban fringe location. The Estate provides an important educational resource for local schools and universities in the south-east England area. The residents of Eastbourne and from other towns in the region such as Hastings, Bexhill and Seaford form a large proportion of the visitors. It is popular for dog walking, hiking, bird watching, photography and paragliding.

Most of the coastal area within the SSSI is open access, whereas on the farmland, access is mainly confined to public footpaths and bridleways except where there are some smaller open access areas. The South Downs Way (SDW) crosses the Eastbourne Downland via two different routes. The SDW with a public footpath designation enters the Borough on the cliff tops just west of Belle Tout lighthouse and follows the coast to the start of Eastbourne's urban seafront at King Edward's Parade. A second route designated as public bridleway enters the Estate further north having come up a track from the village of Jevington and then follows the crest of the Downs southward to join the other route at the seafront.

Cultural Heritage. The Estate benefits from many heritage assets and archaeological features, with a rich history that stretches over several millennia. The changing farming systems and social structures over this period are etched in the landscape. Many important historical episodes have left their mark on the Estate: for example, the bunkers and radar stations from the Second World War and Cold War. The Estate itself, being born out of the Eastbourne Corporation Act 1926, is a legacy of the back-to-the-land movement of the 1920s, and testament to enlightened action by a local authority. Its acquisition by the Eastbourne Corporation in 1929 heralded a new era in town planning and environmental protection.

Public Goodwill. There is enormous public interest in the management of the Estate, and a committed group of stakeholders who are motivated by a strong conservation and stewardship ethic and who hold a significant body of knowledge about its special qualities.

Grassland species diversity. These grasslands are located within the most heavily visited parts of the Estate and provide an important amenity and educational resource.

Tenant farmers. Much of the Estate is let, and the Council benefits from agricultural tenants who are conscious of their role as stewards of this iconic landscape and its special qualities.

Weaknesses

Woodland species diversity. Whilst some of the older plantations are highly diverse, the majority of the woodland resource is comprised of Ash and Sycamore. The result of this is being felt now, with the impact of Ash Dieback becoming very severe. A transition to a sycamore monoculture is likely without management intervention (selective felling and restocking with a view to increasing species diversity).

Dense continuous blocks of scrub. In parts of the Estate, dense, continuous blocks of scrub have become established. In these locations, scrub has succeeded valuable grassland habitats, and the build-up of scrub litter will have enriched and changed the underlying soil, making it difficult to restore grassland here.

Transport links with Eastbourne. Public transport links with Eastbourne have been identified as a weakness by a number of stakeholders, making it particularly difficult to access for people without private vehicles, young people, disabled people, people who are lonely or isolated, and people with complex social needs which affect their wellbeing.

Water supply infrastructure. There is a private water supply system on the Estate, owned by the Council. This system is very old and costly to maintain, and there is the risk of insufficiency due to leaks on the system,

Visitor offering at Beachy Head. There is currently no high-profile visitor centre or ‘hub’ to which visitors are drawn. Beachy Head is a major tourist attraction, bringing in hundreds of thousands of visitors to the Estate, but lacks a strong sense of arrival or a place to which visitors are drawn in order to understand the Estate and enhance their experience of it. The Countryside Centre performs a critical role disseminating visitor information at the point of need, but there is a need for more exhibition space, an educational and meetings venue, and a hub to co-ordinate and provide direction to experiences and activities elsewhere on the Estate.

Opportunities

Change of use for redundant buildings. There are a number of building assets on the Estate that are surplus to the requirements of modern agriculture, but due to their architectural merit are worthy of retention and need a new economic viable use. Many of these buildings are structurally sound and capable of sensitive conversion, and could be re-purposed to alternative uses while retaining their character and heritage interest.

Post-Brexit Agri-Environment Schemes. Both the Council's tenant farmers, and the Council in its own right, are party to agri-environment schemes. These schemes provide funding for habitat management and particular farming practices under Pillar II of the Common Agricultural Policy. The Estate's tenant farmers can also access an area-based subsidy, funded under Pillar I of the Common Agricultural Policy, called the Basic Payment Scheme (BPS); the Council does not qualify to access this.

Once the UK leaves the EU, existing agri-environment and subsidy schemes will be phased out, to be replaced with a new Environmental Land Management system (ELMs) based on the principle of 'public payments for public goods'. This presents a significant opportunity for the Council and its tenant farmers, given the value of public goods and ecosystem services delivered on the Estate. Under proposals outlined in the Agriculture Bill, it is envisaged that farmers and land managers will enter into contractual agreements with the government to undertake certain land management practices for the delivery of ecosystem services, and receive payment as a result. The idea is for these to be straightforward to understand; have a streamlined application process to lower the barriers many farmers faced to participation in past schemes; and minimise bureaucracy to encourage wide participation. Furthermore, it is proposed that ELMs schemes will be open to nearly all land managers who wish to enhance the natural environment, they therefore present an opportunity for additional funding on the land that is managed by the Council.

'Payments for Ecosystem Services' Schemes. There are a number of emerging private 'Payments for Ecosystem Services' (PES) schemes where beneficiaries of certain ecosystem services contract with 'suppliers' of those services – i.e. farmers and landowners – to maintain or increase their provision. The water and sewerage sectors are considered thought-leaders in the field of PES and are acutely aware of their dependencies on ecosystem services. The utilities sectors increasingly wish to offset emissions, and to value and enhance their natural assets. Sustainable materials are being more often used in the construction sectors and there is some awareness that protecting ecosystem services can enable construction (e.g. nutrient offsetting in Poole Harbour). There is increasing awareness of the benefits of Biodiversity Net Gain, which is driving a demand for biodiversity offsets and habitat banking. In the transport sectors some companies are electively using woodland carbon sequestration to reduce net carbon emissions, or providing options for their customers to do so on a voluntary basis, but there is little evidence of investment in ecosystem services to protect infrastructure or awareness of this potential. Businesses in the travel, accommodation and sports and recreation sectors have been involved in Visitor Payback Schemes (VPS) and have invested in carbon sequestration, whilst PES has been used to improve recreational fishing (e.g. West Country Rivers Trust, 'Angling

Passport’). The wholesale, retail, and food and beverage service sectors are concerned about carbon and water supply chain impacts, especially amongst those with obvious links to ecosystem services (e.g. wood products. Consumers are increasingly interested in the provenance of their food and its ecological footprint, and retailers are sensitive to this.

Overall, these trends present potentially significant opportunities for the Estate. Probably the opportunities most likely to emerge over the timeframe of this Plan include:

- Payments for carbon offsets verified under the Woodland Carbon Code. This is becoming increasingly important as the UK moves towards a ‘Net Zero’ target.

