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Cabinet
10 February 2021

EASTBOURNE Borough Council

Working in partnership with **Eastbourne Homes**

Time: 6.00 pm

PLEASE NOTE: This will be a 'virtual meeting' held remotely in accordance with section 78 of the Coronavirus Act 2020 and section 13 of the related regulations.

Members of the press and public can view or listen to proceedings by clicking on the link provided on the agenda page on the Council's website.

Instructions for members of the Committee and Officers to join the meeting have been circulated separately.

Membership:

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

Quorum: 3

Published: Tuesday, 2 February 2021

Agenda

1. **Minutes of the meeting held on 2 December 2020 (Pages 5 - 8)**

2. **Apologies for absence**

3. **Declaration of members' interests**

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. Recovery and Reset (Pages 9 - 14)

Report of Chief Executive
Lead Cabinet member: Councillor David Tutt

8. Corporate performance - quarter 3 - 2020/21 (Pages 15 - 48)

Part A - Portfolio Progress and Performance
Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Colin Swansborough

Part B - Financial Performance
Report of Chief Finance Officer
Lead Cabinet member: Councillor Stephen Holt

9. General Fund Budget 2021/22 and Capital Programme (Pages 49 - 78)

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

10. Treasury Management and Prudential Indicators 2021/22, Capital Strategy & Investment Strategy (Pages 79 - 136)

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

11. Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2021/22 and HRA Capital Programme 2020-24 (Pages 137 - 148)

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

12. Eastbourne & Lewes Community Safety Partnership - Annual report (Eastbourne) (Pages 149 - 158)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Rebecca Whippy

13. Adaptations to the waste collection service (Pages 159 - 196)

Report of Director of Service Delivery
Lead Cabinet members: Councillors Jonathan Dow and Colin Swansborough

(This report contains an exempt appendix. Any discussion of this must take place at item 15 following exclusion of the public.)

14. 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).

15. Adaptations to the waste collection service - Exempt Appendix 4 (Pages 197 - 200)

Report of Director of Service Delivery
Lead Cabinet members: Councillors Jonathan Dow and Colin Swansborough

Exempt information reason 1: Information relating to an individual

Information for the public

Accessibility: 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.

Public Participation: Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to submit a speech on a matter which is listed on the agenda if applicable. Where speeches are normally allowed at a Committee, live public speaking has temporarily been suspended for remote meetings. However, it remains possible to submit speeches which will be read out to the Committee by an Officer.

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).

Other participation: Please contact Democratic Services for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Democratic Services

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Agenda Item 1

EASTBOURNE
Borough Council

Working in partnership with **Eastbourne Homes**

Cabinet

Minutes of meeting held remotely on 2 December 2020 at 6.00 pm.

Present:

Councillor David Tutt (Chair).

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

Officers in attendance:

Robert Cottrill (Chief Executive), Homira Javadi (Chief Finance Officer), Philip Evans (Director of Tourism & Enterprise), Ian Fitzpatrick (Deputy Chief Executive and Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery), Becky Cooke (Assistant Director for Human Resources and Transformation), Oliver Dixon (Head of Legal Services), Jo Harper (Head of Business Planning and Performance), Millie McDevitt (Performance and Programmes Lead), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)) and Simon Russell (Head of Democratic Services).

Also in attendance:

Councillor Robert Smart (Opposition Leader).
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25 Minutes of the meeting held on 4 November 2020

The minutes of the meeting held on 4 November 2020 were submitted and approved and the Chair was authorised to sign them as a correct record.

26 Apologies for absence

None were reported.

27 Declaration of members' interests

Councillor Holt declared a personal interest in agenda item 8 (Council tax and business rate base 2021/22) as Chief Executive of the Business Improvement District. He remained in the room and took part in discussions.

28 Right to address the meeting

Visiting member and Member of Parliament for Eastbourne, Councillor Ansell had requested to speak on agenda item 7 prior to the meeting, but unfortunately was detained on parliamentary business and was therefore unable to attend. Her apologies were noted.

Visiting member, Councillor Smart, had requested to speak on agenda items 7 and 10b. Given Cabinet and visiting members would be receiving a presentation for agenda item 7, it was agreed that Councillor Smart could cover his points under agenda item 10b.

29 Latest draft budget position 2021/22

The Cabinet received a written presentation from the Chief Finance Officer on the latest draft budget position for 2021/22.

The presentation covered a recap of the impact of Covid-19 on the Council's finances, the latest financial figures, update on continuing discussions with the Ministry of Housing, Communities and Local Government (MHCLG), impact of the 2021 Spending Review, modification to Section 114 guidance for local authorities, targets for the Council's Recovery and Reset programme and next steps for the authority.

Cabinet reinforced that 50% of the Council's expenditure was paid for by income it generated and fees it charged. 30% of the Council's expenditure was funded by the Council's tourism and cultural offering, which had been significantly hit by Covid-19.

Thanks were conveyed to officers, the MHCLG, Local Government Association, Member of Parliament for Eastbourne and others that had offered support and advice during this difficult time.

Councillor Tutt shared a letter that had been written on behalf of the local business community to the Cabinet Office, that reinforced the precarious situation businesses were in and the potential negative knock on effect for the Council's financial situation.

Cabinet would take advantage of available government grants and continue their commitment to carbon neutrality, looking further at eco-tourism opportunities.

Resolved (Non-key decision):

To note the priority-based budgeting approach for the 2021/22 budget.

Reason for decisions:

To progress the budget setting process for 2021/22.

30 Council tax and business rate base 2021/22

The Cabinet considered the report of the Chief Finance Officer, seeking their approval for the Council Tax Base and net yield from Business Rate Income for 2021/22, in accordance with the Local Government Act 1992.

Resolved (Key decision):

(1) To agree the provisional Council Tax Base of 34,532.2 for 2021/22.

(2) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine the final amounts for the Council Tax Base for 2021/22.

(3) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2021/22.

Reason for decisions:

Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2021/22 Council Tax.

31 Local council tax reduction scheme

The Cabinet considered the report of the Director of Service Delivery, seeking their agreement to recommend the Full Council that the 2020/21 local council tax reduction scheme be adopted as the 2021/22 scheme.

Recommended to Full Council (Budget and policy framework):

(1) To recommend to Full Council that the 2020/21 Local Council Tax Reduction Scheme is adopted as the 2021/22 scheme.

(2) That the Exceptional Hardship Scheme be continued in 2021/22.

Reason for decisions:

The 2020/21 scheme meets the principles of supporting the most vulnerable with the Exceptional Hardship scheme providing an extra level of support for those most affected.

32 Corporate performance - quarter 2 - 2020/2021

The Cabinet considered the report of the Chief Finance Officer and Deputy Chief Executive/Director of Regeneration of Planning, updating members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for the second quarter of the year 2020-21.

Performance highlights for the quarter included council tax and business rate collection, processing of housing benefit claims and call handling times. Thanks were conveyed to officers for their continued high performance.

In addressing fly tipping and enforcement within the recycling and waste portfolio, Councillor Dow reported that fly tipping and enforcement was on the agenda for a future South East Environmental Services Ltd (SEESL) Board meeting.

Part B of the report detailed the Council’s financial performance for the same quarter.

Visiting member, Councillor Smart addressed the Cabinet on the Council’s financial performance.

The Cabinet advised that after stabilising the financial situation, the administration made a conscious decision to invest in Eastbourne’s future for the wider community. Devonshire Quarter was a recent example and had it not been for Covid-19, the Council would be seeing a return on its investment. The Council would continue to work on rebuilding its reserves to a higher level.

Resolved (Non-key decision):

(1) To note the achievements and progress against Corporate Plan priorities for the second quarter of 2020-21, as set out in Part A of this report.

(2) To note the General Fund, HRA and Collection Fund financial performance for the quarter, as set out in part B of the report.

Reason for decisions:

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

The meeting ended at 7.46 pm

Councillor David Tutt (Chair)

Report to:	**Cabinet**
Date:	**10 February 2021**
Title:	**Recovery and Reset**
Report of:	**Robert Cottrill, Chief Executive**
Cabinet member:	**Councillor David Tutt, Leader of the Council**
Ward(s):	**All**
Purpose of report:	**To update on progress of the Recovery and Reset Programme**
Decision type:	**Non key**
Officer recommendation(s):	**To note the progress made with the Recovery and Reset Programme.**
Reasons for recommendations:	**The Recovery and Reset Programme provides a structured and accountable approach for delivering the level of significant organisational change needed to respond to current and future challenges.**
Contact Officer(s):	**Name: Jo Harper** **Post title: Head of Business Planning and Performance** **E-mail: jo.harper@lewes-eastbourne.gov.uk** **Telephone number: 01273 085049**

1 Introduction

1.1 Cabinet will recall that the purpose of the programme is to tackle the financial, organisational and district-wide challenges we are facing. These challenges result from the Covid-19 pandemic, the resultant economic climate and the changing needs and demands of our residents, all of which need to be addressed in a sustainable way. The council faces a significant budget shortfall over the next four years (Medium Term Financial Strategy (MTFS) period). The Recovery and Reset Programme (R&R) will deliver changes in the way the council operates which are needed to meet these challenges and to oversee the council's response to the Covid pandemic.

1.2 As previously reported, the programme has four pillars; best use of digital, reshaping delivery, best use of assets, and restart. The progress that has been made in each of these areas is set out in the next section of the report.

1.3 The updated MTFS now includes targets for the levels of savings to be achieved through R&R – £850k for 2021/22 and £2.5m for each year thereafter. Each pillar will contribute to the achievement of these savings targets, except for the restart pillar, whose aims are more focused on recovery. The indicative savings identified so far for each pillar are as follows;

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Reshaping Delivery				
Reshaping exercises	570	570	570	570
Contract changes	0	660	660	660
Digital Transformation				
Projects enabling reshaping efficiencies	0	0	0	0
Assets				
Income increases and disposals	1,523	1,838	1,838	1,838
Total indicative savings	**2,093**	**3,068**	**3,068**	**3,068**

2 Best use of Digital

2.1 This pillar has been focused on the urgent changes that need to be made to enable staff to work as effectively as possible during the pandemic restrictions. One significant improvement that will be implemented is a system for staff working at home to take payments from customers in a secure and compliant way.

2.2 Using delegated authority agreed by Cabinet at its meeting in September 2020, the Chief Executive (in consultation with the Leader and Deputy Leader) authorised expenditure of £62,500 (split between LDC and EBC) from the R&R capital allocation. These funds have been used to set up new system for taking customers' payments over the phone securely. This was needed for customer advisors working from home, to ensure security was not compromised. As well as enabling payments to be taken securely, the new system has the benefits of;

- Enabling recurring payments to be set up (making it less likely for customers to miss future payments)
- Storing bank details so that future calls can be quicker (80% shorter) and easier for customers
- Enabling customers to schedule a payment for a future date convenient for them (eg after payday)

2.3 The pillar will also be leading on the development of the Digital Strategy for the council. The strategy will set out the digital ambitions over the coming years as a result of the new context within which the council is now operating and a roadmap for delivering upon these aspirations. This exercise will articulate how the council intends to exploit current and new technologies over the medium-term to deliver corporate priorities.

3 Reshaping delivery

3.1 The priority focus for this pillar over recent months has been the planning and preparation for the consultation with staff on the reshaping of the Service Delivery department. This exercise will focus on the delivery of the corporate priorities while meeting the savings requirements. The consultation launched in January 2021 and the new shape of the department will come into effect over the coming months.

3.2 The next focus for the pillar is to set out a programme of further reshaping exercises. Further detail will be shared with Cabinet in future updates.

4 Best use of Assets

4.1 Following the successful move of all staff from 1 Grove Road to the Town Hall and other places of work (including home), the building is ready for occupation by other tenants. At the time of writing this report, Council officers are in active discussions with potential tenants (public sector partners) and are hopeful that the building will be occupied within the next few weeks. This will relieve the council of the financial pressures brought about by running 1 Grove Road and generate savings.

4.2 The council is also looking at other ways of managing its assets, including disposals, and full consideration is being given to market conditions as well as the needs of Eastbourne and its residents. Currently, no disposals have been confirmed.

5 Restart

5.1 The restart pillar continues to focus on ensuring the council is playing its part in supporting local communities through the pandemic, whilst also planning for a sustainable recovery.

5.2 Community support has continued through the council's Community Hub helpline, which has seen an increase in calls since the lockdown started in January 2021. The line continues to offer advice, guidance and signposting to the vulnerable and isolated. Priority supermarket delivery slots can also still be provided to those in need.

5.3 Alongside coordinating the council's response to the pandemic at the current time, the Restart Group is working with statutory, voluntary and private sector partners to assess the borough's needs in relation to recovery. There is a particular focus on economic recovery, tourism and welfare support for the most vulnerable.

6 Recovery and Reset Member Board

6.1 As the Recovery and Reset work is being undertaken in conjunction with Lewes District Council, a joint Member Board has been established to oversee aspects of the work which affect both councils. This Board met for the first time on 4 December 2020 and then subsequently on 29 January 2021. Detailed updates are being provided on the progress of each of the pillars, where they have a bearing on both authorities.

7 Corporate plan and council policies

7.1 R&R has been developed being mindful of the priorities set out in the council's Corporate Plan for 2020-2024. Although it is set out within R&R's purpose to have a 'continued focus on the Corporate Plan priorities', Cabinet should note that the level of financial pressure on the council may mean that a further review of Corporate Plan priorities may be required, to ensure that the level of ambition articulated remains realistic.

8 Financial appraisal

8.1 As set out in section 1.3, the updated MTFS now includes R&R targets of £850k for 2021/22 and £2.5m for each year thereafter. The indicative savings already identified exceed these targets and will need to be developed into specific savings proposals prior to being presented to Full Council on 24 February as part of setting the 2021/22 budget.

9 Legal implications

9.1 There are no legal implications arising directly from this report but as and when specific proposals under R&R come forward, Legal Services will advise on the legal aspects. These are likely to centre on procurement and capital disposal issues. Any developments in, for example, public procurement and state subsidy rules stemming from the European Union (Future Relationship) Act 2020 and the UK-EU Trade and Co-operation Agreement, will be taken into account.

Lawyer consulted 15.01.21 (legal ref 009851-EBC-OD)

10 Risk management implications

10.1 The risks within R&R are regularly assessed and managed as part of the R&R and project management activities. The identification and management of any significant risks in relation to the programme will be reported to CMT and the Joint Member Board, along with mitigation plans to address them.

11 Equality analysis

11.1 An equality analysis is being undertaken for each pillar and the outcomes, including any action plans required, will be reported to, and monitored by, CMT.

12 Environmental sustainability implications

12.1 A number of the projects within R&R have sustainability implications. These implications will be considered as the detailed project plans are established for each project, being mindful of the council's stated objective, as set out in the Corporate Plan, of achieving net carbon zero by 2030.

13 Appendices

None

14 Background papers

None

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Agenda Item 8

Body:	**Cabinet**
Date:	**10 February 2021**
Subject:	**Corporate Performance Quarter 3 2020-21**
Report of:	**Homira Javadi, Chief Finance Officer** **Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning**
Cabinet member:	**Councillors Colin Swansborough and Stephen Holt**
Ward(s):	**All**
Purpose of the report:	**To update Members on the Council's performance against Corporate Plan priority actions, performance indicators and targets for the third quarter of the year 2020-21.**
Decision type:	**Non Key**
Recommendation:	**Cabinet is recommended to :** **i) Note the achievements and progress against Corporate Plan priorities for 2020-21, as set out in Part A of this report.** **ii) Note the General Fund, HRA and Collection Fund financial performance for the quarter, as set out in part B of the report.**
Reasons for recommendations:	**To enable Cabinet members to consider specific aspects of the Council's progress and performance.**
Contact:	**Jo Harper, Head of Business Strategy and Performance** **Tel 01273 085049 or email:** **jo.harper@lewes-eastbourne.gov.uk** **Millie McDevitt: Performance and Programmes Lead** **Tel : 01273 085637 / 01323 415637 or email:** **millie.mcdevitt@lewes-eastbourne.gov.uk** **Homira Javadi, Chief Finance Officer** **Tel: 01273 085512 or e-mail** **homira.javadi@lewes-eastbourne.gov.uk**

1.0 Consultation

1.1 The priority themes in the Corporate Plan were developed in consultation with residents.

2.0 Financial appraisal

2.1 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 as there is a clear link between performance and budgets/resources.

2.2 All the financial implications are contained within the body of the report.

3.0 Legal implications

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

4.0 Equality analysis

4.1 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.

5.0 Conclusion

5.1 This report provides an overview of performance against the authority's priority actions and indicators for 2020-21.

5.2 Financial performance at the end of December reflects the impact Covid-19 is having on the Council.

Appendices

Appendix 1 – Q3 Performance Overview
Appendix 2 – Housing Revenue Account
Appendix 3 – Capital Programme

Background Papers:

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

- Corporate Plan 2020/24 https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/

Part A: Portfolio Progress and Performance Q3 2020-21

1.0 Introduction

1.1 The performance of the Council is of interest to the whole community. People expect high quality and good value for money services. Performance monitoring, and a strong performance culture helps us to ensure we continue to deliver excellent services and projects to our communities in line with planned targets.

1.2 This report sets out the Council's performance against its targets and projects for the third quarter of 2020/21 (1 October- 31 December 2020).

1.3 The Council has an annual cycle for the preparation, delivery and monitoring of its corporate and service plans. 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.

2.0 Themes and Priority Visions

2.1 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.

Prosperous Economy	Quality Environment	Thriving Communities	Sustainable Performance
A great destination for tourism, arts, heritage and culture	A clean attractive town	Keeping crime and anti-social behaviour levels low	Making the best of our assets
Supporting employment and skills	Less waste and a low carbon town	Meeting housing needs	Managing people and performance
Providing opportunities for businesses to grow and invest	A range of transport opportunities	Improved health and wellbeing	Delivering in partnership
Investing in housing and economic development	High quality built environment	Resilient and engaged communities	Making the best use of technology
Supporting investment in infrastructure	Excellent parks and open spaces	Putting the customer first	Delivering a balanced budget

3.0 Format

3.1 Appendix 1 provides a high level summary of progress and performance. 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 A list of projects is provided and updates can be requested as required from project managers. This allows more detailed and bespoke reports rather than short paragraph updates.

3.3 The Performance team is also supporting the Recovery and Restart Programme, ensuring that delivery of that is achieved in order to deliver the Corporate Plan aspirations.

3.4 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 Appendices

Appendix 1 – Portfolio Progress and Performance Report (Quarter 3 2020/21)

Appendix 1

Eastbourne Borough Council Corporate Performance Report Q3 2020-21

- **Councillor David Tutt -** (Leader of the Council and Chair of Cabinet) **-** Cabinet member for responsibilities aligned with the Chief Executive.
- **Councillor Stephen Holt -** (Deputy Leader) **-** Cabinet member for financial services.
- **Councillor Margaret Bannister -** Cabinet member for tourism and leisure services.
- **Councillor Jonathan Dow -** Cabinet member for climate change.
- **Councillor Alan Shuttleworth** – Cabinet member for direct assistance services.
- **Councillor Colin Swansborough** – Cabinet member for place services and special projects.
- **Councillor Rebecca Whippy** – Cabinet member for disabilities and community safety.