- Payments from water companies for land management that improves water quality. Under the current price review (‘PR19’ – the process through which Ofwat regulates to set the price, investment and service package for customers), Ofwat is proposing higher rewards for water companies that deliver innovative and stretching outcomes, including for environmental performance. Ofwat also expects water companies’ business plans to embed natural capital approaches at catchment scales. These incentives could spur a shift towards significant innovation in delivering more environmental benefits, supported by private capital.

- Payments from developers who are looking to offset their impacts on biodiversity and the environment (see below);

- Visitor Payback Schemes.

Biodiversity and Environmental Net Gain. Recent updates to the National Planning Policy Framework make it incumbent upon local authorities and developers to deliver measurable gains for biodiversity and the environment, driving demand for biodiversity offsets and habitat banks. Proposals outlined in the Environment Bill to mandate net gain for most development schemes are further bolstering this demand. There is an opportunity for landowners to offset the impacts of development elsewhere, channelling funds from developers into habitat restoration and creation.

Educational Resource. The Estate provides enormous scope for learning outside the classroom in the natural environment, which has been shown to deliver improvements for pupils in terms of health and wellbeing, behaviour, attainment, social skills, and connection to nature.

Eastbourne as a Gateway to the South Downs. Beachy Head is an established visitor destination, and there is an opportunity to strengthen the Estate’s place as a flagship gateway to the Heritage Coast and the South Downs National Park more widely.

‘Mega-Trend’: Environment and sustainable living. In recent years, the level of interest in sustainable living has rocketed and this is seen as a growth area, with many farm businesses already setting up sustainable diversification projects. Surveys by Booking.com show that 86 per cent of respondents would be willing to spend time doing activities that counterbalance the environmental impact of their stay. Equally, increased public awareness of the problems associated with food waste, climate change and the need to reduce carbon footprints presents an opportunity for farm businesses to create environmentally friendly diversification projects. Farms are increasingly having to think about the link between the farm's natural environment – landscape, biodiversity, soils, water and trees (natural capital assets) – and potential projects[10].

'Mega-Trend': Experience over possessions. Increasingly, consumers are drawn to experiences rather than material goods. According to Mintel research, 65 per cent of adults say they would rather spend money on experiences than on possessions and this increases to 72 per cent with millennials (those born between 1977 and 1994).

In the tourism sector visitors are demanding authentic experiences in a stunning setting or embedded within a community or place. These can include butchery workshops, guided nature walks, cheese-making or foraging. The Estate is well placed to take advantage of these growing trends.

'Mega-Trend': Wellness and Healthy Living. There is a growing global interest in wellness and healthy living, and the Estate is well placed to provide a range of activities that promote wellness.

The Global Wellness Institute estimates that wellness tourism is a £500 billion global market and is growing twice as fast as other types of tourism[11]. The forecast is for continued growth in this area and, importantly, these tourists are typically high-spending, high-yield individuals.

In addition to wellness tourism, the idea of social prescribing is gaining the attention of the medical profession with doctors prescribing time getting back to nature in the countryside to their patients.

Social Prescribing. The NHS Long Term Plan states that personalised care will become 'business as usual' across the health and care system. 'Social prescribing and community-based support' is one of the key components of the NHS Comprehensive Model of Personalised Care, and it is based on emerging evidence that this sort of intervention leads to a range of positive health and wellbeing outcomes for people – such as improved quality of life and emotional wellbeing – and reduces pressure on NHS services and GP attendances.

Social prescribing enables all local agencies to refer people to a link worker. Link workers give people time and focus on what matters to the person as identified through shared decision making or personalised care and support planning. They connect people to community groups and agencies for practical and emotional support; they collaborate with local partners to support community groups to be accessible and sustainable; and they help people to start new groups. There are many projects elsewhere that attract funding for social prescription, and which highlight the scale of the opportunity for Eastbourne. For example, 'Community Navigation', Brighton's primary care social prescribing service, recently secured three-year grant funding from the Department of Health and Social Care to provide more support to patients experiencing health inequalities, and to connect people experiencing isolation. 'Mental Health Concern' is a social prescribing scheme covering Newcastle and East Gateshead, and provides funding for physical activity, access to green space, social inclusion, access and transport, and events publicity, with the main focus on tackling low mood and depression.

[10] Savills Research (2019) Spotlight: Farm Diversification.
[11] Global Wellness Institute (2018) Global Wellness Tourism Economy

NHS England recognise that social prescribing works best 'when local partners work together to build on existing community assets and services'; the Estate is just such a community asset for Eastbourne. As demonstrated in the Ecosystem Service Analysis, it provides massive public benefits in terms of recreation and physical health. There is an opportunity to improve this further, particularly for those people who need support with their mental health, who are lonely or isolated, or who have complex social needs which affect their wellbeing.

There are different ways that local commissioners can provide funding to properly embed social prescription:

- develop a 'shared investment fund', bringing together all local partners who can provide funding to charities and community groups, including the private sector;

- commission existing, staffed VCSE organisations, which provide services such as welfare benefits advice and befriending, to deliver social prescribing;

- provide small grants for volunteer-led community groups providing peer support and activities, such as walking groups, conservation groups and art classes;

- micro-commission new groups where there are gaps in community provision - which may be in the form of a start-up grant and development support;

- enable people to use their Personal Health Budget (PHB) to pay for support in the VCSE sector.

Threats

Pests and disease. Current threats from pests and disease include:

- Ash Dieback currently presents a severe safety risk within the woodlands, which are all publicly accessible (with Ash being the principle species in the majority of compartments). Felling operations will be needed to mitigate the risk to public health and safety.

- Dutch Elm Disease. Elm is present within a number of the woodland compartments, particularly at the foot of the scarps. Generally these are immature, although some mature specimens are present in older plantations.

- Deer are currently not regularly present in the woodlands, although there are populations nearby. The exceptionally high level of public access makes most of the Estate woodland poor habitat for any large number of deer.

- Grey squirrels. Squirrels can cause serious damage to trees and may be a threat to the successful establishment of native trees on the Estate, but they are currently causing little visible damage in the woodland.

- Invasive species. Invasive cotoneaster is present on some woodland edges and areas of chalk grassland adjacent to woodlands. This is controlled and removed through on-going management under a HLS scheme.

Visitor pressure. The sheer number of visitors to the Estate presents a threat to natural capital and heritage assets, through erosion, nitrogen and phosphorus deposition from dog faeces, littering, and physical damage.

Scrub Encroachment. Scrub poses a significant threat to the grassland communities. If left without management the majority of the grassland within the site will by natural succession become dominated by scrub and eventually woodland. The ecological value of the nationally scarce chalk grassland and chalk heath communities will be lost if this is allowed to happen, so scrub control is one of the key priorities for the management of the Downs.

A number of areas of grassland within the Estate have been under-grazed or undergone a period of minimal management. These areas are threatened by serious scrub invasion, especially bramble, and are within an early successional development to scrub. In terms of scrub control these are the highest priority areas as the greatest gain for grassland restoration can be made within these areas by appropriate management to eradicate bramble and scattered scrub from the sward via grazing/cutting/weed wiping with herbicide.

Soil erosion. Soil erosion is likely on the scarp slopes following felling operations. There is also a risk of soil degradation as a result of some agricultural operations, as a result of extreme precipitation events, and as a result of heavy footfall in ‘honeypot’ locations on the Estate.

Pollution. There is the threat of specific pollution incidents – such as spillage of agricultural fertilisers or chemicals – as well as the effects of diffuse pollution from agricultural operations on the Estate, the poor storage of manure and slurry, or the spreading of manures, slurries and mineral fertilisers. There is also the threat of dry deposition of nitrogen oxides from air pollution, which has the potential to eutrophy and acidify low-input calcareous grasslands. The effect is to favour productive grasses at the expense of fine-leaved grasses and wildflowers, reducing species diversity.

Transitioning away from the current agricultural subsidy and trading regime. The Council’s agricultural tenants currently receive an area-based subsidy under the Basic Payment Scheme (BPS) of the Common Agricultural Policy. BPS payments underpin the profitability of many farm businesses.

Once the UK leaves the EU, the Estate’s tenant farmers will see BPS funding phased out and new agri-environment funding rolled in over a seven-year transition period under proposals outlined in the Agriculture

Bill. BPS money will be reduced in stages from 2021-2027, with none available in 2028.

It is likely that the overall funding available during the transition and beyond will be reduced from the current BPS rates, which could lead to lower subsidy receipts for the Estate's tenant farmers. The loss of subsidy income is a significant risk. It is also currently unclear what trading relationship the UK will have with the EU post-Brexit, and tariffs on agricultural commodities could apply. This could reduce the competitiveness of UK agricultural exports, posing a risk to farm businesses. Any negative impacts on the profitability of the Estate's farm businesses will impact on the Council's rental income.

Action Plan

What is the Action Plan?

The Action Plan takes the opportunities and threats set out in the Ecosystem Services Analysis and identifies the actions required and the possible specific projects attached to achieving those actions. It is an opportunity to clearly articulate the activities which will take the Estate forward in its role as a steward within the National Park and as an individual organisation. It allows the National Park Authority to see individual projects within the context of a wider set of actions. This is particularly important for development management activities where individual requests for planning consent may need to be understood within the context of the collective stewardship of the National Park.

Actions are split between short term and those that could be achieved over a longer timeframe, with specific projects and further actions developing over the lifespan of the WEP. The Council will, working with stakeholders and other partners where appropriate, help support delivery of the actions below:

Actions in the short term

Opportunities for public recreation, education and improved well-being through access to **safe and sustainably managed woodland.** As has been identified in the Ecosystem Service Analysis, Ash Dieback is a serious threat to the Estate woodlands. Ash is the most common species in the woodlands, and Ash Dieback is beginning to have a severe impact, already resulting in mortality in young and semi-mature Ash. Progressive dieback in the crowns is resulting in large volumes of aerial deadwood, and more vulnerable trees are also beginning to suffer failure due to decay in the root collar in combination with severe dieback.

All of the woodlands are accessible to the public, being either designated as access under the Countryside and Rigts of Way Act 2000 or having numerous rights of way and / or permissive access. The combination of factors listed above means that the likelihood and magnitude of the safety risk posed by Ash Dieback is high.

To mitigate this, a series of felling interventions will be necessary, some of which has already commenced. Felling of all Ash (other than healthy specimens without significant loss of crown or presence of basal lesions) within falling distance of key access routes, public rights of way and woodland rides will be necessary over the short – medium term. Elsewhere, a 'minimum intervention' approach will leave the majority of Ash, but with appropriate signage to ensure public awareness of the risks posed by tree failure.

Continue with a programme of **scrub control**. The Council's objectives for scrub management on the Estate are as follows:

- Restore grassland under threat of scrub invasion via grazing/mechanical control/herbicide treatment.
- Ensure blocks of continuous scrub do not expand into areas of species-rich grassland.
- Within a grassland/scrub mosaic ensure small scale removal around grassland patches so scrub does not coalesce into continuous blocks thus decreasing the amount of species-rich grassland.
- Improve grassland/scrub ecotone by creating scallops into scrub edging paths and by coppicing the edge of woodland.
- Ensure species rich grassland and features of archaeological interest are not damaged by scrub management.
- Ensure that there is a programme of rotational coppicing.

Work with East Sussex County Council, East Sussex Healthcare NHS Trust and Voluntary Community and Social Enterprise partners to **explore opportunities for social prescribing schemes on the Estate**. Social prescribing is a means of enabling health and care professionals to refer people to a range of local, non-clinical services to address people's needs in a holistic way. It also aims to support individuals to take greater control of their own health.

Under the NHS's Comprehensive Model for Personalised Care, over 1,000 trained social prescribing link workers will be in place by 2020/21, rising further by 2023/24, with the aim that over 900,000 people will be able to be referred to social prescribing schemes by then. The Department of Health and Social Care provides grant funding for social prescribing schemes and community-based services that include, for example, improving access to green space, the natural environment, physical activity, and social inclusion.

A lot of the day-to-day management activities on the Estate – whether that is scrub control, coppicing, maintaining footpaths and stiles, or maintaining and restoring dew ponds – provide opportunities for greater community involvement. It is easy to envisage social prescribing link workers recommending and introducing people to a range of participatory and volunteering activities and opportunities to support conservation on the Estate, encouraging people, their families and carers to develop their knowledge, skills and confidence, and fostering that sense of public stewardship envisaged in the Vision Statement.

Work with the Estate's tenant farmers to **prepare for the transition away from the current subsidy regime.** The UK's exit from the EU presents both risks and opportunities for the Estate. The Estate's tenant farmers will see Basic Payment Scheme (BPS) funding phased out and new agri-environment funding rolled in over a seven-year transition period under proposals outlined in the Agriculture Bill.

BPS money will be reduced in stages from 2021-2027, with none available in 2028. The cuts have been announced for 2021 but no figures are available beyond that. Businesses receiving up to £30,000 in BPS will face a reduction of up to 5%, with those receiving £150,000 or more seeing a reduction of 25% in 2021. The new Environmental Land Management system (ELMs), also referred to as Environmental Land Management scheme, began its test and trial period in 2019, with pilots planned to run from 2021.