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 3: improving performance	⇩	Direction of travel on performance indicator: declining performance
▬	Direction of travel on performance indicator: no change	📈	Data with no performance target

KPI Description	Annual Target 2020/21	Q1 2020/21 Value	Q2 2020/21 Value	Q3 2020/21 Value	Q3 2020/21 Target	Q3 2020/1 Status	Short Trend	Latest Note
1. Finance: Percentage of Council Tax collected during the year - Eastbourne	**97.50%**	27.98%	54.36%	81.25%	**81.90%**			The collection rate is 0.65% below target which in monetary terms equates to £448,000). Collection has only decreased by 0.05% compared to last month. During December the Revenue Collection Team have been sending ‘soft’ reminder letters and making outbound calls to residents in arrears. Statutory Reminder and Final Notices are due to be issued in early Q3 for those still in debt in mid-Jan.
2. Finance: Percentage of Business Rates collected during the year - Eastbourne	**98.25%**	35.19%	54.57%	83.47%	**79.05%**			The collection rate is 4.42% above target. The Revenue Collection Team continue to proactively work with those businesses who are struggling to meet payments to offer help and support during the pandemic
3. Benefits: Average days to process new claims for housing/council tax benefit (E)	**22**	19	19	16	**22**			Close monitoring of the new claims being received and moving resources when needed have enabled the team to continue to perform ahead of target.
4. Benefits: Average days to process change of circs (housing/council tax benefit) (E)	**8**	5	5	5	**8**			Close monitoring of the workload being received and moving resources to areas under pressure when needed have enabled the team to continue to perform ahead of target.
5. Customers: Increase the percentage of calls to the contact centre answered within 60 seconds - Ebn	**80%**	86.89%	96.31%	93.45%	**80%**			Although Quarter 3 saw us enter a second lockdown for 4 weeks, Customer Contact was prepared and predominantly working from home which allowed an almost uninterrupted transition with little to no effect on the service being provided to residents and customers. Number of telephone calls: Oct – 9519 Nov -8867 Dec - 6830 Average time (in seconds) to answer calls: Oct – 30 Nov - 23 Dec - 26 # of calls to Coronavirus helpline (Joint): Oct - 229 Nov -140 Dec -95
6. Customers: Reduce the numbers of abandoned calls to the contact centre - Ebn	**5%**	2.81%	1.64%	1.72%	**5%**			.As above
7. Housing: Number of households living in emergency (nightly paid) accommodation (E)	Data only	156	142	135	**NA**			The overall reduction of households in emergency accommodation is a significant achievement for the service; especially as Government restrictions, to tackle the spread of Coronavirus, have made it more challenging to support our customers and we have seen a 15.8% increase in demand between Q3 20/21and Q3 19/20 as a result of the pandemic. It is likely that demand on our services will increase further once national measures (e.g. ban on evictions) ease. In anticipation of this we are reviewing the way we deliver our services, with a view to focus our resources on supporting the most vulnerable and creating greater self-help options.

KPI Description	Annual Target 2020/21	Q1 2020/21 Value	Q2 2020/21 Value	Q3 2020/21 Value	Q3 2020/21 Target	Q3 2020/1 Status	Short Trend	Latest Note
8. Customers: Number of new sign-ups to the Councils' social media channels	**600**	1,303	510	498	**150**			Continues to be well above target.
9. Customers: Number of people registering for our email service (GovDelivery)	**1,800**	3,084	2,885	**32,996**	**600**			In Q3 residents with a registered online EBC account ('My Account') were able to also register for email alerts. This resulted in approximately 50% of our registered 'My Account' holders requesting this service, hence the large increase in numbers.
10, Customers: Percentage of local searches that are returned within 10 working days of receipt	**80%**	99.11%	99.52%	**99.26%**	**80%**			Continues to be well above target.
11. Customers: Social media responsiveness rate	**80%**	88.67%	91.33%	89%	**80%**			Due to new privacy rules in Europe, Facebook messaging reporting analytics have been paused. Beginning in early December, certain messaging-related performance reporting will be unavailable.
12.Growth: Town centre vacant retail business space	**10.4%**	**Not reported due to C-19**	11.27%	10.8%	**10.4%**			Reporting for quarter 3 returns a vacancy rate of 10.8% against a national rate of 11.3%. The Eastbourne BID continues with a programme of incentives for the town centre economy.
13.Housing: Average void relet time key to key (month & YTD) (E)	15	13.0	72.1	54	**16.0**			We re-started void works in our sheltered housing blocks and the letting of properties where we had had delays due to covid-19. Restrictions in place caused some delays.
14.Housing: DFGs - Time taken from council receiving a fully complete application to the council approving the grant	**28 days**	4 days	3 days	4 days	**28 days**			Continues to be well above target
15.Housing: Number of Licensed HMO's Inspected per Quarter	**50**	7	8	4	**12.5**			Inspections were done remotely with live pictures streamed to the HMO Officer via the HMO Manager. All new HMO's will be visited remotely where possible, but HMO renewals are put on a waiting list unless high risk or complaints received. The back log of renewals is growing in addition to more HMO's now being put on to a more frequent inspection rota, so we are recruiting an agency member of staff to clear the back log
16. Housing: Rent arrears of current tenants (expressed as a percentage of rent debit) (E)	**3%**	4.46%	4.32%	**3.75%**	**3%**			Although below target, rent arrears have steadily decreased since Q1.
17.Planning: Increase the percentage of Major Planning Applications processed within 13 weeks	**65%**	100%	100%	83%	**65%**			Continues to be above target.

KPI Description	Annual Target 2020/21	Q1 2020/21 Value	Q2 2020/21 Value	Q3 2020/21 Value	Q3 2020/21 Target	Q3 2020/1 Status	Short Trend	Latest Note
18.Planning: Increase the percentage of minor planning applications processed within 8 weeks	**75%**	88%	88%	82%	**75%**			Continues to be above target.
19.Planning: Increase the percentage of other planning applications processed within 8 weeks	**75%**	98%	93%	88%	**75%**			Continues to be above target.
20.Recycling & Waste: % Container Deliveries on Time	**100%**	43.07%	79.16%	89.66%	**100%**			Steady improvement of 97.92% in December which is commendable given challenging circumstances.
21.Recycling & Waste: Missed Assisted Collections	**1%**	0.23%	0.19%	**0.18%**	**1%**			Above target
22.Recycling & Waste: Number of missed bins (per 100,000)	**100**	34	33	**25**	**100**			Within target
23.Recycling & Waste: Percentage of household waste sent for reuse, recycling and composting	**40.00%**	37.69%	35.17%	Tbc	**40.00%**			Awaiting data from 3rd party.
24.Recycling & Waste: Total number of reported fly-tipping incidents	**480**	266	264	**201**	**80**			Oct - 88 reports, Nov – 51 reports, Dec – 62 reports. This quarter is slightly down compared to Q2 (264). The Neighbourhood First teams continue to use Keep Britain Tidy posters along with our own and mobile CCTV cameras at key sites. Fly-tip Hot Spots: town centre 3 fines in November each for £75.
25.Staff: Average days lost per FTE employee due to sickness (J)	**8.0 days**	1.63 days	1.56 days	1.46 days	**2.0 days**			Performance target met

Projects

Project / Initiative	Description	Target completion
Winter Garden (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	Q4 2020/21
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	ongoing
Sovereign Centre Review	TBC	TBC
Hampden Retail Park	The acquisition and development of Hampden Retail Park as part of the Property Acquisition and Investment Strategy (PAIS).	ongoing

Devolved ward budget scheme 2020/2021 – Summary by ward to end of Quarter 3 (1 April – 31 December 2020)

Ward	Project	Description	Project Spend to Date
Devonshire	Elms Avenue Tree Stump	Removal of a tree stump at Elms Avenue	£850.00
	Tree Planting	The planting of 6 trees (including protection) in Cavendish Place - between Pevensey Road and Langney Road.	£1,500.00
	Tree Planting	Tree planting (including tree protection) - 2 outside Bradford Court, 2 outside and opposite the Working Men's Club on the corner of Firle Road and Cavendish Place	£1,000.00
	Friends of Seaside Rec	Contribution to the refurbishment of the changing rooms into a Tea Chalet	£1,100.00
	PPE Shop	Launch of the PPE Shop by the Eastbourne Hospitality Association	£500.00
	Play Equipment	Contribution for installing new play equipment at St Andrew's CE Infants School	£750.00
	Bourne School	Forest/Beach School Equipment Bourne School	£1,000.00
		Total spend to end of Quarter 3	**£6,700.00**
Hampden Park	Eastbourne Eco Education Network	Proposal for engaging with schools and families in Hampden Park	£2,250.00
	Tree Planting in Tugwell Park	Proposal for tree planting In Tugwell Park	£3,000.00
	Willingdon Tree Community Centre	Cost towards new dishwasher at Willingdon Tree Community Centre.	£500.00
		Total spend to end of Quarter 3	**£5,750.00**
Langney	Sovereign Saints FC	Sovereign Saints Football Club – provision of new kit for junior football teams. The club run teams in local leagues and membership comes largely from the Shinewater/Langney area, based at Shinewater Playing Field, Shinewater Lane.	£500.00
	Carbon Capture Group	Sevenoaks Road Recreation Ground. Planting over 11,000 trees. The Carbon Capture Group within the EcoAction Network crowd funded for	£1,800.00

Ward	Project	Description	Project Spend to Date
		Trees, applied for grants through Trees for Cities and The Urban Tree Fund and went into the community to raise money as well. The devolved budget request is to support tree planting and will also assist with wider community involvement.	
	Blackberry Buzzards CIC	Blackberry Buzzards CIC, are going to provide activities in Shinewater Park. They are building a compost toilet. Raised beds to enable a community garden. Forestry skills workshops, not only for children also including adults. This project will get the community outside, taking the gardening skills etc. Home to use where they live. Those without gardens it will be somewhere to go to enjoy the fresh air. This project will enhance people's mental health by getting them together safely.	£1,500.00
		Total spend to end of Quarter 3	**£3,800.00**
Meads	Historic Meads Walk Booklet	Historic Meads Walk Booklet	£500.00
	Eastbourne Culture Group	Eastbourne Culture Group plan to enliven the town by commissioning artwork for the windows of the empty Debenhams building.	£700.00
	Trees in Chiswick Place	To investigate the scope for planting trees in Chiswick Place if satisfactory an additional request will be made for a number of trees at £250 each.	£400.00
	The Tree of Light	To assist in funding 'The Tree of Light' by Rotary Club of Sovereign Harbour raising monies for local charities.	£600.00
	St John's PCC	To kickstart appeal to repair St. John's Church clock.	£1,500.00
	Eastbourne Society	Eastbourne Society wish to purchase a scanner so that a large number of historical documents can be copied and saved in perpetuity.	£2,500.00
	Tree Planting in Chiswick Place	To investigate the scope for planting trees in Chiswick Place if satisfactory an additional	£1,500.00

Ward	Project	Description	Project Spend to Date
		request will be made for a number of trees at £250 each. Now made for 6 trees at £1500	
	Plastic Free Eastbourne	Plastic Free Eastbourne have initiated a project to provide water refill stations along the seafront to minimise the usage of plastic water bottles. Our proposal is to part fund one of these at Helen Garden.	£1,000.00
	Just Friends	"Just Friends" is a local charity whose aim is to combat loneliness and seeks funds to contribute to its 3rd Anniversary Lunch to be held on St. Georges Day in April 2021.	£250.00
	MVA	Meads Village Allotments CIC was successful in acquiring the allotments freehold for the community. Given the history the CIC wishes to erect a story board to inform visitors and residents.	£500.00
		Total spend to end of Quarter 3	**£9,450.00**
Old Town	The JPK Sussex Project	Upgrading and enlarging disability accessible facilities at the JPK Project to allow "access for all"	£1,000.00
	Community Wise	To help this popular community centre implement measures required by government guidelines to help make the centre safe for use with regards to Covid-19.	£450.00
	St Elisabeth's Church	Half-term activities at St Elisabeth's Church	£250.00
		Total spend to end of Quarter 3	**£1,700.00**
Ratton	Tree Planting	Tree Planting at Westlords	£1,000.00
	Archaeological Dig	Archaeological dig within Ratton.	£1,000.00
	Rotary Tree of Light	Funding towards Tree of Light as no funding this year.	£600.00
	Pocock Trees	Two trees planting in Pococks Road	£500.00
	Tree Planting in Westfield Road	To plant eight new trees in Westfield Road	£2,000.00
		Total spend to end of Quarter 3	**£5,100.00**

Ward	Project	Description	Project Spend to Date
St Anthony's	Eastbourne Education Business Partnership	Eastbourne Youth Radio - Stafford Junior School Programme 13.11.19	£288.00
	Carbon Capture Group	Sevenoaks Road Recreation Ground. Planting over 11,000 trees. The Carbon Capture Group within the EcoAction Network crowd funded for Trees, applied for grants through Trees for Cities and The Urban Tree Fund and went into the community to raise money. as well. The devolved budget request is to support tree planting and will also assist with wider community involvement.	£1,500.00
		Total spend to end of Quarter 3	**£1,788.00**
Sovereign	Kingsmere Community Association	To assist the community of Kingsmere	£200.00
	Recycling Bins	To provide seven new recycling multi-purpose Litter/'Dog Poo' Bins around Sovereign Harbour. Three of the bins will be in new additional locations with replacement of existing small red 'poo bins' in four locations.	£2,000.00
	The Tree of Light	To assist in funding 'The Tree of Light' by Rotary Club of Sovereign Harbour raising monies for local charities.	£600.00
	Defiant Sports	To help fund ongoing requirements for equipment including a mascot for this wonderful organisation in Sovereign.	£1,000.00
	Fish 4 Kidz	To help fund 'Fish 4 Kidz' Angling Competitions held in conjunction with the Eastbourne Nomads Angling Club. These competitions are held on the beaches between the Sovereign Centre and Langney Point ie in Sovereign Ward.	£500.00
	Kings Park Road Signage	To assist with funding for new road signs around Kings Park (Sovereign Ward). Kings Park is a private estate, the roads and pathways are not adopted by ESCC. The total estimated cost of the new signs is £2,500. Please see the separate email request for funding from Kings Park Management Co Ltd.	£500.00

Ward	Project	Description	Project Spend to Date
	Chestnut Tree House	Chestnut Tree House offer activity days for families from Eastbourne and East Sussex. Each activity days cost £106 to run which included materials, staff and food/refreshments. These activity days are so valuable to the families, and offer them a chance to spend valuable time together, making special memories. They can get involved in art and messy play, and just enjoy the time together having fun!	£1,000.00
	Kingsmere Community Association	Kingsmere Community Association wish to provide ‘selection boxes’ to the youngsters of both Kingsmere and Kings Park Sovereign Ward to give Christmas Cheer in this tough year.	£200.00
	Defiant Sports	To help fund a ‘Magic Table’ (Sensory Table) for Defiant Sports. The cost of the ‘Table’ is £6,000. They have already raised £3,000 towards the ‘Table’.	£1,000.00
		Total spend to end of Quarter 3	**£7,000.00**
Upperton	JPK Project	Upgrading and enlarging disability accessible facilities at JPK Project to allow "Access for all". First part of funding was provided in 2019/20.	£450.00
	Hurst Road Group	Hurst Road Street Community have a weekly music night to bring people together during this crisis. They require percussion instruments to involve all residents.	£200.00
	Community Wise	To assist Community wise to implement measures required by government guidelines on making workplaces and shops safe for all users before its reopening.	£450.00
	Road Closure Leaflets	As part of World Car Free Day, we intend to close a section of Compton Place Road for 12 hours on 22.09.20. This is to encourage children and parents to walk and ride to school safely. We need to notify residents and will need 600 leaflets delivered and printed.	£95.00

Ward	Project	Description	Project Spend to Date
	Tree Nursery	Creation of tree nursery at the forest school in Gildredge Park -fencing, planting beds.	£750.00
	Tree Planting in Le Brun Road	As detailed in the title.	£500.00
	Tree Planting in King's Drive and Hartfield Square	8 trees to be planted in King's Drive and Hartfield Square.	£2,000.00
	Water Refill Station	Installation of a water container "Refill Station" in Upperton Ward by Plastic Free Eastbourne	£1,000.00
		Total spend to end of Quarter 3	**£5,445.00**

Number of schemes to end of Quarter 3	**50**
All wards total spend to end of Quarter 3	**£46,733.00**

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Part B

Financial Performance Q3 2020/21

1.0 General Fund

1.1 General Fund performance of the quarter is shown in the table below:

Department	**Current Budget £'000**	**Profiled Budget £'000**	**Actual to 31st Dec 2020 £'000**	**Variance to date £'000**	**Q2 Variances £'000**
SUMMARY					
Corporate Services	3,337	3,595	3,873	278	329
Service Delivery	5,876	5,397	7,060	1,663	1,008
Regeneration & Planning	(37)	(270)	392	662	470
Tourism & Enterprise	2,659	1,835	5,190	3,355	2,790
Total Service Expenditure	**11,835**	**10,557**	**16,515**	**5,958**	**4,597**
Contingencies & Corporate Savings	(599)	(449)	0	449	375
Capital Financing and Interest	2,286	1,715	1,715	0	0
Net Expenditure	**13,522**	**11,823**	**17,891**	**6,407**	**4,795**
			Income Recovery Claims	***(2,134)***	***(1,500)***
			Net Variance	**4,273**	**3,295**
			Increase	*978*	

1.2 The position at the end of December shows a net deficit of £4.273m after the latest income recovery claim of £2.134m. This represents an increase of £978k on the Quarter 2. Key variances are set out in the following table:

Corporate Services		
Additional IT costs – software licences, network & equipment costs		£276k
Service Delivery		
Account & Case Management – mainly salary savings	(£78k)	
Housing Benefit Payments and Subsidy - mainly a shortfall in subsidy on emergency accommodation	£539k	
Homelessness – additional accommodation costs	£93k	
Ground maintenance savings not achieved	£125k	
Waste Contract – delay in Trade Waste savings being achieved	£150k	
Solarbourne – additional repair and maintenance costs	£29k	
Licences – reduced income	£35k	
Revenues – no summons cost income	£302k	
Crematorium – reduction in income	£218k	
Car parks – mainly reduction in income	£224k	£1,637k

Regeneration & Planning Staff savings Housing Delivery Team – feasibility work Corporate Landlord – mainly reduced rental income	 (£85k) £102k £706k	 £723k
Tourism & Enterprise Redundancy costs Net income losses on facilities and events	 £508k £2,847k	 £3,355k
Contingencies & Savings – 6 months of corporate savings target relating to vacancy savings and staff reductions. The actual savings are contained within the relevant service areas.		£449k

1.3 The latest forecast for 2020/21 is included in the General Fund budget report elsewhere on this agenda. The revised estimated shortfall for this year is expected to be in the region of £5.6m, before redundancy and set up costs of £1.2m. The current shortfall of £3.9m is expected to increase in the last quarter of the year to around £5.6m taking on board the impact of the current lockdown on income and added cost pressures.

2.0 HRA

2.1 HRA performance of the quarter is as follows:

	Full Year Budget £'000	Profiled Budget £'000	Actual to 30 June 2020 £'000	Variance to date £'000
HRA				
Income	(15,473)	(11,723)	(11,723)	-
Expenditure	13,501	10,137	9,984	(153)
Capital Financing & Interest	1,897	1,169	1,169	-
Contribution to Reserves	3,656	3,518	3,518	-
Total HRA	**3,581**	**3,101**	**2,948**	**(153)**

There is a positive variance of £153k at the end of quarter 3 (Q2 £101k). The main variance relates to a £119k underspend on the management fee. A further breakdown is shown at **Appendix 2**.

3.0 Capital Expenditure

3.1 The detailed capital programme at **Appendix 3,** provides a summary of spend for quarter 3 compared to the revised allocation for 2020/21 and the total spend for each scheme as at 31 December. Current spend totals £5.411m against the latest programme of £21.137m. Comments are provided for each scheme in the appendix.

4.0 Collection Fund

4.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.

4.2 The Collection fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
(Surplus)/Deficit Brought Forward 01 April 2020	**(208)**	**331**
Total Collectable Income for year*	(71,717)	(10,937)
Payments to Preceptors	71,543	37,467
Write offs, provisions for bad debts and appeals	498	1,032
Additional Business Rate Reliefs – as a result of Covid-19	-	(24,676)
Estimated Balance 31 March 2021 – (Surplus) / Deficit	**116**	**3,217**
Allocated to:		
Government	-	1,608
East Sussex County Council	85	1,287
Eastbourne Borough Council	14	290
Sussex Police	11	-
East Sussex Fire & Rescue	6	32
	116	**3,217**

* *This represents the latest total amount of income due for the year and allows for changes as a result of discounts, exemptions and reliefs, as well as increases in the Council Tax and Business Rate bases.*

4.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different bases under regulations. The distributions have now been finalised for 2021/22 in line with the above allocations.