Defra's ambition is for 1,250 businesses to enter the ELMs pilot scheme in 2021, building to 15,000 by the end of the pilots in 2024. The Council will liaise with its tenant farmers with a view to taking part in these pilot schemes, where appropriate. The Council will also explore how its tenant farmers can make the most of the opportunities these pilots present, and see what support it can give.

Work with the SDNPA and Catchment Partnerships to **promote best practice in sustainable land management to protect the aquifer,** and promote the Estate as a priority for investment in catchment sensitive farming (CSF). CSF is a partnership between Defra, the Environment Agency and Natural England working with farmers and a range of other partners to improve water and air quality in high priority areas offering free training, advice and support for grant applications.

Increase opportunities for holiday lettings. Agriculture accommodation property will be brought back into use where possible in order to support increasing tourism vacations in the heart of the Estate through high quality holiday lets.

Actions in the medium and longer term

Creation by the Council of an Eastbourne Downland Trust or similar body (a "Trust Body"). Recognising the Council's limited finances and capacity to take on additional pressures, the Trust Body would act as the main fundraiser and partnership link for the Estate to deliver the majority of the Action Plan priorities. There is potential for a Trust Body to attract external funding not available to local authorities. A Trust Body can also give a voice to a wide range of stakeholders. Establishing the Trust Body with charitable status could bring a number of benefits including tax reliefs. The Trust Body would help in the creation of a circular economy where profits made from ventures across the Estate are reinvested in the Downland for the future benefit of local communities and visitors.

If the Trust Body is established with charitable status the Council would settle the proposed charitable objects as part of setting up the body. For the Trust body to be a charity, these objects must both fall within one or more of the broad descriptions of charitable purposes set out in the charities legislation and be for the benefit of the public.

A detailed analysis of the appropriate legal structure for the Trust Body will be carried out as the project progresses and reported to the Council's decision-making body, Cabinet, for authorisation to proceed. The most common legal structures available for individuals or organisations wishing to pursue charitable purposes include the following:

- A charitable trust (an unincorporated charity).
- A charitable company (a private limited company that meets the criteria for charitable status).
- A charitable incorporated organisation.

The freehold of the Estate should remain in the public ownership of the Council to secure it for future generations. When setting up the Trust Body the assets transferred to the body by the Council could include a long lease that would enable the body to manage the Estate in accordance with its charitable objects and the obligations contained in the lease. Consideration should be given to including a forfeiture clause allowing the lease to be terminated where the tenant is in breach of its obligations under the lease or on the occurrence of certain events specified in the lease, such as the tenant's insolvency.

Parts of the Estate are affected by pre-emption rights. The owner of a pre-emption right has the right to be offered the chance to buy the land before the landowner offers it to anyone else. The particular rights provide that the Council shall not let any part of the premises for any term longer than 21 years and shall not (save by such letting as aforesaid) alienate any part of the premises without first offering the owner of the pre-emption right the chance to buy the land. Any asset transfer to the Trust Body involving a lease would have to take account of the pre-emption rights.

Further work is required on the Trust Body proposal before a report can be put before Cabinet seeking authority to establish the body and transfer assets to it.

Prepare for the rollout of the new Environmental Land Management system. Once the pilot phase of ELMs comes to an end in 2024, the new subsidy regime will be rolled out and replace BPS and Countryside Stewardship from 2025 – 2027. It will pay farmers for environmental services and benefits, with pricing based on a natural capital valuation approach. The underlying principle is 'public payments for public goods'. These public goods include: improved air, water and soil quality, increased biodiversity, climate change mitigation, cultural benefits and better protection of historic environments – all of the things that the Estate is already doing, and all of the things that have been considered as part of the Ecosystem Service Analysis within this document. The Council and its tenants are therefore already well placed to capitalise on this, having identified those opportunities on the Estate to increase the provision of public goods.

Photo: Pippa Langford

Maximise the biodiversity and amenity value of the Estate woodlands. Due to Ash Dieback, there is a risk that sycamore will come to dominate a substantial component of the woodland, reducing light penetration of the forest canopy over the next few decades. Accessing the steep escarpment makes felling interventions very difficult, so – to ensure that ground flora is not crowded out – a series of wide access ways could be established along the main footpaths, linking up open areas. As the Jubilee Way demonstrates, there is the potential to upgrade some of these footpaths along the escarpment to tracks that are more suitable for disabled access.

Such tracks and rides could offer the walker a series of places and experiences. 'Box junctions' could be created where these rides cross, and it could be explored whether these could offer walkers particular experiences – such as viewing points, picnic areas, or venues for foraging and folklore courses. For example, viewing points from the escarpment over Pevensey Bay, with story boards telling of the Norman invasion, or the skyscape where the Battle of Britain unfolded. Landscape art could be incorporated. Or perhaps individual veteran trees could become focal points; these trees could be tagged and an inventory kept of such trees, as well as 'future' veterans, with regular surveys to ensure this valuable and rare resource is protected.

Upgrading these public access routes through the woodland and along the escarpment from Butts Brow to Beachy Head would be an additional reason to include Eastbourne in a cultural tour of East Sussex, as well as something for local residents to enjoy and connect them more closely to the downs. They would help to draw people along certain routes, and could help direct them away from other parts of the woodland – which may be important for European Protected Species, or include features such as badger setts, or retained standing deadwood, or deadwood habitat piles.
Thinning will need to be undertaken within the older plantations, where the slope permits access. This will allow a more varied ground flora and shrub layer to develop. Thinning will be undertaken selectively with a view to retaining the best stems, as well as trees of high biodiversity value (such as those with a potential for bat roosting).

Planting interventions to improve diversity and resilience to pests, disease and climate change also provide an opportunity for members of the public to 'adopt' or sponsor a tree or group of trees. This would help to build a connection between people and particular locations, instilling a sense of public stewardship as expressed in the Vision Statement, and encouraging people to actively care for the Estate and invest in it. Technological developments make this even easier, with the emergence of mobile apps such as 'GPS OS Grid Reference' that allow people to position themselves accurately at their 'own spot' on the landscape.

Contribute to a Nature Recovery Network. Helping to identify opportunities for habitat restoration and creation on the Estate that will contribute to the government's vision of a national Nature Recovery Network. The idea is to more effectively link existing protected sites and landscapes, as well as urban green and blue infrastructure. Such a network will deliver on the recommendations from Professor Sir John Lawton: recovering wildlife will require more habitat, in better condition, in bigger patches, that are more closely connected.

Maps could be developed showing where actions to improve and restore habitat on the Estate would be most effective in the context of this Nature Recovery Network, engagement undertaken with neighbouring landowners, with findings drawing on the lessons of initiatives such as Nature Improvement Areas or the farmer clusters which have been co-ordinated by Natural England and the Game & Wildlife Conservation Trust.

Explore opportunities on the Estate to deliver **Biodiversity Net Gain for Eastbourne.** The Government has committed to embedding 'Biodiversity Net Gain' in the planning system, and in 2019 proposed making this a mandatory planning requirement for most development schemes. Provisions in the Environment Bill mean that developers will need to leave wildlife habitats in a measurably better condition than they were before development started. The key elements of the requirement are as follows:

- Impacts on wildlife habitat have to be measured, using a metric developed by Natural England. This metric takes account of the distinctiveness of the habitat (i.e. how rare or how common it is), the area of habitat affected, and the condition of that habitat. Assessing habitat using this metric gives a score, in 'biodiversity units'; developers must aim for an overall increase in this score once the development scheme is built out. They need to understand the biodiversity unit score before development commences, and use their design plans to calculate the biodiversity unit value of the habitats to be retained after works finish, together with the value of any enhanced or newly created habitats. The change in biodiversity is calculated by subtracting the total number of projected post-intervention units for the site. The figure arrived at should show a net gain of at least 10 per cent to be maintained for at least 30 years.

- If the development scores less than 10 per cent, then a revised design may be needed. There may be circumstances where it is simply not possible to achieve this 10 per cent gain within the red line of the development boundary; in these circumstances, the developer may be able to bring in 'off-site' compensation to the calculations. According to the Natural England rules, losses of habitat must be compensated on a 'like for like' or 'like for better' basis.

- Third-party landowners may offer to deliver this habitat compensation on their own land, in return for a payment from the developer. So there may be a loss of biodiversity at the development site, but a much larger increase in biodiversity at the compensation site, resulting in an overall net gain in biodiversity.

- Developers who are unable to mitigate biodiversity net loss or purchase biodiversity units locally, will be required to pay a cash tariff on their shortfall against net gain obligations. The tariff system will strongly incentivise protecting existing habitats and creating local habitat creation by imposing a fixed charge of between £9,000 and £15,000 per biodiversity unit (subject to review), which will be used to fund compensatory habitats.

Biodiversity Net Gain requirements will come into effect during a two-year transition period which begins when the Environment Bill receives royal assent. Before then, there is much detail to be settled, and the Council will need to prepare for its implementation across the Borough. The following steps could be considered:

(1) Working with Natural England and the SDNPA to improve environmental mapping across the Borough, and develop a Local Nature Recovery Strategy (LNRS). The LNRS will include a statement of biodiversity priorities for the Borough, as well as a local habitat map. This will reflect the priorities identified in the Nature Recovery Network, and will inform planning decisions and underpin local action to protect or enhance biodiversity.

(2) Looking into whether Supplementary Planning Guidance on biodiversity net gain is required to give further clarity for developers in the Borough.

(3) Looking into the feasibility of setting up a habitat 'bank' on the Estate. The areas that are earmarked for habitat restoration and creation under a Nature Recovery Network could provide off-site compensation for developers elsewhere in the Borough who are unable to meet their net gain obligations within the red-line of their developments. Overall gains for biodiversity could be achieved either by increasing the extent of this important habitat on the Estate, or by improving its condition. This would be a means of channelling developer contributions towards habitat restoration and creation on the Estate, generating a new revenue stream for re-investment. It would also give developers across the Borough access to a more streamlined, cost-effective compensation solution than relying on them to negotiate their own biodiversity offsets.

(4) Investigating the most appropriate planning mechanism to pool developer contributions to such a habitat bank. Most local authorities do this by way of either a planning condition on development or through s.106 Agreements. Community Infrastructure Levy is not generally deemed an appropriate mechanism for delivering biodiversity net gain. Off-site habitat compensation falls outside the definition of 'infrastructure', and by definition they are designed to deal with the impact of development, rather than supporting the final development. Furthermore, biodiversity offsetting specifically aimed at Biodiversity Net Gain will not generally meet the definition of 'open spaces' – unlike Suitable Alternative Greenspace (SANGs) which have a specific purpose for human recreation. However, because CIL regulations do not apply, habitat banking can circumvent regulation 123 – which would ordinarily restrict the number of s.106 obligations that can be pooled to fund any one project. This means that developer contributions from across the Borough could be pooled to fund habitat restoration or creation on the Estate.

The Council is mindful of concerns that this approach to delivering biodiversity net gain could become a 'licence to trash'; in order to allay those concerns, the Council, as planning authority, would ensure strict adherence to the mitigation hierarchy, so that developers are obliged to first of all avoid impacts where possible, then reduce them, then mitigate them, and only as a last resort compensate for them. Irreplaceable habitats such as ancient woodland, or ancient and veteran trees, remain out of scope of the biodiversity net gain approach, and will continue to be protected by requirements of existing law and policy.

It is important that any compensatory habitat created and/or restored on the Estate will be maintained in the condition necessary to deliver net gains for biodiversity. The government has committed to bringing forward new legislation that would give effect to 'Conservation Covenants' – legally binding obligations that run with the land and commit the landowner to 'positive', proactive management, instead of the purely restrictive or 'negative' covenants that exist in English law today. As we have seen in the Asset Audit above, the Estate is currently subject to restrictive covenants; positive Conservation Covenants could be a powerful 'double lock' to guarantee a net gain legacy over the lifetime of this Plan and beyond.

Access charging for non-locals on the Beachy Head Road. Introducing access charges for non-residents of the Borough on Beachy Head Road could be considered. EBC estimates that there are 800,000 vehicle movements a year on the Beachy Head road. Charges could be collected through a (gently) enforced Automatic Number Plate Recognition system. For relatively little capital expenditure, such a charging system could produce an immediate and substantial cash inflow. It could be made explicit that this is how the Council afford the upkeep of the downs, for both wildlife and tourists, and that the net income from these charges is reserved and ring-fenced for that use.