4.4 Council Tax is showing a deficit of £116k for the quarter (Qtr2 £1.033m), which is a further improvement of £917k. However, this still represents an in-year deficit of £324k as there was a surplus of £208k brought forward from the previous year. The Council's share of the overall forecast deficit is £14k.

4.5 There is a Business Rates deficit of £3.217m at the end of December (Q2 £3.560m), which is a reduction of £343k. This represents an in-year deficit of £2.886m as there was a deficit of £331k brought forward from the previous year. There continues to be a significant risk associated with business rate income, despite the additional business rate reliefs (£24m) that have been given by Government.

5.0 Treasury Management

5.1 The Annual Treasury Management and Prudential Indicators were approved by Cabinet and Council in February.

5.2 **Annual Investment Strategy**

The Treasury Management Strategy Statement (TMSS) for 2020/21 which includes the Annual Investment strategy, was approved by the Full Council on Wednesday, 19th February. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity;
- Yield.

There were no short term investments held as at 31 December. Approved limits within the Annual Investment Strategy were not breached during the quarter ending 31 December 2020, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 37 days during the quarter. Investment rates available in the market have continued at historically low levels. Investment funds are available on a temporary basis and arise mainly from the timing of the precept payments, receipts of grants and the progress of the capital programme.

As shown by the interest rate forecasts, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

5.3 **Negative investment rates**

While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short-term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have suggested that they might resort to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a glut of money swilling around at the very short end of the market. Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

5.4 Investment performance for the quarter ending 31 December is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day LIBID	-0.06%	0.03%	£2,012

The Council outperformed the benchmark by 0.09%. The budgeted investment return for 2020/21 is £50,000. Due to cash flow requirements and current low interest rates, investments held are at minimum and it is unlikely that this budget will be achieved, but this will be offset by reduced borrowing.

The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest payable on loans and investment income.

5.5 **Borrowing**

The following loan was taken during the quarter:

New Short Term Borrowing				
Start Date	Counterparty	Amount £m	Interest Rate %	End Date
23/11/20	North Yorkshire County Council	5.0	0.25	22/11/21
23/11/20	Hertfordshire County Council	7.0	0.10	24/05/21
24/11/20	North Yorkshire County Council	5.0	0.25	23/11/21
Total		**17.0**	-	-
Less Short Term Borrowing Repaid				
Repayment Date	Counterparty	Amount £m	Interest Rate	No of Days
30/10/20	Police and Crime Commissioners – Gwent	5.0	0.14	123
23/11/20	Sevenoaks District Council	3.0	0.55	186
23/11/20	North Yorkshire County Council	5.0	0.55	186
24/11/20	North Yorkshire County Council	5.0	1.00	274
Total		**18.0**	-	-
Net New Short Term Borrowing during quarter		**(1.0)**	-	-

Cash flow predictions indicate that further borrowing will be required in the next quarter, depending on the timing of capital expenditure. The exact timing and nature of this borrowing will be considered at that time in light of prevailing interest rates.

5.6 **Interest Rate Forecast**

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Following the conclusion of the HM Treasury review of PWLB margins over gilt yields on 25.11.20, all forecasts below now include the 1% reduction in the non-HRA Certainty Rate (now gilt yields plus 80bps):

Link Group Interest Rate View	9.11.20												
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.1
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.1
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.1
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.2
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.0
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.3
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.8
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.6

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2024 as economic recovery is expected to be only gradual.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields.

While inflation targeting by the major central banks has been successful over the last 30 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. The consequence of this has been **the gradual lowering of the overall level of interest rates and bond yields in financial markets.** Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields initially spiked upwards in March, we have seen yields fall sharply in response to major western central banks taking rapid policy action to deal with excessive stress in financial markets during March, and starting massive quantitative easing driven purchases of

government bonds: these actions also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds.
Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. **At the close on 31st December, all gilt yields from 1 to 8 years were in negative territory, while even 25-year yields were only at 0.84% and the 50 year at 0.64%.**

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates in 2019-20** without any prior warning. The first took place on 9.10.19, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then, at least partially, reversed for some forms of borrowing on 11.3.20, but not for mainstream non-HRA capital schemes.

A consultation was then held with local authorities and **on 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates;** the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

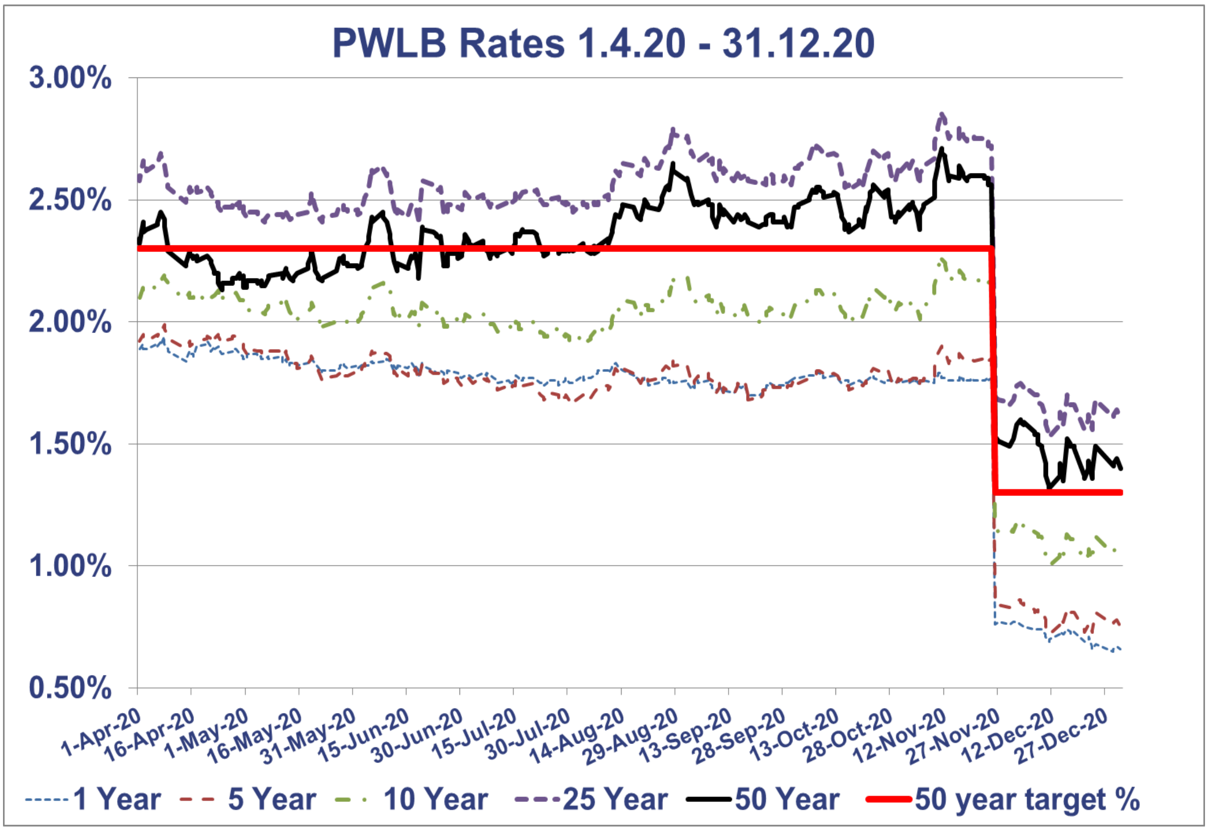
- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

As the interest forecast table for PWLB certainty rates, (gilts plus 80bps), above shows, there is likely to be little upward movement in PWLB rates over the next three years as it will take the UK a prolonged period to eliminate spare capacity in the economy so that inflation might start to become a sufficient concern for both the MPC to consider raising Bank Rate, and for gilt holders to require a higher yield.

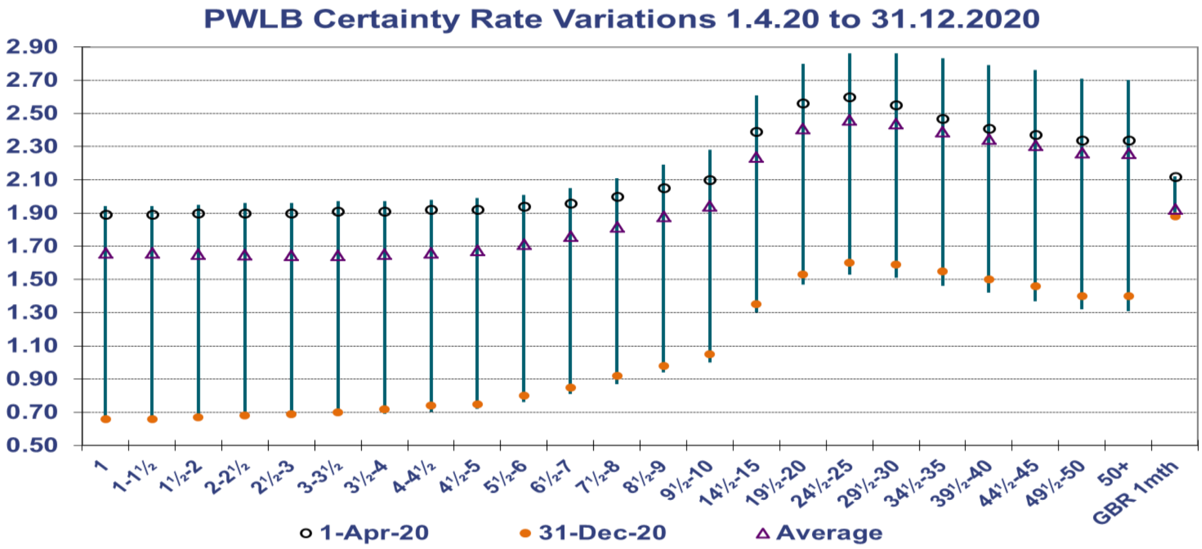
5.7 **Debt Rescheduling**
Debt rescheduling opportunities have been limited in the current economic climate and following the various increases in the margins added to gilt yields which has impacted PWLB new borrowing rates. During the quarter ended 30 September 2020, no debt rescheduling was undertaken.

5.8 **PWLB maturity certainty rates (gilts plus 180bps) year to date to 31st December 2020**
The 50 year PWLB target certainty rate for new long term borrowing was unchanged at 2.30% all year to date until the margin change on 25.11.20 when it fell to 1.30%. Year to 31st December 2020. The following graphs and tables are optional; choose whether to include and whether to use the half year or the quarter to 31st December 2020.

Year to 31st December 2020



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.65%	0.72%	1.00%	1.53%	1.32%
Low date	29/12/2020	11/12/2020	11/12/2020	11/12/2020	11/12/2020
High	1.94%	1.99%	2.28%	2.86%	2.71%
High date	08/04/2020	08/04/2020	11/11/2020	11/11/2020	11/11/2020
Average	1.66%	1.68%	1.94%	2.46%	2.26%



5.9 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the quarter to 31 December 2020 the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices, except for temporary balances exceeding limits with Lloyds Bank.

5.10 Climate change and environmental implications

Treasury management is a Council-wide function and its climate change, environmental and sustainability implications are the same as for the Council itself. The Council and its TM Advisors will have regard to the environmental activities of its Counterparties (where reported) but: -

Prioritises Security, Liquidity and Yield,

Recognises that as large, global institutions our high-quality counterparties operate across the full range of marketplaces in which they are legally able to, and as a result climate change considerations are an increasingly important and heavily-scrutinised part of their overall business.

Excluding any one counterparty will likely mean others will similarly have to be avoided and thus impact the Council's capacity to mitigate risk through diversification.

5.11 Economic Background

Some good news came during the quarter as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK Medicines and Healthcare products Regulatory Agency (MHRA) provided authorisation for emergency supply of two COVID-19 vaccines in December and the rollout to individuals in the highest priority groups began in earnest.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline Having been agreed with the European Union (EU) on Christmas Eve, the Brexit trade deal was voted through the House of Commons by 521 votes to 73 and then written into law after passing through the House of Lords and given royal assent.

The Bank of England (BoE) maintained Bank Rate at 0.1% during the quarter but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its December interest rate announcement, the BoE noted that plans to roll out COVID-19 vaccines would reduce some of the downside risks to the economic outlook but that recent rises in the number of infections is likely to lead to weaker GDP growth than had been predicted in its November Monetary Policy Report.

Government initiatives continued to support the economy as the furlough (Coronavirus Job Retention) scheme was extended once again to April 2021, supporting some 10 million jobs, and meaning that by then time the government would have provided taxpayer support to jobs for over a year.

During the quarter ended 31st December 2020 *(quarter 3 of financial year 2020/21):*

- The UK and EU signed a last-minute Brexit deal;
- Effective COVID-19 vaccines were announced and started to be rolled out;
- A second lockdown in November and a strict tiering system was imposed in December;
- The MPC announced an extra £150bn of Quantitative Easing (QE);
- The Chancellor announced a new fiscal package worth £55bn (2.4% of GDP) to support the economy;
- The positive news on Brexit and vaccines boosted the pound and the FTSE 100.

- **The Brexit deal the EU and UK signed on 24.12.20 came too late to give a boost to GDP growth in Q4. In fact, GDP probably fell again in the final quarter.** The second COVID-19 lockdown imposed in November and the subsequent tier system, which kept hospitality businesses closed in much of the country, could mean that GDP fell by about 3.5% q/q in Q4. Indeed, our CE BICS Indicator suggests that the economy fell by 8.0% m/m in November and that the economy did not rebound by much in December.
- **Admittedly, consumer spending appears to have held up much better than in the previous England-wide lockdown in March/April.** Retail sales “only” fell by 3.8% m/m in November, a fraction of the 18.1% m/m fall in April. This still left them 2.7% above their pre-crisis level and there was a much smaller drop in car sales in November than in April, (-29% m/m vs -98% m/m). What is more, the mini-boom in the housing market meant mortgage approvals rose to 104,969 in November, leaving them 43% above their pre-crisis level.
- However, much of the resilience of retail sales is because November’s lockdown was less strict as schools, factories and construction sites stayed open. This meant that petrol sales held up much better, “only” falling by 16.6% m/m compared to the 51.8% m/m contraction in April. Also, firms have improved at selling online. Indeed, the value of all the goods sold on the internet rose by 6.3% m/m in November. **What is more, the more widespread Tier 4 COVID-19 restrictions, which closely resemble November’s lockdown, raise the chances that the economy stagnates, if not contracts, in the first three months of 2021.**
- The reduced ability of households to spend during November’s lockdown meant that they repaid £1.5bn of unsecured loans in that month. But lower debt and higher savings means that consumers will be in a good position to boost spending once COVID-19 restrictions are eased.
- In response to the second lockdown, in November the Chancellor announced a further £55bn, (2.4% of GDP), of COVID-related spending in 2020/21 on top of the total £280bn, (14.5% of GDP), of policy support previously announced. He also extended the furlough scheme, which pays up to 80% of an employee’s wages and was due to end on 3110.20, until 30.04.21, and announced that businesses forced to close would be able to get a grant of £3,000 per month.
- The extraordinary fiscal cost of the crisis is being reflected in public finance figures. Indeed, the government borrowed an extra £31.6bn in November, the third highest

figure on record, taking total borrowing this financial year so far to £240.9bn compared to £57.4bn in the whole of 2019/20. What is more, borrowing is likely to remain high over the next few months as the new restrictions keep many businesses closed and millions of workers on the furlough scheme. We expect the budget deficit to reach about £420bn, (21.7% of GDP), in 2020/21, its highest since WW2 and slightly more than the £400bn the OBR forecast in its November report.

- **However, beyond the next few months we think the outlook is much brighter now a Brexit deal has been signed and an effective vaccine is being rolled out.** Indeed, we are now more optimistic than the OBR and the Bank of England. Admittedly, custom checks and procedures will still be required on goods moving between the UK and the EU for the first time since 1973, so there will probably be some disruption at the ports in early 2021.
- **Any disruption at the borders will probably be short-lived as firms will quickly become familiar with the new procedures.** The Brexit deal removes the uncertainty and downside risk of a no deal. and for the first time in four-and-a-half years, businesses can now plan knowing the shape of the UK/EU relationship.
- **What's more, in contrast to what most other forecasters appear to have assumed, we are not convinced that the COVID-19 crisis will significantly reduce the economy's supply capacity and prevent it from returning to the pre-crisis trend.** Our analysis suggests that permanent hits to supply are most likely to happen after recessions associated with financial crises and wars, as they reduce the supply of credit or destroy large parts of the capital stocks. Neither of those things has happened this time. As such, we expect the economy to be just 1% smaller in 2024/25 compared to if the pandemic had never happened and to get back to its pre-virus trend later in the decade.
- So, rather than running a deficit of 3.9% of GDP by 2025/26 as the OBR expects, we think the deficit may have returned to around 2.5% of GDP by then. In this case, there may not be much of a fiscal hole to fill. **In fact, the danger is that fiscal policy is tightened too soon to fill a perceived hole in the public finances caused by the crisis that never materialises.**
- As a result, we think that the £150bn of Quantitative Easing (QE) that the Bank committed to at its meeting on 4.11.20 may prove to be the last loosening of policy it will need to do. The risk to this view is that the Bank may want to respond to the latest lockdown, but even if it does, we think it will increase the pace of the asset purchases already announced, rather than increasing its total QE. The Bank is also probably not ready to implement negative rates yet so this currently limits its ability to cut rates.
- **However, unlike the financial markets, we do not think the Bank will raise rates in the next five years.** Admittedly, the end of the VAT cut for the hospitality industry on 31.3.21 and higher oil prices, will probably push inflation briefly above 2.0% in late 2021. But the time spent above 2.0% is likely to be fleeting. We expect inflation to be closer to 1.5% in 2022 than 2.0%. Even if inflation did rise to 2.0%, the Bank has said it would need to be convinced it will stay above 2.0% before it tightens policy. As such, Bank Rate may not rise above 0.10% for around five years. After all, in the minutes of its December meeting the MPC said risk management considerations implied that policy should lean strongly against downside risks to the outlook: we, therefore, expect the MPC to wait until the economy is fully recovered from the crisis before it considers raising rates.
- Record low interest rates for the next few years will keep equities looking attractive relative to bonds. The rotation away from the tech stocks which have benefited from

COVID-19 lockdowns, towards more traditional consumer-facing and financial stocks, should boost UK equity prices over the next few years. But a stronger pound will keep any market exuberance in check. We expect the FTSE 100 to rise by about 13% from 6,650 now to 7,500 by end-2021.

- The key risk to our economic and financial views is if a third lockdown is implemented across the UK in Q1, (as has now been announced on 5th January, with some variations between nations). That would probably cause GDP to shrink again and would raise the risk of greater longer-term scarring effects on the economy, putting the onus on policymakers to do more. That said, we disagree with the markets' expectations that Bank Rate will be cut into negative territory in the coming months. If it were to act, we think the Bank would prop up demand through speeding up its asset purchases or boosting the uptake of its lending schemes, rather than negative rates.
- The story is similar in the eurozone where the additional COVID-19 restrictions which have been rolled out across Europe, will hamper growth in Q4 2020 and Q1 2021. However, now that a vaccine has been approved by European authorities, the economy should be able to rebound rapidly in the second half of 2021. The ECB's message that it will persist with its flexible asset purchase programme until at least early 2022, should reassure investors that there will not be a reversal of the compression of bond yields anytime soon to historically low levels.