Improving the Visitor Centre offering at Beachy Head. Beachy Head is a major tourist attraction, bringing in hundreds of thousands of visitors to the Estate every year. The Council believes there is a strong argument for a higher profile visitor centre here, fulfilling the following roles:

- Providing visitor information at the point of need
- Inspiring and make people want to visit and stay for longer on the Estate
- Promoting opportunities for understanding
- Generating funds to support operating costs
- Educational and meetings venue
- Exhibition space
- Hub from which to run guided visitor experiences of the Estate

A visitor centre could serve as a 'gateway' to the Estate and part of a better integrated network of visitor centres across the South Downs National Park. It should function as a place to which visitors (and local people) are drawn in order to understand the Estate and enhance their experience of it. There is potential to deliver a sufficiently high quality of experience to generate visits in its own right, and to be talked about and positively recommended. It presents an opportunity to engage more closely with the public, by connecting visitors with compelling stories of the Estate's history (economic, social and cultural), the built heritage, natural environment, environmental management and future challenges. To achieve this, the centre would need:

- A strong sense of arrival and good first impressions;
- Distinct qualities, including uniqueness, sense of place, location, reputation;
- A focus on delivering a high-quality customer experience, which is supported by appropriate catering and potentially retails offers;
- High standards of service by customer-focused, on-site staff;
- Regular reinvestment to refresh the visitor experience;
- Emphasis on entertaining the guest through activities, events and animation. As the experience develops there could also be focus on income generation in addition to 'free' experiences – for example, cycle hire.

The Council envisages this centre as a 'hub' to co-ordinate and provide direction to experiences, activities, and specific offers elsewhere on the Estate.

Photo: Forestry Commission / John MacFarlane

Improving the educational offering. The visitor centre could provide an education space for school groups, and the educational offer on the wider estate could also be improved. Days out and trips to the Estate could form a key part of the curriculum for Eastbourne schools in particular, as well as schools from further afield with the feasibility of paid-for school visits and ranger led activities being explored. The Estate provides multiple opportunities for learning outside the classroom in the natural environment, which has been shown to deliver improvements for pupils in terms of health and wellbeing, behaviour, attainment, social skills, and connection to nature[12]. More educational packages and courses in the natural environment, including practical environmental conservation work, and ecological, geographical and environmental fieldwork could be developed. Outdoor learning sessions could help to develop self-confidence, self-esteem, communication and team building skills. Courses could be linked to curriculum delivery in a wide variety of subjects, with knowledge and skills gained practically applied in fieldwork, conservation and construction projects. Learning experiences might range from short, in-school sessions, to structured programmes which could last for a school term. Over the Easter school holidays, May half-term and the summer holidays, a programme of daily ranger activities could be introduced to create an additional reason to visit. These could run for 2 to 4 hours each day, and might include, for example, pond-dipping, bushcrafts and wildlife walks.

[12] Natural England Commissioned Report NECR215: Natural Connections Demonstration Project, 2012-2016: Final Report

Diversification and re-purposing of redundant farm buildings. Opportunities to re-purpose some of the Estate's built assets could be explored as part of efforts to improve the overall offering to visitors and locals. It is possible to envisage the visitor centre serving as a focal point or hub for an integrated, dispersed visitor experience that includes Black Robin Farm, Crapham Barn and New Barn.

The buildings at Black Robin Farm include Victorian barns, milking parlours and stables that are no longer suitable for modern farming systems and which could potentially be used (subject to planning) to host local artisans, craftspeople, and business start-ups. The Council could work with these third-parties to develop and operate specific elements of the visitor experience - for example, the catering and retail offer. The business case for a farm shop could be explored, which could showcase artisan producers from the local area, and which could be a retail outlet for lamb and beef produced on the Estate. Black Robin could also be the venue for running courses on local and traditional crafts, cooking, arts, wellbeing, history or archaeology, and there is potential to offer something akin to the Weald and Downland Living Museum at Singleton.

Crapham Barn and New Barn could form part of this offering, being vernacular buildings of a style that is characteristic of the Estate and the local area. Open-air museums provide a three-dimensional setting for explaining historic way of living or working; Crapham Barn and New Barn could give context to the techniques, equipment, furnishings, clothes and art of the Victorian period. Although these buildings are not listed, the

Council sees them as valuable reminders of those historic farming systems which shaped the Downs, and recognises that they contribute to the special qualities of the Estate. The Council would like to explore ways of stimulating public awareness and interest in the built environment and historic farming practices on the Estate. Alternative uses for these buildings that preserve their special qualities for the future could be considered, this might include venue hire, a facility for events (especially in the low season and involving local communities) and a meeting space for schools and other groups.

Providing more tourist accommodation. Given the potential alternative uses for the Black Robin farm buildings, there is also an opportunity to accommodate visitors on residential courses out of season. There may be scope for a high quality 'glamping' offer, and exploring the possibility of developing the Eastbourne Downs Golf Clubhouse in order to provide hotel accommodation. The Clubhouse occupies a unique location on the eastern scarp of the Estate that offers extensive views over Eastbourne and beyond, and it could serve as a celebration venue, offer conference facilities, or even operate as a spa alongside its clubhouse function.

Improving the provision of public transport. If the Estate – and indeed the wider area between the Ouse, the A27 and Eastbourne – is to become an integrated, dispersed tourist destination, the Council wants to avoid that being based on the use of private cars. Options with local bus operators to make public transport more readily available and flexible could be explored including an improved, more frequent service on Beachy Head Road, and additional services to Butts Brow or points at the foot of the escarpment. It is also possible to envisage a much more flexible service for tourists, based on a fleet of minibuses, responding to requirements of passengers for a fixed daily fee, ferrying them to the nearest trunk route or picking them up from a stop on such a route – so not a direct service over longer routes, but a responsive one.

Maintaining and, where possible, restoring the Estate's dew ponds. The Council recognises that dew ponds are one of the Estate's unique qualities, to be enjoyed, understood and valued by the public. They are a reminder of historic farming systems that helped shape the downland, and since they hold the only surface water on the chalk, they are of great value for wildlife. The Council envisages these forming part of the Estate's educational offering, for example by incorporating pond-dipping into a programme of daily ranger services during school holidays.

Putting the Estate's water supply network on a more sustainable footing. There is a private water supply system on the Estate, owned by the Council. This system is identified in the Ecosystem Service Analysis as a significant weakness; any issues impacting on the water supply are considered an extremely high priority by the Council, and the system may need to be future-proofed with additional boreholes and/or reservoirs to avoid insufficiency. There would certainly need to be significant upgrading of the system as part of the proposals to re-purpose farm buildings on the Estate. Engagement with South East Water and other providers to explore adoption of the supply pipes and infrastructure, thereby spreading the cost of repairs and maintenance more equitably could be explored, possibly as part of an overarching agreement whereby the Estate undertakes to safeguard the water catchment through more catchment-sensitive farming.

Encouraging visitor donations. A number of specific, small-scale projects on the Estate could be identified and actively promoted, with visitors encouraged to make donations to part-fund these projects through online, contactless and traditional means. The growth of digital connectivity allows many visitors, especially Millennials, to bypass conventional information centres, and opportunities to donate could be developed as part of an online offering that provides information about the Estate. This might include a mobile phone app, perhaps linked to QR codes (a type of matrix barcode) on posts at certain locations on the Estate. Such an app could effectively serve as a virtual guide to the Estate; this has been piloted at some National Trust properties, where QR codes at different locations link to the web urls of short, informative youtube videos, giving an extra level of engagement with the property for those who are capable of, and choose to, use it.