Housing Revenue Account 2020/21

	Original Budget £000's	Q3 Budget £000's	Q3 Actual £000's	Variance £000's
INCOME				
Gross Rents	(14,448)	(10,955)	(10,955)	**0**
Charges for Services	(1,025)	(769)	(769)	**0**
GROSS INCOME	**(15,473)**	**(11,723)**	**(11,723)**	**0**
EXPENDITURE				
Management Fee	7,834	5,890	5,771	**(119)**
Supervision and Management	1,157	865	831	**(33)**
Provision for Doubtful Debts	203	152	152	**0**
Depreciation & Impairment of Fixed Assets	4,307	3,230	3,230	**0**
GROSS EXPENDITURE	**13,501**	**10,137**	**9,984**	**(153)**
NET COST OF HRA SERVICES	**(1,972)**	**(1,586)**	**(1,739)**	**(153)**
Loan Charges - Interest	1,947	1,193	1,193	**0**
Interest Receivable	(50)	(24)	(24)	**0**
NET OPERATING SURPLUS	**(75)**	**(418)**	**(570)**	**(153)**
Transfer from Reserves	0	0	0	**0**
Revenue Contribution to Capital Expenditure	3,656	3,518	3,518	**0**
HRA (SURPLUS) / DEFICIT	**3,581**	**3,101**	**2,948**	**(153)**

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Appendix 3

Line No.	Scheme	Total Scheme Approved	Total Scheme spend as at 31 Mar 2020	Spend 2020-21 Q3	Updated 2020-21 Allocation	Q3 variance to updated Allocation	Funding	Comments
1	**HOUSING REVENUE ACCOUNT**							
2	Major Works	Annual	N/a	772,058	4,388,000	-3,615,942	EBC	On target to complete planned works in 2020-21
3	Sustainability Initiatives Pilot	500,000	61,090	0	0	0	EBC	Re-profiled to 2021-22
4	**Managed by Eastbourne Homes**	**Ongoing**	**61,090**	**772,058**	**4,388,000**	**-3,615,942**		
5	**Other Schemes**							
6	New Build	27,467,000	679,529	292,394	4,099,000	-3,806,606	EBC/Grant	Appropriations from GF in progress & further development planned
7	Acquisitions	Annual	0	0	3,748,000	-3,748,000	EBC/Grant	Planned for Q4
8	**Total HRA**		**740,619**	**1,064,452**	**12,235,000**	**-11,170,548**		
9	**COMMUNITY SERVICES**							
10	Disabled Facilities Grants	Ongoing	N/a	321,541	1,450,250	-1,128,709	Grant	Actual grants agreed £709k as at 31.12.20. On target to spend most of grant; some delays due to Covid
11	BEST Grant (housing initiatives)	Ongoing	453,666	6,684	30,400	-23,716	Grant	Remaining grant expected to be spent in 2020-21
12	Coast Defences Beach Management	Ongoing	N/a	501,086	495,500	5,586	Grant	Planned works completed
13	Cycling Strategy	40,600	0	0	0	0	EBC	Re-profiled to 2021-22
14	Play Area Sovereign Harbour	27,000	0	0	0	0	S106	Re-profiled to 2021-22
15	Shinewater Park - Scoping	20,000	10,023	0	9,950	-9,950	EBC	Councillors considering outcome of initial scoping before further works are commissioned
16	Oak Tree Lane Play Equip	35,000	24,515	10,124	10,500	-376	EBC	Completed
17	Mulberry Close Play Equip	30,000	0	0	30,000	-30,000	EBC	Design work underway and consultation on moving the location of the playground
18	Lower Holywell Public Con	50,000	0	0	0	0	EBC	Re-profiled to 2021-22
19	Redoubt Public Convenience	40,000	0	0	0	0	EBC	Removed from programme; awaiting demolition
20	Refurbishment of Public Facilities	81,000	0	0	0	0	EBC	Re-profiled to 2021-22
21	Play Equipment - Palesgate	35,000	0	0	0	0	EBC	Re-profiled to 2021-22
22	Play Equipment - Vancouver Rd	35,000	0	0	0	0	EBC	Re-profiled to 2021-22
23	Langney Cemetery - Road Improvem	30,000	0	0	0	0	EBC	Re-profiled to 2021-22
24	Ocklynge Cemetery - Road Improvem	15,000	0	0	0	0	EBC	Re-profiled to 2021-22
25	Crematorium - Road Improvements	15,000	0	0	0	0	EBC	Re-profiled to 2021-22
26	Crematorium - Cesspit Replacement	25,000	0	0	0	0	EBC	Re-profiled to 2021-22
27	Crematorium - Chapel Improvements	80,000	0	0	0	0	EBC	Re-profiled to 2021-22
28	Shinewater Toilets & Kiosk	50,000	0	0	0	0	EBC	Re-profiled to 2021-22
29	SEESL Loan	12,000	0	0	12,000	-12,000	EBC	Awaiting drawdown
30	**Total Community Services**		**488,204**	**839,435**	**2,038,600**	**-1,199,165**		
31	**TOURISM & LEISURE**							
32	ILTC - Air Conditioning	87,200	82,281	-5,925	4,900	-10,825	EBC	Completed. Retention outstanding
33	Colonnade Removal	500,000	15,885	125	100	25	EBC	Removed from programme. Alternative solution in progress
34	Redoubt - Asphalt Gun Platform	50,000	0		0	0	EBC	Re-profiled to 2021-22

Line No.	Scheme	Total Scheme Approved	Total Scheme spend as at 31 Mar 2020	Spend 2020-21 Q3	Updated 2020-21 Allocation	Q3 variance to updated Allocation	Funding	Comments
35	Sovereign Centre - New Build	29,050,000	1,466,852		0	0	EBC	Scheme re-profiled to future years
36	Sovereign Centre Skate Park	250,000	228,136	252	21,850	-21,598	EBC	Retention held and contractors have some outstanding items to supply
37	EDGC - Storage Sheds	25,000	0		0	0	EBC	Scheme re-profiled to future years
38	Stage Door		0	5,587	0	5,587	EBC	Completed
39	**Total Tourism & Leisure**		**1,793,153**	**39**	**26,850**	**-26,811**		
40	**CORPORATE SERVICES**							
41	Contingency	Ongoing	N/a	0	22,910	-22,910	EBC	Available for schemes
42	JTP Finance Transformation	200,000	11,571	0	8,450	-8,450	EBC	Initial software purchased. Balance re-profiled to future years
43	JTP Programme Office	8,278,000	8,011,496	413,014	266,500	146,514	EBC	
44	EHIC - Revolving Credit	250,000	N/a	247,000	0	247,000	EBC	Balance available for drawdown and repayment as required
45	EHIC - Loan Facility (Private Properti	15,000,000	N/a	0	23,800	-23,800	EBC	Further properties to be identified. Facility re-profiled to future years
46	EHIC - new mixed tenure homes facil	20,000,000	N/a	2,508,000	2,823,500	-315,500	EBC	Schemes to be identified. Balance re-profiled to future years
47	Aspiration Homes - Credit facility	100,000	65,000	0	35,000	-35,000	EBC	Available for drawdown as required
48	Aspiration Homes - Facility	10,000,000	N/a	0	1,000,000	-1,000,000	EBC	Schemes to be identified. Balance re-profiled to future years
49	Aspiration Homes - Street Acquistions	2,500,000	N/a	0	40,800	-40,800	EBC	Schemes to be identified. Balance re-profiled to future years
50	Bedfordwell Road - Land & Pump House	6,100,000	3,283,308	5,584	0	5,584	EBC	Transferred to HRA
51	Retail Refurbishment	5,000,000	897,042	42,968	102,950	-59,982	EBC	Planning application submitted Dec 20. Phase 1 completed expected March 22, Phase 2 for improvement works being planned
52	MOJ Site	1,640,000	1,399,315	-63,287	157,700	-220,987	EBC	Transferred to HRA
53	Statue Sculpture Installation	22,000	1,513	0	0	0	Grant	Re-profiled to 2021-22
54	**Total Corporate Services**		**13,669,244**	**3,153,279**	**4,481,610**	**-1,328,331**		
55	**Asset Management**							
56	Devonshire Park Redevelopment Pro	53,960,000	52,840,412	196,879	1,102,850	-905,971	EBC	Completed. Retention outstanding
57	Winter Garden	3,000,000	0	145,921	1,000,000	-854,079	EBC	Works in initial stages. Balance in future years
58	Holiday Letting Refurbishment	30,000	5,750	-5,750	24,250	-30,000	EBC	Works completed Q3
59	Congress Theatre Roof	300,000	0	0	0	0	EBC	Re-profiled to 2021-22
60	Bandstand & Promenade Renovation	3,000,000	110,658	16,279	19,350	-3,071	EBC	Re-profiled to 2021-22
61	Seafront Lighting	500,000	0	0	0	0	EBC	Re-profiled to 2021-22
62	Motcombe Baths Improvements	300,000	24,193	-24,193	0	-24,193	EBC	Removed from Programme
63	Royal Hippodrome Theatre	1,000,000	450	0	0	0	EBC	Re-profiled to 2021-22
64	ILTC - Improvements	120,000	114,187	18,889	45,800	-26,911	EBC	Extent of works being considered - anticipated works Autumn/Winter 2020
65	Towner Improvements	200,000	-2,880	0	0	0	EBC	Re-profiled to 2021-22

Line No.	Scheme	Total Scheme Approved	Total Scheme spend as at 31 Mar 2020	Spend 2020-21 Q3	Updated 2020-21 Allocation	Q3 variance to updated Allocation	Funding	Comments
66	Buccaneer Pub (Stage Door)		0	5,814	0	5,814	EBC	Completed
67	Downland Water Schemes (Pipes)	410,000	486,340	0	99,050	-99,050	EBC	Almost completed
68	Asset Management - Block Allocation	Annual Allocation	0	0	63,200	-63,200	EBC	Available for projects under review
69	**Total Asset Management**		**53,579,110**	**353,839**	**2,354,500**	**-2,000,661**		
70	**Total General Fund**		**69,529,712**	**4,346,592**	**8,901,560**	**-4,554,968**		
71	**Total HRA**		**740,619**	**1,064,452**	**12,235,000**	**-11,170,548**		
72	**Total General Fund & HRA**		**70,270,331**	**5,411,045**	**21,136,560**	**-15,725,515**		

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Report to:	**Cabinet**
Date:	**10 February 2021**
Title:	**General Fund Revenue Budget 2021/22 and Capital Programme**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Deputy Leader of Council, 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 2020/21 (Revised) and 2021/22 (Original).

ii) The Capital Programme and Financing for 2020/21 (Revised) and 2021/22 (Original).

iii) An increase in the Council Tax for Eastbourne Borough Council of 2% resulting in a Band D charge of £256.74 for 2021/22.

iv) The revised General Fund capital programme 2021/22 as set out in Appendix 3.

v) To note the section 151 Officer's sign off as outlined in the report.

Members are also asked:

vi) To delegate authority to the Chief Finance Officer in consultation with the Lead Member for Finance to:

- **approve the making of all future loans to Aspiration Homes LLP and all drawdowns under both future and existing facilities;**
- **approve the loans as a Restricted Matter under the LLP Agreement with Lewes District Council;**

- **approve all documentation required to ensure compliance with the UK's new subsidy control regime and so that Right to Buy receipts are appropriated in accordance with all relevant requirements; and**

- **determine the terms of all agreements and associated documentation required to put into effect these delegations and to authorise the execution of all such documentation on behalf of the Council.**

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@Eastbourne-eastbourne.gov.uk**

1. Background

1.1 The Council published its draft Medium-Term Financial Strategy (MTFS) for 2020/21 to 2024/25 in September 2020. 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 2024/25, based on the most up to date information available at the time.

1.3 This report presents the updated forecast financial position for 2021/22, taking into account:

- the capital strategy and revised capital programme and financing requirements,
- the budget changes identified since the publication of the MTFS;
- the latest intelligence regarding the Spending Review announcement on 25 November 2020;
- the provisional 2021/22 local government funding settlement subsequently announced on the 17 December 2020; and
- the Secretary of State's approval for a total capitalisation direction to fund revenue expenditure of up to £6.8m in 2020/21 and up to £6m in 2021/22.

The 2021/22 budget has been prepared during one of the most challenging and uncertain times due to the ongoing impacts of Covid19 on the Council's finances, staff, residents, and local economy.

Government spending to combat Covid19 and mitigate its impact on businesses and individuals has led to record levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.

One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, the 2021/22 budget and medium-term financial strategy has been aligned to the Council's 5 Strategic priorities as shown below.

1.4 The MTFS report highlighted the following key points that:

a) The Strategy was prepared at a time of massive uncertainty with regard to the Covid-19 pandemic and its impact on the economy.
b) The Council has seen a significant drain on its service budgets and revenues due to the impact of Covid19. Although lockdown had eased (at that time), the full impact of the virus was still to be seen but the estimated net cost to the Council had been estimated to be circa £21m over the 4-year model based on the position in September.
c) The financial position over the medium term showed a revenue budget deficit of £8m for 2020/21, with future years as follows:

Forecast Deficits	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Worst Case Scenario	9,748	5,571	4,699	4,482
Current Position	5,398	2,421	1,299	582

The MTFS report added that:

The range of financial outcomes depended on two key factors:
- the pace of recovery for the tourism economy; and
- the savings generated from the Recovery and Reset (R&R) Programme.

d) The saving targets identified for the R&R programme are based on early estimates. More detailed work is being carried out to specify the targets on project by project basis. In addition, the savings will need to be sufficient, not only to cover the deficits, but also to replenish the Council's reserves to ensure future financial resilience.

e) The Council's financial recovery and MTFS is highly dependent on approval of the Authority's request to MHCLG for capitalisation of its net expenditure in 2020/21 and 2021/22.

1.5 **Statutory Requirements**

The Local Government Finance Act 1988, places certain responsibilities on the Chief Finance Officer. Section 114(3) of the Act states:-

'The Chief Finance Officer of a relevant authority shall make a report under this section if it appears to him/ her that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.'

1.6 **Modification to the S114 guidance**

At the start of the Covid19 pandemic earlier this financial year, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry Of Housing, Communities and Local Government (MHCLG) agreed a temporary modification to the existing S114 guidance.

The rationale for the temporary modification was to allow Local Authorities to explore what further options or financial assistance may be available ahead of formally issuing a S114 notice.

This temporary modification included Local Authorities engaging in informal conversations with MHCLG to make the Ministry aware of financial concerns ahead of issuing a S114 notice.

1.7 **Approach**

The Council's Chief Finance Officer has been monitoring the financial impact of the pandemic on the Council's resources since the first national lockdown in March 2020. In helping members to assess the likely impact of the virus in a difficult to predict and plan for environment, a scenario based planning approach was introduced. This was to provide a range of outcomes and impacts based on a number of assumptions. The scenarios were based on the following potential assumptions:

Scenarios	Key assumption	Based on	Impact
1 – Best Case	July recovery and bounce back	MHCLG advice	Financial impact manageable
2 - Mid Case	Partial lockdown, slow recover and a longer term bounce back	broader information	Financial impact in excess of available resources
3 - Worst Case	Full year of lockdown	Developed at the time of the first lockdown	Financial impact far in excess of available resources

In August 2020, it became very clear that a July recovery and bounce back was no longer an option and the Council's Chief Finance Officer initiated a formal notification process with MHCLG asking for financial support or capitalisation directive.

The Council's request for support included the following options:

Options	**Cost of capitalisation (financing of the anticipated shortfall c£13m for 2020/21 & 2021/22)**
100% funding	None
50% funding 50% capitalisation Asset backed	C.£375k per annum
100% capitalisation Asset backed	C. £750k per annum

On 2nd February 2021, Luke Hall, MP and Minister of State for Regional Growth and Local Government in a letter addressed to Cllr Tutt, Leader of the Council, approved a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, for the financial year 2020/21 and up to £6m for 2021/22.

The letter included:

With respect to the financial year of 2020/21, the Secretary of State is content to approve a total capitalisation direction to fund revenue expenditure not exceeding £6.8m, subject to conditions. The conditions would be set out in the capitalisation direction when issued.

With respect to the financial year of 2021/22, the Secretary of State is minded to approve a capitalisation direction of a total not exceeding £6m. Again, such a direction may be subject to conditions, which would be set out in the capitalisation direction when issued.

The budget has been updated to reflect the corresponding changes.

2 Key Factors

2.1 Financial Impact of Covid19

The Council has played a significant role in responding to Covid19, in supporting businesses and the most vulnerable in our communities as well as running essential services.

The financial impact of Covid19 has been an evolving picture throughout 2020/21 and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £3.7m including homelessness prevention, unachieved savings, redeployment costs, support for the Leisure services, additional PPE, community grants and cleaning costs.

The Council's income streams have also been affected, with projected losses in the region of £10m including admissions, sales, trade waste, car parking, planning income, and rental income.

The Government has provided support to local authorities through £4.6bn, new burdens funding, and income compensation support (75p compensation in every 95p of income loss from fees and charges). However, Eastbourne Borough Council's share of these financial supports, falls short of the projected costs and losses in 2020/21.

The Council's capital programme has also been severely impacted by COVID19 with several projects having to be reviewed and rephased.

The financial impact of Covid19 for 2021/22 and beyond is difficult to predict, income streams have been reviewed and revised where appropriate. The programme may also be impacted by supply difficulties, for example increased costs from suppliers or additional cost of Personal Protection Equipment (PPE).

The Council is putting in place an extended plan for the delivery of its uncommitted capital investments where possible to support its financial stability plans.

3 Economic Background

3.1 In November 2020, the Office for Budget Responsibility (OBR) published its independent economic and fiscal forecasts.

3.2 The coronavirus pandemic has delivered the largest peacetime shock to the global economy on record. It has required the imposition of severe restrictions on economic and social life; driven unprecedented falls in national income; fuelled rises in public deficits and debt surpassed only in wartime; and created considerable uncertainty about the future. The UK economy has been hit relatively hard by the virus and by the public health restrictions required to control it.

3.3 In the central forecast, the combined impact of the virus on the economy and the Government's fiscal policy response pushes the deficit this year to £394 billion (19% of GDP), its highest level since 1944-45, and debt to 105% of GDP, its highest level since 1959-60. Borrowing falls back to around £102 billion (3.9% of GDP) by 202526, but even on the loosest conventional definition of balancing the books, a fiscal adjustment of £27 billion (1% of GDP) would be required to match day-to-day spending to receipts by the end of the five-year forecast period.

3.4 The support provided to households and businesses has prevented an even more dramatic fall in output and attenuated the likely longer-term adverse effects of the pandemic on the economy's supply capacity. The Government's furlough scheme has prevented a larger rise in unemployment. Grants, loans, and tax holidays and reliefs to businesses have helped them to hold onto workers, keep up to date with their taxes, and avoid insolvencies. Nonetheless, OBR anticipate a significant rise in unemployment – to 7.5% in our central forecast – as this support is withdrawn in the spring.

3.5 The economic outlook remains highly uncertain and depends upon the future path of the virus, the stringency of public health restrictions, the timing and effectiveness of vaccines, and the reactions of households and businesses to all of these. It also depends on the outcome of the continuing Brexit negotiations. In such circumstances, the value of a single 'central' forecast is limited.

3.6 CPI inflation falls from 1.8% last year to 0.8% in 2020, due in part to lower indirect taxes and energy prices, as well as increased slack in the economy. Thanks primarily to relatively weak average earnings growth, inflation remains subdued over the next three years, returning to the 2% target by the end of 2024. Whole economy inflation (as measured by the GDP deflator) is erratic in the short term, driven by the statistical treatment of public sector output (for example, school closures and the cancellation of non-virus-related operations are treated as raising the implicit price of education and health services). In the medium term, GDP deflator inflation settles at 2%.

4 Spending Review 2020 (SR20) 2021/22

4.1 The Governments three year Comprehensive Spending Review (CSR) was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'

4.2 On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review in order to prioritise the response to Covid19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020. The key points that are relevant to Local Government are as follows:

a) Core spending power for local authorities in 2021/22 is estimated to increase by 4.5% in cash terms. In calculating CSP, it has been assumed that authorities will increase Band D by the maximum amount, and that each authority's taxbase has increased in line with their average taxbase growth since 2016-17.

b) £3bn worth of financial support to local authorities in 2021/22 in relation to Covid19 pressures as follows:

• £1.55bn of grant funding to meet additional expenditure pressures as a result of Covid19.

• £670m grant funding to help households that are least able to afford council tax payments.

• Estimated £762m compensation payments for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21.