Help to build a **value-added brand for produce from the Estate.** A distinct brand based on the special qualities of the Estate could add value to their produce. Consumers are increasingly interested in the provenance of their food and its ecological footprint, and retailers are sensitive to this. The Council values the role of its tenant farmers as stewards of the important habitats and ecosystems on the Estate, and it is hoped that discerning consumers will also value this.

APPENDIX 1: HERITAGE ASSETS

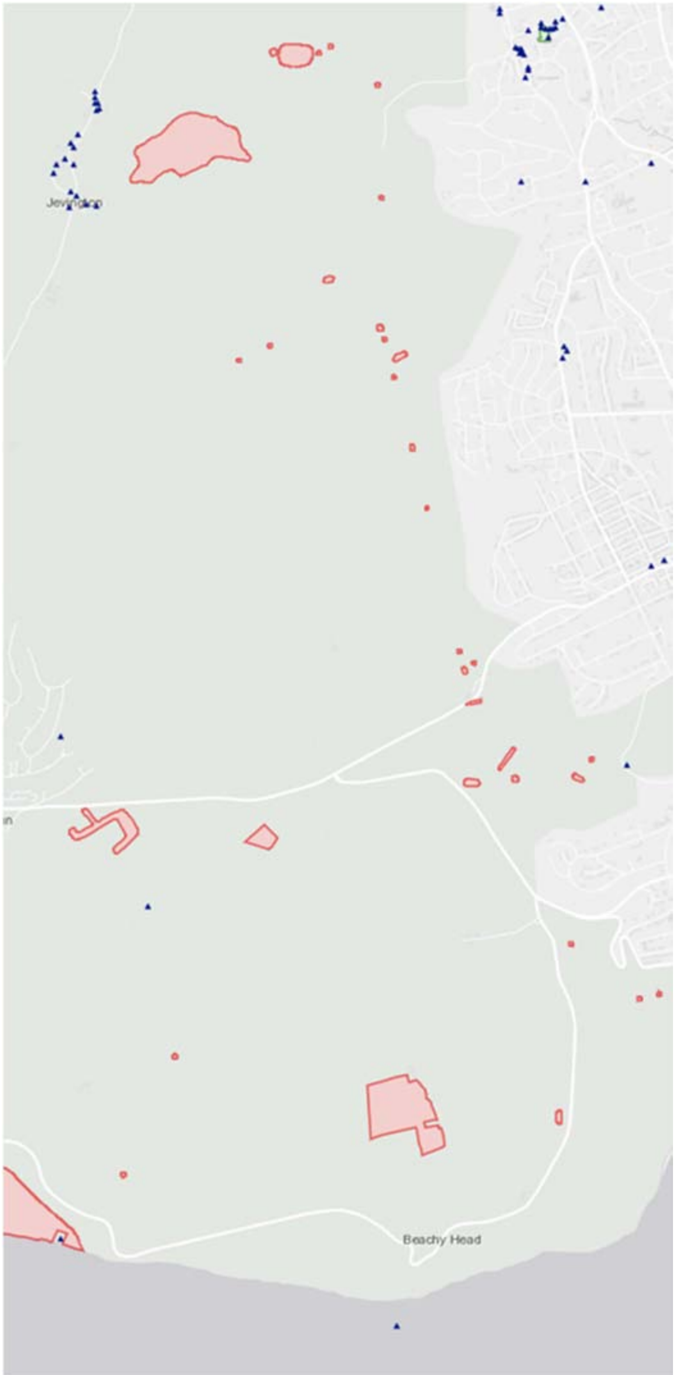
Compiled by the Eastbourne Downland Group

Willingdon Hill **Description** Flint/brick walls of former barn and other connected walls/outbuildings, reduced in height to approx. 2.5m. **Condition** Ruin. Walls only remain, but appear well maintained and quite sound. Roofless. Augmented by fencing and used as a livestock compound.
Eldon Bottom **Description** Flint walls of probable shepherd's cottage and attached yard. **Condition** Ruin. Walls only remain. Roofless. Overgrown.
Ringwood **Description** Barn: flint with brick dressings; half-hipped roof. **Condition** Good.
Ringwood **Description** "Napoleonic" flint walls to fields and farmyard. **Condition** Good.
New Barn (N of Halfway Cottages) **Description** Barn, flint with brick dressings; yard adjoining to east with wall to N and E, open stalls to S. Dew pond to N. **Condition** Fair. Barn rendered to S and W elevations, and modern tiled roof. Outbuildings with asbestos roofs. Wall damaged by entrance to yard. Dew pond concreted and dry.
Crapham Barn **Description** Barn with outbuildings. Appears similar to New Barn (Mill Down) in size, design and layout. **Condition** Barn has tiled roof. Outbuildings with asbestos roofs.
New Barn (Mill Down) **Description** Barn with half-hipped roof. Yards to W and E. Wall along S side. Open stalls to N and E. Smaller barn/store to E. Flint and brick walls. Roofs with pegged, handmade tiles throughout, other than slates to E stalls. Dew pond to north. **Condition** Very well maintained. All maintenance/restoration has been sympathetically carried out.

Shepherds cottage (Mill Down) **Description** Small shepherd's cottage close to New Barn. Flint, brick and tile. **Condition** Very well maintained and retaining original features. Listed, grade II
Black Robin Farm **Description** Victorian (c1870) red brick farm house and outbuildings. Complex of farm buildings comprising barns, milking parlours,stables and stock yards; Mainly flint, brick, tile. **Condition** Farmhouse: in fair condition. Farm buildings: fair; modern asbestos barn incorporated within the complex.
Cornish Farm **Access** Within access land **Description** Two flint farm buildings, two storeys. Probably stores/workshops. Dew pond to S. **Condition** Partially rendered, with modern doors and windows.
Sweet Brow **Description** Flint shepherd's cottage, open stalls with enclosing walls to south. Stalls with modern walls and roof. **Condition** Fair
Frost Hill **Description** Ruined remains of small flint building. **Condition** Only two walls partially survive. These seem to have been maintained/restored as a ruin and appear stable.
Halfway Cottages **Description** Row of two-storey, gabled Victorian houses. Flint with brick dressings to front, rendered to rear; slate roofs. **Condition** Occupied and well maintained, but windows replaced with uPVC.
Bullockdown Farm **Description** Flint and brick livestock stalls. **Condition** Good, but with modern roofs.
Bullockdown field walls **Description** "Napoleonic" flint walls round field NE of farm buildings. Additional length of flint wall beside farm access road adjoining Beachy Head Road. **Condition** Field walls in good condition. Wall by access track appears to be a survival of a longer run.