• Extending the current sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

c) Maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments. This was confirmed in the provisional settlement on 17 December 2020 as two payments in respect of years 8 and 9 as planned, and a further one-off payment (year 11). The Government is inviting views on a replacement for NHB.

d) Continuation of the option for shire Boroughs with the lowest council tax levels allowed increases in council tax of up to 2% or £5 whichever is higher, the £5 was confirmed in the provisional settlement.

e) Rural Services Delivery Grant (RSDG) will continue in 2021/22

f) £254m of additional resource funding to tackle homelessness and rough sleeping in 2021/22.

g) The Government have indicated that they are unlikely to extend further Covid19 related support through business rates reliefs, outline plans for2021/22 reliefs are expected in the New Year

h) Public sector pay freeze in 2021/22 for some workforces, pay rises for NHS workers and increases for the lowest paid. The Government has no formal role in the decisions around annual local government pay increases, these are developed through negotiations between the LGA and the relevant trade unions.

i) Confirmation that the Fair Funding Review, Business Rates Review and business rates reset will be delayed. A fundamental review of the business rates system will be undertaken, and the Government are considering responses to the call for evidence. A final report with conclusions of this review is expected spring 2021.

j) To support businesses in the near-term, the Government has decided to freeze the business rates multiplier in 2021/22, saving businesses in England an estimated £575m over the next five years. Local authorities will be fully compensated through S31 grants.

k) Reform of the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield. The Government cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate, with effect from 26 November 2020.

l) The government is launching a new Levelling Up Fund worth £4bn (£600m in 2021/22), to invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. Bids for projects of around £20m that can be delivered in 2-3 years will be considered. The Prospectus is likely to be released early in the New Year.

m) £300 million of new grant funding for adult and children's social care, in addition to the £1bn announced at SR19 that is being maintained in 2021/22. In addition, local authorities will be able to levy a 3% adult social care precept.

n) Negative Revenue Support Grant is now fully funded.

o) £20 billion of investment underpinning the government's long-term housing strategy, including £7.1 billion for a National Home Building Fund and confirming over £12 billion for the new Affordable Homes Programme. Although typically a consideration for the HRA, AHLLP as a Registered Provider, also has access to the funding to meet the Corporate Plan objectives for housing and reduce costs to the General Fund.

4.3 The Provisional Finance Settlement was announced on the 17 December 2020 and provided Eastbourne with additional funding of £760k which has been built into the 2021/22 budget.

This can be broken down as follows:

• a new Lower Tier Services grant of £156k to help mitigate the reduction in core spending power as a result of the New Homes Bonus changes

• New Homes Bonus was £6k more than originally estimated.

• Additional Emergency Covid-19 grant of £598k.

The headlines are as follows:

• No increase to the Busines rates baseline funding

• £150m compensation for under-indexing the Business Rates multiplier, Eastbourne's share will be included in the final budget calculation once this the National Non Domestic (NNDR) work is complete. At this stage, this has not been built into the baseline numbers as this will form part of the forecast Business Rates budgets that will be calculated in January along with the Suffolk Business Rates Pool forecasts.

• New one-off Lower Tier Services grant introduced of £111m to ensure no council will have less funding available in 2021/22 than 2020/21. Eastbourne's allocation is £156k.

• Eastbourne's share of the £1.55bn 5th tranche of Covid19 grant funding has been confirmed at £598k.

• New Local Council Tax Support Grant £670m – outside the core settlement and is to fund authorities for the expected increase in Local Council Tax Support in 2021/22. This grant is to be allocated between East Sussex County Council, Police and Crime Commissioner and Eastbourne Borough Council. Provisional allocations are as follows:

East Sussex County Council	£965k
Sussex Police and Crime Commissioner	£129k
East Sussex Fire Authorities	£62k
Eastbourne Borough Council	£163k

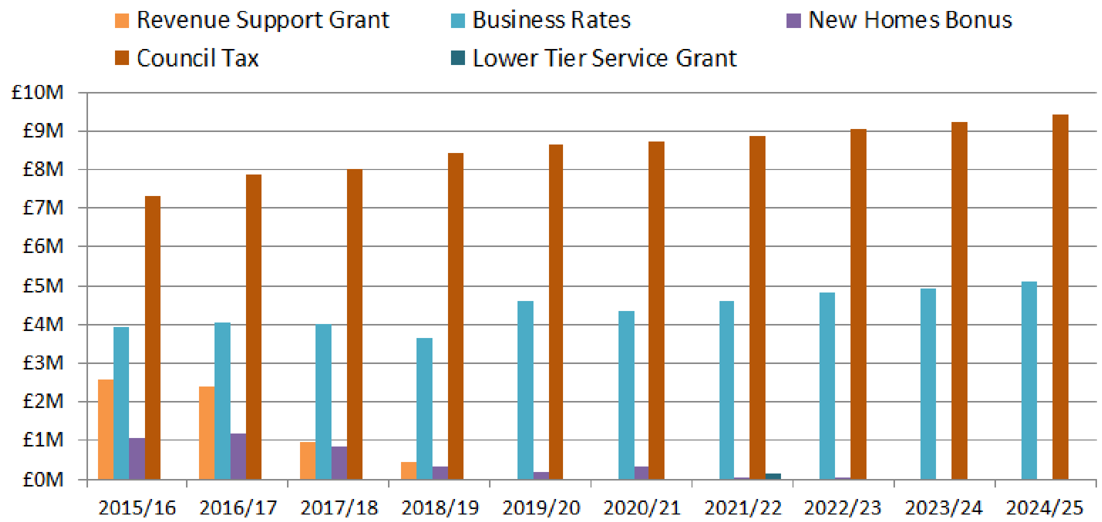
This has not been included in the funding at this stage until further work can be undertaken to establish how to fairly allocate Eastbourne's share.

4.4 The impact of above funding streams in the Council's budget and MTFS are summarised and included in the table below:

Table 1: Provisional Finance Settlement and Other Funding Resources

	2020/21 £000's	**2021/22 £000's**	**2021/22 £000's**	**2022/23 £000's**	**2024/25 £000's**
Business Rates	4,362	4,820	4,916	5,015	5,115
Business Rates (Deficit)	(15)	(213)	(99)	(99)	-
Council Tax	8,772	8,867	9,043	9,224	9,409
Council Tax (Deficit)/Surplus	(60)	45	-	-	-
New Homes Bonus	332	32	11	-	-
CTax Support Grant	131	132	130	130	130
Lower Tier Service Grant	-	155	-	-	-
Total Resources	**13,522**	**13,838**	**14,001**	**14,270**	**14,654**

Chart 1: Funding Resources



Note the above includes annual surpluses and deficits relating to business rates and council tax. The forecasts for business rates from 2021/22 onwards are modelled on a worst case scenario with no transitional funding arrangements.

5 Council Tax

5.1 The proposal is for an increase in council tax of 2% for 2021/22 which results in a Band D rate of £256.74 for Council services.

5.2 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by 2% per annum in line with inflation 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.

5.3 Within this context, for 2021/22, the Council will raise £8.866M 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 £256.74 per annum.

5.4 In addition, there is a surplus of £45k payable to EBC from the collection fund due to an overall collection fund surplus of £362k.

6 2020/21 Revised Budget

6.1 The 2020/21 has been significantly impacted by the Covid-19 pandemic in terms of income losses and additional costs. The Council's Chief Finance Officer has been monitoring the financial impact of the pandemic on the Council's resources since the first national lockdown in March 2020. In helping members to assess the likely impact of the virus in a difficult to predict and plan for environment, a scenario based planning approach was introduced. This was to provide a range of outcomes and impacts based on a number of assumptions as summarised in the following table:

Scenarios	Key assumption	Based on	Impact
1 – Best Case	July recovery and bounce back	MHCLG advice	Financial impact - manageable
2- Mid Case	Partial lockdown, slow recover and a longer term bounce back	Broader information	Financial impact in excess of available resources
3- Worst Case	Full year of lockdown	Developed at the time of the first lockdown. Prior to receiving any financial support.	Financial impact in excess of available resources

Following campaigns by various networking groups and the ministry's greater understanding of the financial impact on councils resources, series of financial support packages such as emergency COVID-19 (T1,£64k- T2 £1.026m, T3-£191k and T4- £474k) and income compensation grants were introduced.

Whilst the Government has provided encouraging amounts of funding, the impact from the pandemic has left the Council with a significant shortfall. The following table sets out the key variances for 2020/21 and the funding being used to ensure a balanced budget is maintained.

Table 5: 2020/21 Major Movements

2020/21 Budget Variances	
	£
Corporate Services:	
Increased ICT costs	113,700
Democratic Services - mainly remote working savings	(39,550)
Regeneration & Planning:	
Reduced Rental Income	474,700
Reduced Maintenance & Facilities costs	(56,300)
Service Delivery:	
Mainly reduced Car Parking income	369,950
Net Additional Housing Benefit cost	781,250
Net Summons Costs and Liability Order income	320,350
Reduction in Recycling Credits	81,000
Grounds Maintenance savings - deferred	300,000
Reduction in Trade Waste income	150,000
Reduced SEESL contribution	61,200
Net Reduction in Crematorium income	241,550
SolarBourne - increased maintenance costs/reduced income	128,550
Tourism & Enterprise:	
Tourism - net income loss	20,600

Events - net income loss	52,150
Theatres - net income loss	2,032,950
Sports - net additional cost of Sovereign Centre	552,400
Seafront - net income loss (Bandstand £276k, Beach Huts £108k)	393,550
Heritage - net income loss (Heritage Eastbourne £99k)	108,650
Tourist Information Centre - net income loss	85,300
Catering - net income loss	603,600
Other Operating Income & Expenditure:	
Allocation of Contingency Budget	(61,350)
Corporate Efficiency savings target removed	2,215,500
Income Recovery Grant	(2,800,000)
Capital Financing & Interest - net reduction	(289,400)
Other Net Budget Changes	59,650
Provisional Budget Shortfall	**5,600,000**

6.2 A breakdown of the general fund summary is included at Appendix 1.

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 2021/22 budget.

The latest MTFS, as approved by Cabinet on 01 September 2020, forecast budget gaps in each of the next four financial years as follows:
Table 6: Previous MTFS Forecasts

	2020/21 £000's	**2021/22 £000's**	**2022/23 £000's**	**2023/24 £000's**	**2024/25 £000's**
Budget Forecast	21,530	23,251	19,326	18,717	18,828
External Funding	(13,519)	(13,503)	(13,755)	(14,018)	(14,346)
Annual Budget Gap	**8,011**	**9,748**	**5,571**	**4,699**	**4,482**
Cumulative Budget Gap	**8,011**	**17,759**	**23,330**	**28,029**	**32,511**

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 2020/21 and newly identified budget pressures. The forecast budget gap for 2021/22 has reduced by £3.737m to £6.011m, mainly due to the following:

- Reduced capital financing costs - £1.3m
- Additional funding from the Provisional Finance Settlement - £0.760m
- Recovery and Reset Savings - £0.850m
- Pay Award Freeze - £0.288m
- CMT Savings - £0.150m

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

Table 7: Summary of Revised MTFS Position

	2020/21 £000's	2021/22 £000's	2022/23 £000's	2023/24 £000's	2024/25 £000's
Budget Forecast	19,122	19,336	20,688	20,895	21,706
External Funding	(13,522)	(13,838)	(14,001)	(14,270)	(14,654)
Initial Budget Gap	**5,600**	**5,498**	**6,687**	**6,625**	**7,052**
CMT Savings	(50)	(150)	(250)	(250)	(250)
Grants Review	-	(60)	(250)	(250)	(250)
Recovery and Reset Programme	-	(850)	(2,500)	(2,500)	(2,500)
Redundancy and Set Up costs	1,250	1,850	-	-	-
Pay Award savings	-	(288)	(288)	(288)	(288)
Capitalisation Direction	**(6,800)**	**(6,000)**	-	-	-
Annual Budget Gap	**-**	**-**	**3,399**	**3,337**	**3,764**
Cumulative Budget Gap	**-**	**-**	**3,399**	**6,736**	**10,500**

8 Reserves

8.1 The following table sets out the reserves position for 2020/21 and 2021/22.

Table 8: Reserves Summary

Summary	**01-Apr-20 £000's**	**Transfers (In)/Out £000's**	**31-Mar-21 £000's**	**Transfers (In)/Out £000's**	**31-Mar-22 £000's**
Strategic Change Reserve	(244)	-	(244)	-	(244)
Capital Programme Reserve	(336)	-	(336)	-	(336)
ICE Reserve	(1,750)	-	(1,750)	-	(1,750)
Commercial Reserve	(250)	-	(250)	-	(250)
Revenue Grants Reserve	(614)	(207)	(821)	-	(821)
SHEP Properties Works Reserve	(1)	-	(1)	-	(1)
Business Rates Equalisation Reserve	0	(1,104)	(1,104)	-	(1,104)
Total Earmarked Reserves	**(3,195)**	**(1,311)**	**(4,506)**	**0**	**(4,506)**
General Fund Reserve	(2,025)	-	(2,025)	-	(2,025)
Total Reserves	**(5,220)**	**(1,311)**	**(6,531)**	**0**	**(6,531)**

It should be noted that the April 2020 figures are still subject to audit.

8.2 There has been one budgeted transfer in the current year of £207k, This is in relation to grant income that has been received in Service Delivery which is not currently budgeted to be used, and has therefore been transferred to the Revenue Grants Reserve.

9 Financial Planning Cycle

9.1 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 2021/22 and beyond.

Since the publication of the MTFS in September, the Council has reviewed its 2021/22 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.

9.2 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 2020;
- 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 2019/20 and 2020/21 with due regard given to the on-going impacts in future years.
- Validation of MTFS savings proposals.

Full details of the updated financial assumptions are contained within Appendix 2.

10 CIPFA Resilience Index

10.1 CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions.

10.2 The 2020 index, which will provide the relative position for the 2019/20 financial year, will be made publicly available shortly. Councils performance will be ranked relative to those in the selected 'comparator group'.

10.3 As part of the audit work for the 2018/19 and 2019/20 financial statements, a going concern review was undertaken in light of Covid19. The Council is awaiting the outcome of its request for capitalisation request from MHCLG. This is critical to the authority's long-term financial sustainability and to demonstrate its ability to regain a sound financial position and maintain the appropriate levels of reserves to support the Council's financial and delivery plans.

10.4 The Council will continue to become financially self-sufficient and to use its reserves as a last resort. Earmarked Reserves may be drawn on for their intended function, such as to mitigate the impact of Covid19 and funding specific projects. As such, and subject to above, the reserves indicators within the resilience index could move either way in future years.

10.5 **CIPFA FM Code of Practice**

CIPFA has developed the Financial Management Code (FM Code) 'designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.' The FM code has several components including six Principles of Good Financial Management, setting the benchmark against which all financial management should be judged.

10.6 CIPFA expect the first full year of compliance with the FM Code to be 2021/22 and it is for individual authorities to determine whether they meet the standards. The Council's Leadership will be taking part in the first workshop in February to develop awareness and understanding of the requirements of the code. Work will continue throughout 2021/22 to ensure the Council adopts best practice.

11 Fees and Charges

11.1 Fees and charges have been reviewed by budget holders as part of this budget setting process and the impact of the charges have been built into the draft budget for 2021/22.

12 Capital Programme

12.1 As part of the budget setting process, the Council is required to agree a programme of capital expenditure for the coming four years. 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.

The Council's Draft Revenue Budget and Capital Programme 2021/22 to 2023/24 forecasts £112.6m (HRA of £73.3m and GF of £39.3m) of capital investment over the next three years with £46.2m met from existing or new resources. The amount of new borrowing required over these periods are therefore £66.4m (HRA of £45.6m and GF of £20.8m). Full details are contained within Appendix 3.

12.2 Capital programme recognises the significant spending limitations within the Finance Settlement for 2021/22 and the impact of the pandemic on the resources available. Therefore, the programme is revised to prioritise delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's key priorities whilst reducing demand on its borrowing requirements. 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;
- reduce external borrowing
- ensure capital resources are aligned with the Council's key priorities,
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they are realised or have a high degree of certainty to realise.

12.3 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.

12.4 The Council is under significant pressure to spend its Right to Buy (RTB) receipts in accordance with strict government timelines. The use of RTB receipts fundamentally supports the delivery of the Council's affordable housing pipeline and reduces the overall reliance on borrowing. Although the government has granted limited temporary extensions, it remains challenging for the Council to meet the demand of the spending deadlines solely through the activities of its Housing Revenue Account (HRA) alone. AHLLP, however, is able to also utilise RTB receipts within its affordable housing and regeneration objectives, together with other opportunities including access to other grant funding streams, such as the government's Affordable Homes Programme 2021-2026.

As part of the General Fund capital programme, the Council previously approved loan facilities to finance the activities of AHLLP and support the wider housing delivery objectives of the Corporate Plan. In consideration of the partnerships ability to provide an increased range of affordable housing tenures, more flexibly access RTB receipts, and potentially secure additional grants, it is therefore proposed an additional facility is made available to enable AHLLP to access new opportunities in the market and provide the Council with an additional resource when considering the most appropriate vehicle to hold current and future housing assets.

12.5 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 £66.4m (HRA of £45.6m and GF of £20.8m) has been assumed for the General Fund Capital Programme.

12.6 The Council's external authorised borrowing limit for 2021/22 is set at £199m with an operational limit of £181m and no long-term external borrowing as at 31 March 2021. The 2021/22 borrowing is estimated as £19.3m (GF of £11.4m and HRA of £7.9m). 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.

12.7 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 very likely to be realised.

12.8 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.

12.9 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.

12.10 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.

12.11 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 (2021/22). The Council receives the sale proceeds of the Council House.

12.12 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.

12.13 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.

12.14 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.

13 Financial Appraisal

13.1 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves in February 2020.

14 Legal implications

14.1 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.

14.2 Sections 42A 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.

14.3 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.

14.4 <u>Capital finance considerations</u>

The Council has the power under section 1 of the Local Government Act 2003 (LGA 2003) to borrow for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. The Council has the power under section 12 of the LGA 2003 to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.

14.5 Under section 3 the SOS may make regulations governing the use of the borrowing power and section 15 of the LGA 2003 requires that a local authority must "have regard to" such guidance as the SOS may issue and to such other guidance as the SOS may by Regulations specify.

14.6 The SOS has made the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, S.I 2003/3146, as amended ("the Capital Finance Regulations") in relation to the exercise of the borrowing power. Paragraph 24 of the Capital Finance Regulations provides that a local authority must "have regard to" the document entitled "Treasury Management in the Public Service: Code of Practice and Cross-Sectoral Guidance Notes" published by the Chartered Institute of Public Finance and Accountancy ("CIPFA") as may be amended or reissued from time to time. CIPFA has duly issued Treasury Management Guidance.

14.7 The SOS has also issued statutory guidance on local government investments (3rd edition) effective from 1st April 2018. This is primarily about investments made under section 12 LGA 2003 but also relates to borrowing for investments. The SOS view is that an investment includes covers loans made by a local authority company to one of its wholly-owned companies or entities.

14.8 Subsidy Control

The new Subsidy Control regime applies from 1 January 2021 as the EU State aid rules no longer apply due to Brexit. In place of the EU State aid rules the UK has committed to introducing its own domestic subsidy control regime. The recommendations in this report ensure that funding will be given in compliance with these new requirements and that Right to Buy receipts will be used in accordance with all relevant requirements.

15 Risk Management implications.

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

16 Equality analysis

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

17 Conclusion

17.1 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.

18 Appendices

- Appendix 1 - General Fund Budget Summary
- Appendix 2 - MTFS Assumptions
- Appendix 3 - Capital Programme
- Appendix 4 – Risks

19 Background papers

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

- Provisional Local Government Finance Settlement 2021/22

EASTBOURNE BOROUGH COUNCIL GENERAL FUND BUDGET SUMMARY	2020-21 Current Budget	2020-21 Revised Budget	2021-22 Draft Budget
CORPORATE SERVICES	£	£	£
Corporate Management Team	169,600	169,600	169,600
Financial Services Team	732,850	725,950	758,100
Corporate Finance	524,700	524,700	524,000
Internal Audit and Corporate Fraud	216,150	216,150	199,500
Human Resources	368,950	368,950	320,900
Information Technology	1,193,950	1,307,650	1,249,400
Legal Services	254,550	254,550	216,600
Civil Contingencies	42,300	42,300	42,250
Local Democracy	762,350	722,800	817,950
Local Land Charges	(70,400)	(73,050)	(69,750)
	4,195,000	**4,259,600**	**4,228,550**
REGENERATION AND PLANNING			
Director of Regeneration and Planning	41,100	41,100	41,500
Housing Strategy	3,000	3,000	3,000
Business Planning and Performance	897,300	887,050	896,350
Planning	391,900	391,900	301,000
Asset Management	(1,694,050)	(1,219,350)	(1,310,400)
Facilities	204,650	148,350	136,650
Regeneration	193,550	193,550	190,950
	37,450	**445,600**	**259,050**
SERVICE DELIVERY			
Director of Service Delivery	11,700	11,700	12,350
Head of Customer First	51,500	51,500	62,350
Customer Contact	603,600	611,350	645,100
Neighbourhood First	394,200	764,150	721,350
Case Management	523,150	523,150	458,700
Account Management	446,550	443,800	436,650
Specialist Advisors - Licensing, Cemeteries, Coast Protection	1,578,900	1,661,700	1,613,550
Specialist Advisors - Revenues and Benefits	730,175	1,838,900	2,069,850
Specialist Advisors - Waste	3,580,250	3,860,300	4,074,390
Bereavement Services	(1,443,850)	(1,202,300)	(1,297,650)
Homes First - Solarbourne	(344,000)	(215,450)	(200,750)
Homes First - Head of Service	25,550	25,550	26,150
Homes First - Neighbourhood Management (HRA Recharge)	(400,000)	(400,000)	0
Homes First - Housing Needs and Standards	474,025	471,450	747,900
	6,231,750	**8,445,800**	**9,369,940**
TOURISM AND ENTERPRISE			
Director of Tourism and Enterprise	105,600	105,600	107,500
Towner	420,600	419,850	419,850
Tourism	719,300	739,900	678,500
Events	613,450	665,600	549,950
Theatres	10,150	2,043,100	984,350
Sports	590,300	1,142,700	727,200
Seafront	(107,400)	286,150	(107,900)
Heritage	99,350	208,000	105,000
TIC	196,900	282,200	171,850
Catering	(29,550)	574,050	(100,550)
	2,618,700	**6,467,150**	**3,535,750**
Covid-19 Costs	0	1,755,050	0
NET COST OF SERVICES	**13,082,900**	**21,373,200**	**17,393,290**
OTHER OPERATING INCOME & EXPENDITURE			
Contingencies - Income Losses/Additional Cost Pressures	161,350	100,000	250,000
Corporate Efficiency Savings	(2,215,500)	0	0
Income Recovery	0	(2,800,000)	(300,000)
Emergency Covid-19 Grant	0	(1,755,050)	(598,000)
CAPITAL FINANCING & INTEREST	2,285,650	1,996,250	2,590,700
CONTRIBUTIONS TO / (FROM) RESERVES	207,350	207,350	0
NET EXPENDITURE	**13,521,750**	**19,121,750**	**19,335,990**

FINANCING			
Council Tax	(8,771,750)	(8,771,750)	(8,865,800)
Council Tax (Surplus)/Deficit	60,350	60,350	(44,640)
Retained Business Rates	(4,361,250)	(4,361,250)	(4,820,350)
Retained Business Rates Deficit re additional reliefs	0	0	9,870,470
Retained Business Rates Deficit	14,900	14,900	508,090
General government grants:			
Collection Fund Deficit compensation grant	0	0	(295,890)
Section 31 grant - additional business rates reliefs	0	0	(9,870,470)
New Homes Bonus	(332,050)	(332,050)	(31,920)
Localising CT Support Admin Grant	(131,950)	(131,950)	(131,950)
Lower Tier Services Grant	0	0	(155,530)
TOTAL FINANCING	**(13,521,750)**	**(13,521,750)**	**(13,837,990)**
NET BUDGET DEFICIT	**0**	**5,600,000**	**5,498,000**

CMT Savings	(50,000)	(150,000)
Pay award freeze		(288,000)
Recovery & Reset		(850,000)
Community Grant		(60,000)
Redundancy & Set up costs	1,250,000	1,850,000
Application of Capitalisation Direction - to be allocated to costs	**(6,800,000)**	**(6,000,000)**
	0	**0**

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Appendix 2

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 now increase in 2021/22, in line with the Spending Review proposal for public sector pay to be paused, but a 2.5% increase for each year thereafter.

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.

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 previously agreed a formal efficiency plan (Joint Transformation Programme). This enabled the authority to consider flexible use of capital receipts to finance qualifying expenditure. The use of these resources is 'one-off' and therefore does not form part of the Council's ongoing base budget.

The MTFS assumes the flexible use of capital receipts will continue in 2021/22, in order to fund or part fund delivery of the Recovery and Reset Programme. This will be on the basis that qualifying expenditure on a project will deliver ongoing revenue savings. 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 2021/22 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 is to be applied to support cost recovery.

f) Funding

At the time of writing this report, it is anticipated that the final local government finance settlement for 2021/22 will be announced in January but currently no date has been provided. The provisional settlement was announced on 17 December 2020.

The Governments three year Comprehensive Spending Review was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'.

On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review in order to prioritise the response to Covid-19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020.

g) Grant funding

The Council no longer receives any Revenue Support Grant.

Grant funding for all services has been updated based on the latest announcements.

Additional Emergency Covid-19 grant income of £598k has been built in for 2021/22, as well as a new Lower Tier Services grant of £156k to help mitigate the reduction in core spending power.

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 for 2021/22 is based on an increase of 2% (subject to Council approval). Future years are also assumed to increase by 2%. The Council Tax Referendum level for 2021/22 remains unchanged from the previous year at 2% or £5.

The Council Tax Base (the number of Band D equivalent dwellings subject to Council Tax) for 2021/22 has reduced slightly, but for subsequent years no increases have been assumed at this point.

j) Business Rates

The Business Rates multiplier has been frozen at the 2020/21 rate, and there is no increase to the Business Rates baseline funding. The Business Rates collection fund is forecast to be in surplus at the end of 2020/21, and £420k has been built into the 2021/22 budget. The final 2021/22 Business Rates income forecast (NNDR1) is still to be finalised therefore, income has been based on the latest information available.

It is anticipated that the Council's income from Business Rates will increase at an inflationary amount for future years after 2021/22. 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 the Pool will continue for 2021/22.

Appendix 3

Summary of Capital Programme 2020 to 2024

	Estimate Total 2020/21	Estimate Total 2021/22	Estimate Total 2022/23	Estimate Total 2023/24
Capital Programme	**£000**	**£000**	**£000**	**£000**
HRA	11,989	19,820	30,750	22,703
Community Services	2,039	1,901	1,751	1,500
Tourism & Leisure	27	500	-	-
Corporate & Core Services	22,681	13,553	10,110	5,435
Asset Management	1,954	3,480	550	550
Total Programme	**38,690**	**39,254**	**43,161**	**30,188**
Financed By:-				
Capital Receipts HRA	211	429	435	445
1-4-1 RTB Receipts	3,949	4,806	1,180	2,130
Capital Receipts GF	215	2,067	4,350	1,750
Grants and Contributions	3,929	5,224	1,750	1,750
Major Repairs Reserve	5,483	4,348	4,403	4,635
Revenue Contribution to Capital	1,781	3,085	280	218
Reserves	2,765	-	1,207	1,695
Section 106 Contributions	-	27	-	-
Commercial Loans Repaid	11,400			
GF Borrowing	8,957	11,382	6,311	3,070
HRA Borrowing	-	7,886	23,245	14,495
Total Financing	**38,690**	**39,254**	**43,161**	**30,188**

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RISKS	LIKELIHOOD H (HIGH), M (MEDIUM), L (LOW)	IMPACT H (HIGH), M (MEDIUM), L (LOW)	MITIGATING ACTIONS
The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.	L	H	Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.
The ongoing impact of Covid-19 on the Council's available resources and the Recovery and Reset Programme.	H	H	Continue to monitor and report on the financial impact to Corporate Management Team and Cabinet.
Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.	L	H	Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.
Government is continuously reducing its departmental spending budget. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.	H	H	Take advantage of the Council's growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.
Budget pressures arising from housing and economic growth and other demographic changes.	H	H	Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.
Uncertain medium term sustainability of incentivised income areas subject to the on-going	H	H	Constantly monitor information and update risk appraisals and financial projections. Provide timely

impact of Covid-19, Government policy, economic factors, and revaluation e.g. Brexit, business rates and New Homes Bonus.			briefings and updates to Members/key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.
Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.	H	H	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and income variances reflecting the wider economy.	M	M	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension Scheme.	H	M	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	L	L	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
The Council has entered into a number of strategic partnerships and contracts and is therefore susceptible to price changes.	M	H	Effective negotiation, sound governance arrangements and regular reviews of performance and partnership risks.
There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.	L	H	Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation, and review any external auditor comments.

Loss of key skills, resources and expertise.	M	M	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied.
Changes of responsibility from Government can adversely impact on service priorities and objectives.	L	L	Sound system of service and financial planning in place. Lobby as appropriate.
Loss of reputation if unforeseen resource constraints result in unplanned service reductions.	L	H	Have in place strong governance and risk management discipline followed by identification and implementation of robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.

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Agenda Item 10

Report to:	**Cabinet**
Date:	**10 February 2021**
Title:	**Treasury Management and Prudential Indicators 2021/22, Capital Strategy and Investment Strategy**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Holt, Portfolio Holder 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 2021/22 as set out in Appendix A;** **b. Approve the Minimum Revenue Provision Policy Statement 2021/22 as set out at paragraph 8;** **c. Approve the Prudential and Treasury Indicators 2021/22 to 2023/24, 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 management);

- Capital Strategy.

1.2 The Council has adopted CIPFA's Treasury Management code of Practice and 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 Council will continues to regularly review the position on its long-term borrowing requirement, it affordability and the capital financing costs impact on the Council future fiancnaiol planning. Borrowing will only be undertaken for temporary liquidity or to fund the capital programme and will be undertaken as necessary in accordance with the 2021/22 borrowing strategy. The Council will continue to assess all financing options when making long term borrowing decisions to achieve best financial value for the Council.

1.5 The HM Treasury has recently published details of new Public Works Loans Board (PWLB) lending terms reducing rates by 1% from 26 November 2020 but also confirming that it will **not lend to an authority that plans to buy investment property primarily for yield** anywhere in their capital plans. The Council will therefore no longer seek to purchase investment properties primarily for the return they provide.

1.6 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.

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

The Council uses Link Market Services 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

2.1 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 2021/22 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 The Council has adopted an annuity method, under this 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 MRP Policy Statement (Section 8) reflects this policy.

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 2020/21, 2021/22, 2022/23 and 2023/24 are set as £7.9m, £18.3m, £28.4m and £16.2, 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 Minimum Revenue Provision Policy has been 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 10 February 2021;
- Finance Matters and Performance Monitoring Reports 2020;
- 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.

2021/22

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 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.

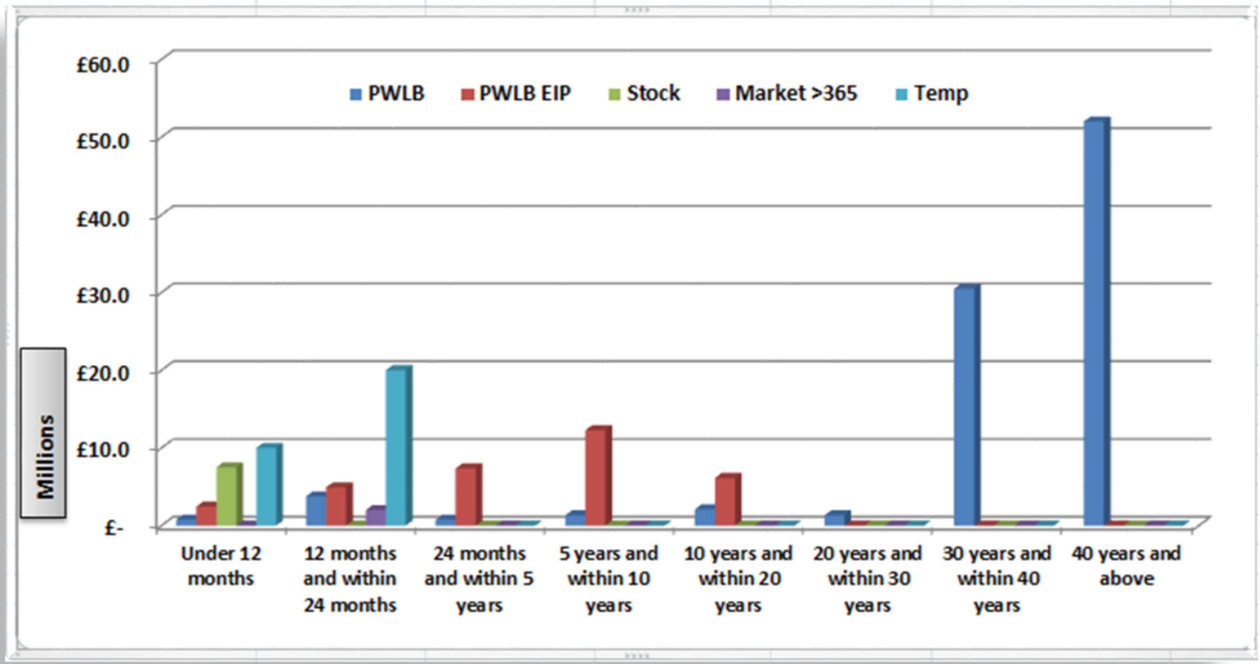
The Prudential Framework (including statutory guidance and the Prudential Code itself) allows local authorities the flexibility to take their own decisions; provided that the decisions taken are prudent, affordable and sustainable and that they have regard to the statutory guidance. However, local authorities 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 2021/22

5.1 Current Borrowing Position

The Council's long-term external borrowing (excluding finance lease arrangements) is projected to be £160m at 31 March 2021 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 3.05%. 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 2020, showing the outstanding level of loans each year, is shown in **Graph 1** below:



6

5.2 Prospects for Interest Rates

The Council appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 11.8.20. However, following the conclusion of the review of PWLB margins over gilt yields on 25.11.20, all forecasts below have been reduced by 1%. These are forecasts for certainty rates, gilt yields plus 80bps:

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings to 16th December, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected in the near-term as economic recovery is expected to be only gradual and, therefore, prolonged. These forecasts were based on an assumption that a Brexit trade deal would be agreed by 31.12.20: as this has now occurred, these forecasts do not need to be revised.

Gilt yields / PWLB rates

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 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.

The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bonds yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had, therefore, already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up in March, we have subsequently seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

As the interest forecast table for PWLB certainty rates above shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. 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, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

5.3 Investment and borrowing rates

- **Investment returns** are likely to remain exceptionally low during 2021/22 with little increase in the following two years.
- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to six years were negative during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. The unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps in October 2019, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for reviewing the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure.
- It also introduced the following rates for borrowing for different types of capital expenditure: -
    - **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
    - **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- As a consequence of these increases in margins, many local authorities decided to refrain from PWLB borrowing unless it was for HRA or local infrastructure financing, until such time as the review of margins was concluded.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The new margins over gilt yields are as follows: -.
    - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
    - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
    - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
    - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

- **Borrowing for capital expenditure.** As Link's long-term forecast for Bank Rate is 2.00%, and all PWLB rates are under 2.00%, there is now value in borrowing from the PWLB for all types of capital expenditure for all maturity periods, especially as current rates are at historic lows. The Council will assess its risk appetite in conjunction with budgetary pressures to reduce total interest costs. Although short-term interest rates are cheapest, longer-term borrowing could also be undertaken for the purpose of certainty, where that is desirable.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, and to replace maturing debt, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

5.4 Borrowing Strategy for 2021/22

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 need 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 November 2021 to September 2068. The Council's Draft Revenue Budget and Capital Programme 2021/22 to 2023/24 forecasts £112.6m of capital investment over the next three years with £46.2m to be met from existing or new resources. The amount of new borrowing required over this period is therefore £66.4m (HRA of £45.6m and GF of £20.8m) as shown in **Table 2** below.

Capital Expenditure Table 2	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund	14.3	11.2	12.5	7.4	5.3
HRA	4.5	12.0	19.8	30.8	22.7
Commercial Activities/non-financial investments	15.0	15.5	6.9	5.0	2.2
Total	**33.8**	**38.7**	**39.2**	**43.2**	**30.2**
Financed by:					
Capital receipts	3.6	15.9	7.4	6.0	4.3
Capital grants	2.6	3.9	5.2	1.8	1.8
Capital reserves	4.2	8.3	4.4	5.6	6.3
Revenue	0.0	1.8	3.1	0.3	0.2
Net borrowing needed for the year	**23.4**	**8.8**	**19.1**	**29.5**	**17.6**

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	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Capital Financing Requirement	**£m**	**£m**	**£m**	**£m**	**£m**
CFR – General Fund	79.8	68.0	71.6	71.7	71.2
CFR - housing	42.6	46.8	54.6	77.9	92.4
Commercial Activities/non-financial investments	50.4	65.9	72.8	77.8	80.0
Total CFR	**172.8**	**180.7**	**199.0**	**227.4**	**243.6**
Movement in CFR	**22.9**	**7.9**	**18.3**	**28.4**	**16.2**
Movement in CFR represented by					
Net financing needed for the year (above)	23.4	8.8	19.1	29.5	17.6
Less MRP/VRP and other financing movements	(0.5)	(0.9)	(0.8)	(1.1)	(1.4)
Movement in CFR	**22.9**	**7.9**	**18.3**	**28.4**	**16.2**

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 £0.9m 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	**2019/20 Actual**	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
External borrowing					
GF Borrowing at 1 April	81.0	104.3	113.3	124.7	131.0
GF Expected change in borrowing	23.3	9.0	11.4	6.3	3.1
Other long-term liabilities (OLTL)	0.1	0.0	0.0	0.0	0.0
Expected change in OLTL	(0.1)	0.0	0.0	0.0	0.0
GF Actual gross borrowing at 31 March	**104.3**	**113.3**	**124.7**	**131.0**	**134.1**
HRA Borrowing at 1 April	42.6	42.6	46.7	54.6	77.8
HRA Expected change in borrowing	0.0	4.1	7.9	23.2	14.5
HRA Actual gross borrowing at 31 March	**42.6**	**46.7**	**54.6**	**77.8**	**92.3**

Table 3	2019/20 Actual	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate
	£m	£m	£m	£m	£m
Total Actual gross borrowing **at 31 March**	**146.9**	**160.0**	**179.3**	**208.8**	**226.4**
Total CFR – the borrowing need	172.8	180.7	199.0	227.4	243.6
Under/ (over) borrowing	**25.9**	**20.7**	**19.7**	**18.6**	**17.2**

The Council is currently maintaining an under-borrowed position as it previously took advantage of historic low borrowing rates. As at the end of 2020/21, the Council is projected to be under borrowed by £20.7m, £19.7m, £18.6m, £17.2m between 2021/22 and 2023/24. This means that the capital financial requirement has been financed by existing resources and loan debt.

5.5 PWLB Loans

It is important to restate that borrowing is only used to fund the capital programme so the level of borrowing should not exceed the CFR for any meaningful amount of time. As previously stated, the CFR (Capital Financing Requirement) is the amount of capital expenditure the Council has financed by internal or external borrowing. The current assumption is that internal borrowing is prioritised over externalising debt, however, officers will monitor external rates of borrowing and the sustainability of using internal borrowing to determine if it becomes more beneficial to externalise the debt and invest core cash in deposits or investment funds.

The PWLB can lend for up to 50 years and also for the short term to Local Government. The PWLB is the source of loans/funds if no other lender can provide finance. The Government after a period of consultation has announced that the PWLB will not lend to an authority that plans to buy investment assets primarily for yield that is identified in their capital programme. The Chief Finance Officer will be expected by the PWLB to certify that no such purposes are planned. The CIPFA guidance by which Local Authority treasury management is assessed and governed is also likely to be altered to encourage further restriction of borrowing to fund investment purchases.