Lloyd's signal station **Description** Small octagonal building constructed as lookout/signal station by Lloyd's of London. Roof removed, walls reduced in height and converted for seating. Several commemorative plaques attached to walls. **Condition** Good, although much of the structure has been demolished.
Beachy Head public conveniences **Description** Flint with brick dressings and tilework; half-hipped roof. 1930s **Condition** Well maintained.

APPENDIX 2: ARCHAEOLOGICAL REMAINS



Ancient Scheduled Monuments (in red)

Historic Environment Record

Numerous archaeological remains are logged in the East Sussex Historic Environment Record, but only a relatively small number of monuments are protected by statutory scheduling on the Estate.

Source: Historic England and East Sussex County Council

Compiled by the Eastbourne Downland Group

APPENDIX 3
NATURAL CAPITAL ACCOUNTS
Methods and assumptions

Physical Health – Monetary Flow Account

Notes	Source	Values			
		Cost (£2004)	**Cost (£2018)**		
Total annual direct and indirect costs of inactivity in England	Department of Health (2004). At least five a week: Evidence on the impact of physical activity and its relationship to health. Available online: http://webarchive.nationalarchives.gov.uk/20130107105354/http://dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_4080981.pdf	8,200,000,000	11,118,822,023		
Consumer price index (CPI) inflator	ONS (2019). Consumer price inflation tables. Available online: https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation	**2004/2005**	**2018/2019**	**Inflator**	
		100	135.60	1.36	
Population of England	ONS (2018). England population mid-year estimate. Available online: https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/timeseries/enpop/pop	55,619,400			
Inactivity rate of England (percentage of adults achieving less than 30 minutes of physical activity per week)	Public Health England (2015). Public health profiles data explorer: physical activity. Available online: https://fingertips.phe.org.uk/profile/physical-activity/data#page/3/gid/1938132899/pat/6/par/E12000004/ati/102/are/E06000015/iid/90277/age/164/sex/4	28.7%			
Estimated number of inactive people in England	Population of England multiplied by the inactivity rate	15,962,768			
Estimated cost of inactivity per inactive person (direct and indirect costs to society)	Direct and indirect cost of inactivity divided by the number of inactive people in England	£697			

Estimated annual avoided healthcare costs	Cost of inactivity per inactive person multiplied by the number of people who achieve physical activity guidelines fully or in part through visits to Eastbourne	£473,353			
		Self-reported exercise a week	**Active visits last week**	**Number of active visitors**	**Proportion of weekly guideline exercise undertaken in Estate * the avoided cost of inactivity**
		≥5 x 30 mins	1	313	£43,538
			2	150	£41,739
			3	83	£34,883
			4	58	£32,582
			5	335	£233,326
		<5 x 30 mins	5	125	£87,285
		Total			**£473,353**
£ per QALY in England	As cited in White et al. (2016): National Institute of Health & Care Excellence (2013). Judging whether public health interventions offer value for money. Available online: https://www.nice.org.uk/advice/lgb10/chapter/judging-the-costeffectiveness-of-public-health-activities	£20,000			
Annual welfare gain (£)	Number of QALYs gained multiplied by the value of a QALY.	£726,021			

Recreation – Monetary Flow Account

Baseline	2018/2019	Units
Recreation welfare value	£2,293,446	per year
Recreational welfare value by SEG	AB: £719,072	per year
	C1: £806,397	per year
	C2: £418,816	per year
	DE: £349,161	per year
Method and assumptions		
Notes	Source	Values

The Outdoor Recreation Valuation Tool (ORVal) (Day & Smith, 2018) was used to identify and isolate the Estate's natural capital. The tool then presents the associated estimated number and value of visits to the Estate per year, and also provides a breakdown of values and visits by socio-economic group.	Day, B. H., and G. Smith (2018). Outdoor Recreation Valuation (ORVal) User Guide: Version 2.0, Land, Environment, Economics and Policy (LEEP) Institute, Business School, University of Exeter.	As reported above

Air pollution – Monetary Flow Account

Baseline	2018/2019	Units						
SO2	14	£/yr						
O3	605	£/yr						
NO2	537	£/yr						
PM25	10,520	£/yr						
Total	11,676	£/yr						
Method and assumptions								
Notes	Source	Values						
	[ONS (2018). Pollution removal by vegetation in residential urban and rural areas - supplementary information.]	Region	Size of area (ha)	Population	£/kg SO2	£/kg O3	£/kg NO2	£/kg PM25
		East Sussex	171269	544064	£0.01	£0.04	£0.20	£22.19

Carbon Sequestration – Monetary Flow Account

Baseline	**2018**	**Units**					
Habitat	**Value of stock t/CO2e**	**Annual value of flow per year t/CO2e/yr**					
Broadleaved woodland - semi-natural	£790,769	£9,656					
Broadleaved woodland - plantation	£3,130,801	£38,231					
Calcareous grassland - semi-improved	£488,264	£17,053					
Coastal heathland	£1,292	£35					
Neutral grassland - semi-improved	£235,118	£8,212					
Soft cliff	-	-					
Scrub	£21,033	£735					
Cultivated/disturbed land - ephemeral/short perennial	£1,763,202	-£16,356					

Total	**£6,430,478**	**£57,566**					
Method and assumptions							
Notes	**Source**	**Values**					
As forecasted carbon prices are not available beyond 2100, the price is assumed to remain constant.	BEIS (2017). Green Book supplementary guidance: valuation of energy use and greenhouse gas emissions for appraisal.	**Table 3: Carbon prices and sensitivities 2010-2100 for appraisal, 2017 £/tCO2e**					
		Traded			**Non-traded**		
	Year	**Low**	**Central**	**High**	**Low**	**Central**	**High**
	2010	14	14	14	29	59	88
	2011	12	12	12	30	60	89
	2012	6	6	6	30	60	91
	2013	4	4	4	31	61	92
	2014	5	5	5	31	62	93
	2015	6	6	6	32	63	95
	2016	4	4	4	32	64	96
	2017	0	4	5	33	65	98
	2018	0	4	7	33	66	99
	2019	0	4	8	34	67	101
	2020	0	5	10	34	68	102
	2021	4	12	21	35	69	104
	2022	8	20	32	35	70	106
	2023	12	27	43	36	71	107
	2024	16	34	54	36	73	109
	2025	20	42	64	37	74	111
	2026	23	49	75	37	75	112
	2027	27	57	86	38	76	114
	2028	31	64	97	39	77	116
	2029	35	72	108	39	78	117
	2030	40	79	119	40	79	119

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