From a Treasury Management perspective, it is recommended that the PWLB should be retained as a borrowing option and therefore the purchase of investment properties primarily for yield should be excluded from the capital programme. This is recommended not only due to the reduced rates now available through PWLB but due to the backstop accessibility of this source of borrowing.

The Council will not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the prudential code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes and must not use internal borrowing to temporarily support investments purely for yield.

If the Council wishes to on-lend money to deliver objectives in an innovative way, the government would expect that spending to be reported in the most appropriate category (service spending, housing, economic regeneration, preventative action, or treasury management) based on the eventual use of the money.

5.6 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 - The Municipal Bond 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.

5.7 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.

5.8 Debt Rescheduling

Rescheduling of current borrowing in our debt portfolio is unlikely to occur as the 100 bps increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates.

Officers will 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).

5.9 New financial institutions as a source of borrowing

Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:

- Local authorities (primarily shorter dated maturities out to 3 years or so – still cheaper than the Certainty Rate).
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years).
- Municipal Bonds Agency (possibly still a viable alternative depending on market circumstances prevailing at the time).

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, and our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5.10 Continual Review

Treasury officers will 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 2021/22 to 2024/25

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	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
Capital Expenditure £m (gross) Council's capital expenditure plans	£38.7m	£39.2m	£43.2m	£30.2m
Capital Financing Requirement £m Measures the underlying need to borrow for capital purposes (including Leases)	£180.7m	£199.0m	£227.4m	£243.6m
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%	30.5%	35.7%	39.1%

The Capital Expenditure (gross) figures above with respect to the financial year of 2020/21, include the Secretary of State approval of capitalisation direction to fund revenue expenditure not exceeding £6.8m, and with respect to the financial year of 2021/22 a capitalisation direction not exceeding £6m.

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 2021/22 to 2024/25 are set out in **Table 5** below:

Table 5	**2021/22 Estimate £m**	**2022/23 Estimate £m**	**2023/24 Estimate £m**	**2024/25 Estimate £m**
Authorised Limit for External Debt £m*	199	219	250	268
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*	181	199	227	244
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 2021/22

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.

Bank Rate is unlikely to rise from 0.10% for a considerable period. It is very difficult to say when it may start rising so it may be best to assume that investment earnings from money market-related instruments will be sub 0.50% for the foreseeable future. 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 (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	
2020/21	0.10%
2021/22	0.10%
2022/23	0.10%
2023/24	0.10%
2024/25	0.25%
Long term later years	2.00%

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.

- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, or a return of investor confidence in equities, could impact gilt yields, (and so PWLB rates), in the UK.

7.4 Negative investment rates

While the Bank of England said in August / September 2020 that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, and in November omitted any mention of negative rates in the minutes of the meeting of the Monetary Policy Committee, some deposit accounts are already offering negative rates for shorter periods. As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the COVID crisis; this has caused some local authorities to have sudden large increases in cash balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

As for money market funds (MMFs), yields have continued to drift lower. Some managers have already resorted to trimming fee levels to ensure that net yields for investors remain in positive territory where possible and practical. Investor cash flow uncertainty, and the need to maintain liquidity in these unprecedented times, has meant there is a surfeit of money swilling around at the very short end of the market. This has seen a number of market operators, now including the DMADF, offer nil or negative rates for very short-term maturities. This is not universal, and MMFs are still offering a marginally positive return, as are a number of financial institutions for investments at the very short end of the yield curve.

Inter-local authority lending and borrowing rates have also declined due to the surge in the levels of cash seeking a short-term home at a time when many local authorities are probably having difficulties over accurately forecasting when disbursements of funds received will occur or when further large receipts will be received from the Government.

7.5 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	**2021/22**	**2022/23**	**2023/24**
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.

7.6 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 2020/21 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. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023.

7.7 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 (only applies to nationalised or semi nationalised UK Banks)*
- *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 officer's 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.

7.8 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 per fund	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

Table 7	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Development Bank of Singapore	Singapore	TD / CD's	£5m	1 yr
Overseas Chinese Banking Corp	Singapore	TD / CD's	£5m	1 yr
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

7.9 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.

7.10 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 2020:

Investment	Facility £000	Int Rate
CloudConnX	357	1.5%+Base
EHIC – Loan Facility	12,456	4.50%
EHIC – Loan Facility	11,400	3.00%
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%

7.11 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.

7.12 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 – 2021/22

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 relates. 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.

A review of MRP was previously 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 2021/22 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 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.

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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 2021/22

	Fitch Rating					Moody's Ratings			S&P Ratings						
2021/22 Counterparty/Bank List	**Long Term Status**	**Long Term**	**Short Term**	**Viability Status**	**Viability**	**Long Term Status**	**Long Term**	**Short Term**	**Long Term Status**	**Long Term**	**Short Term**	**Suggested Duration**	**Suggested Duration (Watch/Outlook Adjusted)**	**CDS Price**	**Invest. Limit**
Australia	NO	AAA				SB	Aaa		NO	AAA		Not Applicable	Not Applicable	13.48	£5m
Australia and New Zealand Banking Group Ltd.	NO	A+	F1		a+	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	23.46	£5m
Commonwealth Bank of Australia	NO	A+	F1		a+	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	24.68	£5m
Macquarie Bank Ltd.	NO	A	F1		a	SB	A2	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths		£5m
National Australia Bank Ltd.	NO	A+	F1		a+	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	24.68	£5m
Westpac Banking Corp.	NO	A+	F1		a+	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths	25.67	£5m
Belgium	NO	AA-				SB	Aa3		SB	AA		Not Applicable	Not Applicable	8.20	
BNP Paribas Fortis	NO	A+	F1		a	SB	A1	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths		£5m
KBC Bank N.V.	NO	A+	F1		a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Canada	SB	AA+				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	37.87	
Bank of Montreal	NO	AA-	F1+		aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Bank of Nova Scotia	NO	AA-	F1+		aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Canadian Imperial Bank of Commerce	NO	AA-	F1+		aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
National Bank of Canada	NO	A+	F1		a+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5m
Royal Bank of Canada	NO	AA	F1+		aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
Toronto-Dominion Bank	NO	AA-	F1+		aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
Denmark	SB	AAA				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	6.12	
Danske A/S	NO	A	F1		a	NO	A2	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	28.30	£5m
Finland	SB	AA+				SB	Aa1		SB	AA+		Not Applicable	Not Applicable	9.35	
Nordea Bank Abp	NO	AA-	F1+		aa-	SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
OP Corporate Bank plc		WD	WD			SB	Aa3	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
France	NO	AA				SB	Aa2		SB	AA		Not Applicable	Not Applicable	9.50	
BNP Paribas	NO	A+	F1		a+	SB	Aa3	P-1	NO	A+	A-1	O - 12 mths	O - 12 mths	35.06	£5m
Credit Agricole Corporate and Investment Bank	NO	A+	F1		WD	SB	Aa3	P-1	NO	A+	A-1	O - 12 mths	O - 12 mths	24.69	£5m

2021/22 Counterparty/Bank List	Fitch Rating					Moody's Ratings			S&P Ratings						
	Long Term Status	Long Term	Short Term	Viability Status	Viability	Long Term Status	Long Term	Short Term	Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	Invest. Limit
Credit Agricole S.A.	NO	A+	F1		a+	SB	Aa3	P-1	NO	A+	A-1	O - 12 mths	O - 12 mths	28.31	£5m
Credit Industriel et Commercial	NO	A+	F1		a+	SB	Aa3	P-1	NO	A	A-1	R - 6 mths	R - 6 mths		£5m
Societe Generale	SB	A-	F1		a-	SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths	37.33	£5m
Germany	SB	AAA				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.61	
Bayerische Landesbank	NO	A-	F1		bbb	SB	Aa3	P-1		NR	NR	R - 6 mths	R - 6 mths		£5m
Commerzbank AG	NO	BBB	F2		bbb	SB	A1	P-1	NO	BBB+	A-2	G - 100 days	G - 100 days	41.56	£5m
Deutsche Bank AG	NO	BBB	F2		bbb	SB	A3	P-2	NO	BBB+	A-2	N/C - 0 mths	N/C - 0 mths	60.76	£5m
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	NO	AA-	F1+			NO	Aa1	P-1	NO	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
Landesbank Baden-Wuerttemberg	NO	A-	F1		bbb	SB	Aa3	P-1		NR	NR	R - 6 mths	R - 6 mths		£5m
Landesbank Berlin AG						SB	Aa2	P-1				O - 12 mths	O - 12 mths		£5m
Landesbank Hessen-Thueringen Girozentrale	NO	A+	F1+			SB	Aa3	P-1	NO	A	A-1	O - 12 mths	O - 12 mths	54.43	£5m
Landwirtschaftliche Rentenbank	SB	AAA	F1+			SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5m
Norddeutsche Landesbank Girozentrale	NO	A-	F1		bb	SB	A3	P-2		NR	NR	G - 100 days	G - 100 days		£5m
NRW.BANK	SB	AAA	F1+			SB	Aa1	P-1	SB	AA	A-1+	P - 24 mths	P - 24 mths		£5m
Netherlands	SB	AAA				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.36	
ABN AMRO Bank N.V.	NO	A	F1		a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5m
Bank Nederlandse Gemeenten N.V.	SB	AAA	F1+			SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5m
Cooperatieve Rabobank U.A.	NO	A+	F1		a+	SB	Aa3	P-1	NO	A+	A-1	O - 12 mths	O - 12 mths	21.24	£5m
ING Bank N.V.	NO	AA-	F1+		a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	21.24	£5m
Nederlandse Waterschapsbank N.V.						SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths		£5m
Sweden	SB	AAA				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	9.10	
Skandinaviska Enskilda Banken AB	NO	AA-	F1+		aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Svenska Handelsbanken AB	NO	AA	F1+		aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
Swedbank AB	SB	A+	F1		a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Switzerland	SB	AAA				SB	Aaa		SB	AAA		Not Applicable	Not Applicable	19.00	

2021/22 Counterparty/Bank List	Fitch Rating					Moody's Ratings			S&P Ratings						
	Long Term Status	Long Term	Short Term	Viability Status	Viability	Long Term Status	Long Term	Short Term	Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	Invest. Limit
Credit Suisse AG	SB	A	F1		a-	PO	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	46.92	£5m
UBS AG	NO	AA-	F1+		a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	27.10	£5m
United Kingdom	NO	AA-				SB	Aa3		SB	AA		Not Applicable	Not Applicable	13.83	
Abbey National Treasury Services PLC	NO	A+	F1			SB	A1	P-1				R - 6 mths	R - 6 mths		£5m
Al Rayan Bank Plc						SB	A1	P-1				R - 6 mths	R - 6 mths		£5m
Bank of Scotland PLC (RFB)	NO	A+	F1		a	SB	A1	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	49.66	£5m
Barclays Bank PLC (NRFB)	NO	A+	F1		a	SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths	56.24	£5m
Barclays Bank UK PLC (RFB)	NO	A+	F1		a	NO	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths		£5m
Close Brothers Ltd	NO	A-	F2		a-	NO	Aa3	P-1				R - 6 mths	R - 6 mths		£5m
Clydesdale Bank PLC	NO	A-	F2		bbb+	SB	Baa1	P-2	NO	BBB+	A-2	N/C - 0 mths	N/C - 0 mths		£5m
Co-operative Bank PLC (The)	NW	B-	B	NW	b-	SB	B3	NP				N/C - 0 mths	N/C - 0 mths		£5m
Goldman Sachs International Bank	NO	A+	F1			SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	51.28	£5m
Handelsbanken Plc	NO	AA	F1+						SB	AA-	A-1+	O - 12 mths	O - 12 mths		£5m
HSBC Bank PLC (NRFB)	NO	AA-	F1+		a	SB	A1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	33.63	£5m
HSBC UK Bank Plc (RFB)	NO	AA-	F1+		a	NO	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Lloyds Bank Corporate Markets Plc (NRFB)	NO	A+	F1			SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths		£5m
Lloyds Bank Plc (RFB)	NO	A+	F1		a	SB	A1	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	35.97	£5m
NatWest Markets Plc (NRFB)	NO	A+	F1		WD	PO	Baa2	P-2	NO	A-	A-2	G - 100 days	G - 100 days	56.95	£5m
Santander UK PLC	NO	A+	F1		a	SB	A1	P-1	NO	A	A-1	R - 6 mths	R - 6 mths		£5m
Standard Chartered Bank	NO	A+	F1		a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	33.16	£5m
Sumitomo Mitsui Banking Corporation Europe Ltd	NO	A	F1			SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	35.86	£5m
Coventry Building Society	NO	A-	F1		a-	NO	A2	P-1				R - 6 mths	R - 6 mths		£5m
Leeds Building Society	NO	A-	F1		a-	NO	A3	P-2				G - 100 days	G - 100 days		£5m
Nationwide Building Society	NO	A	F1		a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths		£5m
Nottingham Building Society						NO	Baa2	P-2				N/C - 0 mths	N/C - 0 mths		£5m

2021/22 Counterparty/Bank List	Fitch Rating					Moody's Ratings			S&P Ratings						
	Long Term Status	Long Term	Short Term	Viability Status	Viability	Long Term Status	Long Term	Short Term	Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	Invest. Limit
Principality Building Society	NO	BBB+	F2		bbb+	NO	Baa2	P-2				N/C - 0 mths	N/C - 0 mths		£5m
Skipton Building Society	NO	A-	F1		a-	SB	Baa1	P-2				G - 100 days	G - 100 days		£5m
West Bromwich Building Society						NO	Ba3	NP				N/C - 0 mths	N/C - 0 mths		£5m
Yorkshire Building Society	NO	A-	F1		a-	NO	A3	P-2				G - 100 days	G - 100 days		£5m
National Westminster Bank PLC (RFB)	NO	A+	F1		a	SB	A1	P-1	NO	A	A-1	B - 12 mths	B - 12 mths		£5m
The Royal Bank of Scotland Plc (RFB)	NO	A+	F1		a	SB	A1	P-1	NO	A	A-1	B - 12 mths	B - 12 mths		£5m
United States	NO	AAA					Aaa		SB	AA+		Not Applicable	Not Applicable	7.58	
Bank of America N.A.	SB	AA-	F1+		a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
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	£5m
Citibank N.A.	NO	A+	F1		a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	48.73	£5m
JPMorgan Chase Bank N.A.	NO	AA	F1+		aa-	SB	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths		£5m
Wells Fargo Bank, NA	NO	AA-	F1+		a+	NO	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	54.54	£5m

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'

ECONOMIC BACKGROUND

The Link Treasury Services Limited Economic & Interest Rate Forecast and underlying assumptions are:

- **UK.** The key quarterly meeting of the Bank of England Monetary Policy Committee kept **Bank Rate** unchanged on 5.11.20. However, it revised its economic forecasts to take account of a second national lockdown from 5.11.20 to 2.12.20 which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE, announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at that time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expected there to be excess demand in the economy by Q4 2022.
    - CPI inflation was therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance in August** was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase, (or decrease), through to quarter 1 2024 but there could well be no increase during the next five years as it will take some years to eliminate spare capacity in the economy, and therefore for inflationary pressures to rise to cause the MPC concern. **Inflation** is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern.
- However, the minutes did contain several references to **downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said, "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. **Upside risks** included the early roll out of effective vaccines.
- **COVID-19 vaccines.** We had been waiting expectantly for news that various COVID-19 vaccines would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, this vaccine has demanding cold

storage requirements of minus 70c that impairs the speed of application to the general population. It has therefore been particularly welcome that the Oxford University/AstraZeneca vaccine has now also been approved which is much cheaper and only requires fridge temperatures for storage. The Government has 60m doses on order and is aiming to vaccinate at a rate of 2m people per week starting in January, though this rate is currently restricted by a bottleneck on vaccine production; (a new UK production facility is due to be completed in June).

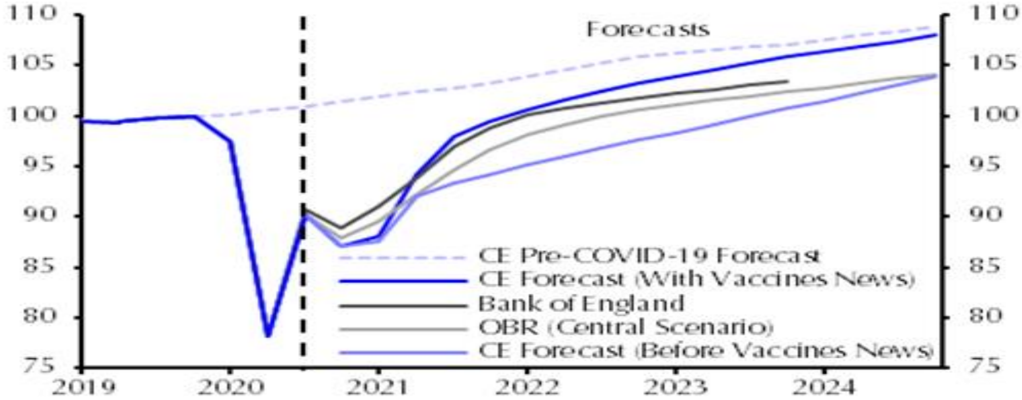
- These announcements, plus expected further announcements that other vaccines could be approved soon, have enormously boosted confidence that **life could largely return to normal during the second half of 2021**, with activity in the still-depressed sectors like restaurants, travel and hotels returning to their pre-pandemic levels; this would help to bring the unemployment rate down. With the household saving rate having been exceptionally high since the first lockdown in March, there is plenty of pent-up demand and purchasing power stored up for these services. A comprehensive roll-out of vaccines might take into late 2021 to fully complete; but if these vaccines prove to be highly effective, then there is a possibility that restrictions could start to be eased, beginning possibly in Q2 2021 once vulnerable people and front-line workers have been vaccinated. At that point, there would be less reason to fear that hospitals could become overwhelmed any more. Effective vaccines would radically improve the economic outlook once they have been widely administered; it may allow GDP to rise to its pre-virus level a year earlier than otherwise and mean that the unemployment rate peaks at 7% in 2021 instead of 9%.
- **Public borrowing** was forecast in November by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, (as has similarly occurred with QE and debt issued in the US, the EU and Japan). This means that new UK debt being issued, and this is being done across the whole yield curve in all maturities, is locking in those historic low levels through until maturity.
- In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Overall, **the pace of recovery** was not expected to be in the form of a rapid V shape, but a more elongated and prolonged one. The initial recovery was sharp after quarter 1 saw growth at -3.0% followed by -18.8% in quarter 2 and then an upswing of +16.0% in quarter 3; this still left the economy 8.6% smaller than in Q4 2019. It is likely that the one-month national lockdown that started on 5th November, will have caused a further contraction of 8% m/m in November so the economy may have then been 14% below its pre-crisis level.
- **December 2020 / January 2021**. Since then, there has been rapid backtracking on easing restrictions due to the spread of a new mutation of the virus, and severe restrictions were imposed across all four nations. These restrictions were changed on 5.1.21 to national lockdowns of various initial lengths in each of the four nations as the NHS was under extreme pressure. It is now likely that wide swathes of the UK will remain under these new restrictions for some months; this means that the near-term outlook for the economy is grim. However, the distribution of vaccines and the expected consequent removal of COVID-19 restrictions, should allow GDP to rebound rapidly in

the second half of 2021 so that the economy could climb back to its pre-pandemic peak as soon as late in 2022.

- Provided that both monetary and fiscal policy are kept loose for a few years yet, then it is still possible that in the second half of this decade, the economy may be no smaller than it would have been if COVID-19 never happened. The significant caveat is if another mutation of COVID-19 appears that defeats the current batch of vaccines. However, now that science and technology have caught up with understanding this virus, new vaccines ought to be able to be developed more quickly to counter such a development and vaccine production facilities are being ramped up around the world.

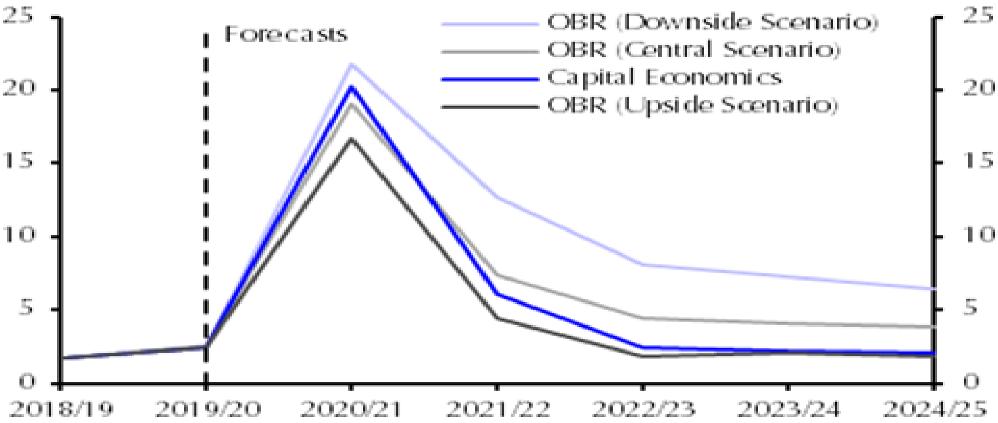
Chart: Level of real GDP (Q4 2019 = 100)

Cha



- This recovery of growth which eliminates the effects of the pandemic by about the middle of the decade would have major repercussions for public finances as it would be consistent with the government deficit falling to around 2.5% of GDP without any tax increases. This would be in line with the OBR's most optimistic forecast in the graph below, rather than their current central scenario which predicts a 4% deficit due to assuming much slower growth. However, Capital Economics forecasts assumed that there is a reasonable Brexit deal and also that politicians do not raise taxes or embark on major austerity measures and so, (perversely!), depress economic growth and recovery.

Chart: Public Sector Net Borrowing (as a % of GDP)



- There will still be some **painful longer term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- **Brexit.** While the UK has been gripped by the long running saga of whether or not a deal would be made by 31.12.20, the final agreement on 24.12.20, followed by ratification by Parliament and all 27 EU countries in the following week, has eliminated a significant downside risk for the UK economy. The initial agreement only covers trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. As the forecasts in this report were based on an assumption of a Brexit agreement being reached, there is no need to amend these forecasts.

- **Monetary Policy Committee meeting of 17 December.** All nine Committee members voted to keep interest rates on hold at +0.10% and the Quantitative Easing (QE) target at £895bn. The MPC commented that the successful rollout of vaccines had reduced the downsides risks to the economy that it had highlighted in November. But this was caveated by it saying, "Although all members agreed that this would reduce downside risks, they placed different weights on the degree to which this was also expected to lead to stronger GDP growth in the central case." So, while the vaccine is a positive development, in the eyes of the MPC at least, the economy is far from out of the woods. As a result of these continued concerns, the MPC voted to extend the availability of the Term Funding Scheme, (cheap borrowing), with additional incentives for small and medium size enterprises for six months from 30.4.21 until 31.10.21. (The MPC had assumed that a Brexit deal would be agreed.)

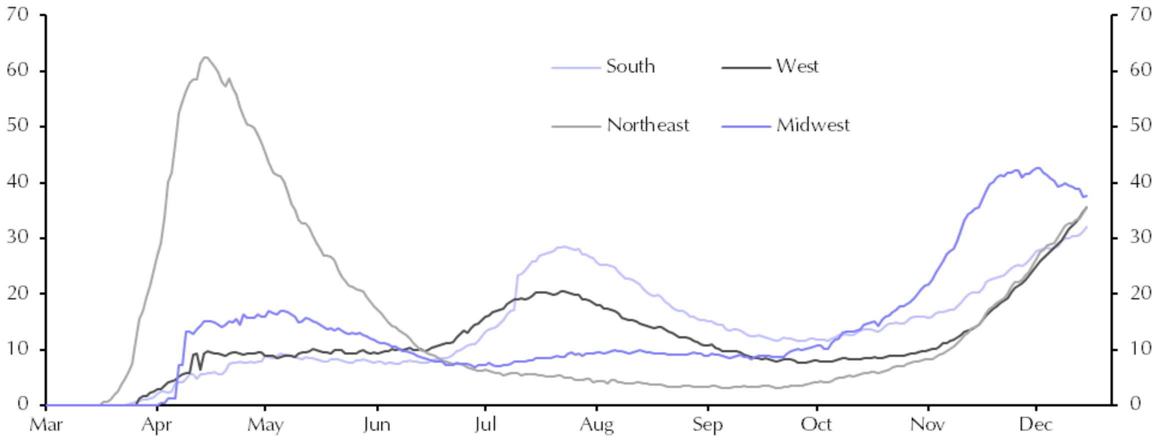
- **Fiscal policy.** In the same week as the MPC meeting, the Chancellor made a series of announcements to provide further support to the economy: -
  - An extension of the COVID-19 loan schemes from the end of January 2021 to the end of March.
  - The furlough scheme was lengthened from the end of March to the end of April.
  - The Budget on 3.3.21 will lay out the "next phase of the plan to tackle the virus and protect jobs". This does not sound like tax rises are imminent, (which could hold back the speed of economic recovery).

- The **Financial Policy Committee** (FPC) report on 6.8.20 revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment, "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

- **US.** The result of **the November elections** meant that while the Democrats gained the presidency and a majority in the House of Representatives, it looks as if the Republicans could retain their slim majority in the Senate provided they keep hold of two key seats in Georgia in elections in early January. If those two seats do swing to the Democrats, they will then control both Houses and President Biden will consequently have a free hand to determine policy and to implement his election manifesto.
- **The economy** had been recovering quite strongly from its contraction in 2020 of 10.2% due to the pandemic with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4,

to the highest level since mid-August, suggests that the US could be in the early stages of a fourth wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the third wave in the Midwest looks as if it now abating. However, it also looks as if the virus is rising again in the rest of the country. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 hospitalisations per 100,000 population



- The restrictions imposed to control the spread of the virus are once again weighing on the economy with employment growth slowing sharply in November and retail sales dropping back. The economy is set for further weakness in December and into the spring. However, a $900bn fiscal stimulus deal passed by Congress in late December will limit the downside through measures which included a second round of direct payments to households worth $600 per person and a three-month extension of enhanced unemployment insurance (including a $300 weekly top-up payment for all claimants). GDP growth is expected to rebound markedly from the second quarter of 2021 onwards as vaccines are rolled out on a widespread basis and restrictions are loosened.

- **EU.** In early December, the figures for Q3 GDP confirmed that the economy staged a rapid rebound from the first lockdowns. This provides grounds for optimism about growth prospects for next year. In Q2, GDP was 15% below its pre-pandemic level. But in Q3 the economy grew by 12.5% q/q leaving GDP down by "only" 4.4%. That was much better than had been expected earlier in the year. However, growth is likely to stagnate during Q4 and in Q1 of 2021, as a second wave of the virus has affected many countries: it is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the countries most affected by the first wave.

- With inflation expected to be unlikely to get much above 1% over the next two years, **the ECB** has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. The ECB's December meeting added a further €500bn to the PEPP scheme, (purchase of government and other bonds), and extended the duration of the programme to March 2022 and re-investing maturities for an additional year until December 2023. Three additional tranches of TLTRO, (cheap loans to banks), were approved, indicating that support will last beyond the impact of the pandemic, implying indirect yield curve control for government bonds for some time ahead. The Bank's forecast for a return to pre-virus activity levels was pushed back to the end of 2021, but stronger growth is projected in 2022. The total PEPP scheme of €1,850bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle before later in quarter 2 of 2021.

- **World growth.** World growth will have been in recession in 2020. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.
- Until recent years, world growth has been boosted by increasing **globalisation** i.e. countries specialising in producing goods and commodities in which they have an economic advantage and which they then trade with the rest of the world. This has boosted worldwide productivity and growth, and, by lowering costs, has also depressed inflation. However, the rise of China as an economic superpower over the last thirty years, which now accounts for nearly 20% of total world GDP, has unbalanced the world economy. The Chinese government has targeted achieving major world positions in specific key sectors and products, especially high-tech areas and production of rare earth minerals used in high tech products. It is achieving this by massive financial support, (i.e. subsidies), to state owned firms, government directions to other firms, technology theft, restrictions on market access by foreign firms and informal targets for the domestic market share of Chinese producers in the selected sectors. This is regarded as being unfair competition that is putting western firms at an unfair disadvantage or even putting some out of business. It is also regarded with suspicion on the political front as China is an authoritarian country that is not averse to using economic and military power for political advantage. The current trade war between the US and China therefore needs to be seen against that backdrop. It is, therefore, likely that we are heading into a period where there will be a **reversal of world globalisation and a decoupling of western countries** from dependence on China to supply products. This is likely to produce a backdrop in the coming years of weak global growth and so weak inflation.

Summary

- Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.
- If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

INTEREST RATE FORECASTS

Brexit. The interest rate forecasts provided by Link in paragraph 3.3 were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. There is therefore no need to revise these forecasts now that a trade deal has been agreed. Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside, but is still subject to some uncertainty due to the virus and the effect of any mutations, and how quick vaccines are in enabling a relaxation of restrictions.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next two or three years. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.
- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** 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 subsequent state elections, but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader, but she will remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland 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, and they had threatened to derail the 7-year EU budget until a compromise was thrashed out in late 2020. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

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

- **UK -** a significant rise in inflationary pressures e.g. caused by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population, leading to a rapid resumption of normal life and return to full economic activity across all sectors of the economy.
- 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 rapid series of increases in Bank Rate to stifle inflation.

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 and the key objectives are to deliver a capital programme that:

- Ensure the Council's capital assets are used to support the Council's vision;
- Reduce ongoing commitments/schemes;
- Reduce the current and projected level of borrowing;
- Reduce borrowing impacts on the Council's revenue budget;
- Increase capital programme partnership/support opportunities;
- Links with the Council's asset management/disposal plan;
- Is affordable, financially prudent and sustainable;
- Ensure the most cost-effective use of existing assets and new capital investment.

1.2 The Capital Strategy is a 'living document' and will be periodically, usually annually, updated to reflect changing local circumstances and other significant developments. The Strategy outlines the council's approach to capital investment, ensuring that it is in line with the council's corporate priorities. It is good practice that capital strategy and asset management/disposal plans are regularly reviewed and revised to meet the changing priorities and circumstances of the Council.

1.3 The strategy provides an important link between the ambitions set out in the Council's longer term vision and Council Plan and the important investment in infrastructure that will help turn that vision into a reality. The economic climate and financial challenges due to COVID-19 are thought-provoking. However, the Council is committed to investing now for the longer term and financing that commitment will be made possible by the Council's financial resilience that continue to be developed through various themes and ongoing initiatives, including –

- Recovery and Reset Programme/Best use of Assets review;
- Medium Term Financial Strategy;
- Prudential Code/Treasury Management Strategy, etc.

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 Statement of Accounts.

2.1.3 In 2021/22, EBC is planning capital expenditure of £39.9 million (and £28.9 million over the next two years) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**
General Fund	11.2	12.5	7.4	5.3
HRA	12.0	19.8	30.8	22.7
Commercial Activities/non-financial investments	15.5	6.9	5.0	2.2
Total	**38.7**	**39.2**	**43.2**	**30.2**

2.1.4 The main General Fund capital projects scheduled for 2021/22 are as follows:

Scheme	**£m**
Loan Facility to Commercial Companies	3.2
Commercial Activities	3.7
Asset improvements	5.5
COVID-19 Capitalisation direction	6.0
Other schemes	1.0
Total	**19.4**

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 £49.7 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	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
	£m	£m	£m	£m
External sources	3.9	5.2	1.7	1.7
Own resources	25.8	14.7	11.9	10.9
Debt	9.0	19.3	29.6	17.6
TOTAL	**38.7**	**39.2**	**43.2**	**30.2**

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

	2020/21 budget	2021/22 budget	2022/23 budget	2023/24 budget
	£m	£m	£m	£m
Own resources	0.9	0.8	1.1	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 £22.6 million in 2021/22. 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)

	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
	£m	£m	£m	£m
General Fund services	68.0	71.6	71.7	71.2
Council housing (HRA)	46.8	54.6	77.9	92.4
Capital investments	65.9	72.8	77.8	80.0
TOTAL CFR	**180.7**	**199.0**	**227.4**	**243.6**

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 £156.4 million at an average interest rate of 2.09% and cash balances of £14.3 million of which £5m was held on call at a rate of 0.17% and £5m was held in a fixed term deposit at a rate of 0.16%.

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

	31.3.2021 budget	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget
	£m	£m	£m	£m
Debt (incl. leases)	160.0	179.3	208.8	226.4
Capital Financing Requirement	180.7	199.0	227.4	243.6

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

	2020/21 limit	2021/22 limit	2022/23 limit	2023/24 limit
	£m	£m	£m	£m
Authorised limit – total external debt	199	219	250	268
Operational boundary – total external debt	180.7	199.0	227.4	243.6

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

4.3 PWLB Loan

4.3.1 The government recognises the valuable contribution that local authorities make to the social and economic infrastructure and supports local investment in part by offering low cost loans to local authorities through the Public Works Loan Board (PWLB).

4.3.2 In compliance with the HM Treasury guidance, the Council need to ensure that the capital programme/investments are compliant with the ongoing access to the PWLB under the lending terms published in November 2020, which include an assurance from the Chief Finance Officer (Section 151 Officer) that **the Council is not borrowing in advance of need and does not intend to buy investment assets primarily for yield**.

4.3.3 The purpose of the PWLB is to offer long-term, affordable loans to support local authority investment in the following areas –

- Service spending, i.e. activities that would normally be captured in the following areas in the MHCLG Capital Outturn Return (COR): culture & related services, environmental & regulatory services, etc.
- Housing, i.e., activities normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company.
- Regeneration projects would usually have one or more of the following characteristics:
    - the project is addressing an economic or social market failure by providing services, facilities, or other amenities;
    - the Council is making a significant investment in the asset beyond the purchase price:
    - the project involves or generates significant additional activity that would not otherwise happen without the Council's intervention;
    - the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

- Preventative action with the following characteristics - intervention that prevents a negative outcome, there is no realistic prospect of support from a source other than the Council; has an exit strategy, and does not propose to hold the investment for longer than is necessary; the intervention takes the form of grants, loans, sale and leaseback, equity injections, or other forms of business support that generate a balance sheet asset.
- Treasury management covers refinancing or extending existing debt from any source, and the externalisation of internal borrowing.

4.3.4 Individual projects and schemes may have characteristics of several different categories. In these cases, the Chief Finance Officer would use professional judgment to assess the main objective of the investment and consider which category is the best fit.

4.3.5 If the Council wishes to on-lend money to deliver objectives in an innovative way, the government expects that spending to be reported in the most appropriate category based on the eventual use of the money. The Council must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans.

4.3.6 Under the prudential code, the Council cannot borrow from the PWLB or any other lender for speculative purposes, and must not use internal borrowing to temporarily support investments purely for yield, which would usually have one or more of the following characteristics:

- buying land or existing buildings to let out at market rate;
- buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification;
- buying land or existing buildings other than housing which generate income and are intended to be held indefinitely.

4.3.7 The decision over whether a project complies with the terms of the PWLB is for the Chief Finance Officer. This decision will be final unless the Treasury has concerns that issuing the loan is incompatible with HM Treasury's duty to Parliament to ensure that public spending represents good value for money to the Exchequer and aligns with relevant legislation. In practice such an eventuality is highly unlikely and would only occur after extensive discussion with the local authority in question – but a safeguard is necessary to protect the taxpayer.

4.4 Investments

4.4.1 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

4.4.2 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:

4.4.3 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.

4.5 Governance

4.5.1 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

6.1.1 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 Local authorities will be prohibited from accessing the PWLB if they plan debt-for-yield commercial investments. Commercial activity must be secondary priority to economic regeneration and housing provision. There will be more monitoring of what it is that local authorities are delivering by way of a capital scheme and Section 151 officers are required to formally validate those policies to HM Treasury/PWLB.

6.1.3 The Council can fund the purchase of investment property through various means **excluding borrowing** money, normally from the Debt Management Office as part of HM Treasury. The rental income paid by the tenant/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 District.

6.1.4 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 2020, the commercial property portfolios include a retail park, sports complex, members club and commercial units with an estimated Fair Value of £27.2 million. Estimated gross income for 2020/21 is £2.3 million.

6.3 Commercial Investment Strategy

6.3.1 However, in recognition of the continued shortfall in local government funding and commitments, the Council Commercial Investment Strategy will support achieving a step change increase in commercial investment and trading by the Council.

6.3.2 CIPFA's guidance 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.

7. Other Liabilities

7.1 Outstanding Commitments

7.1.1 The Council also has the following outstanding commitments:

- Business Rates - Since the introduction of Business Rate Retention Scheme effective from 1 April 2013, Local authorities are liable for successful appeals against business rates charged to businesses in 2012/13 and earlier financial years in their proportionate share. Therefore, a provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the Valuation Office (VAO) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2020. There is a risk that future appeals will exceed the estimation. A 1% increase in successful appeals would result an increase in the provision required of £19,000.

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 2020 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	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**
Financing Costs (£m)	1.6	2.3	2.5	2.6
Proportion of Net Revenue Stream	11.7	17.4	18.7	19.7

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

Description	**2020/21 Estimate**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**
	£m	**£m**	**£m**	**£m**
Financing Costs (£m)	1.5	1.7	2.2	2.6
Proportion of Net Revenue Stream	11.4	13.1	17.0	19.4

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 (£105.5 million over three years) have been included in the 2021/22 Budget and Medium-Term Financial Strategy (MTFS), extending to 2023/24; 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. Prioritisation Principles and Obligations to deliver a scheme

9.1 The capital investment process is to ensure that money available for capital expenditure is prioritised in the way that best meets the Council's objectives and must be achieved within the constraints of the capital funding available. The Council need to demonstrate that it uses a clear, understandable method of comparing projects in order to prioritise expenditure and continue to allow schemes to be ranked according to Council's need, while ensuring the best allocation of the Council scarce resources in the most efficient/sustainable way and thus ensuing value for money.

9.2 Therefore, it is important that there is a strict definition of what is included within the scheme. Demand for capital resources to meet investment needs and aspirations will exceed the resources available to the Council and rolling programme items are the first call on available resources to ensure that existing approved service levels can continue to be delivered. New resource development bids will need to be prioritised as follows:

Projects Prioritisation for Capital Programme Inclusion	
Priority 1	Projects which enable compliance with Health & Safety and the Council's legal/statutory duties including projects which address any infrastructure deficits related to statutory compliance.
Priority 2	Projects that generate revenue savings through the delivery of a new business strategy or service transformation proposals or invest to save and cost avoidance.
Priority 3	Projects where a major proportion of the capital funding from external sources will be lost if the project fails to go ahead but subject to consideration of future revenue requirements.
Priority 4	Projects that contribute to the delivery of a smaller property portfolio through increased co-location or space utilisation or adaptation of new ways of working.
Priority 5	Projects that facilitate improvement, economic development, regeneration and housing growth
Priority 6	Projects that address cross-cutting issues, facilitate joint-working with partners or generate new/additional income.

9.3 The Council's financial and service planning process need to ensure decisions about the allocation of capital and revenue resources are taken to achieve a corporate and consistent approach. The funding of capital schemes is via the following hierarchy:

- External grants and contributions;
- Capital receipts from the disposal of fixed assets;
- Leasing finance; (where applicable);
- Revenue contributions;
- External Borrowing.

9.4 The strategy will be to employ 'Whole Life Costing' that will demonstrate the systematic consideration of all relevant costs and revenues associated with the acquisition and ownership of an asset, i.e., encourages decision-making that takes account of the initial capital cost, running cost, maintenance cost, refurbishment requirements and disposal cost.

10. Knowledge and Skills

10.1 Officers

10.1.1 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).

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

10.2 External Advisors

10.2.1 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.

10.3 Councillors

10.3.1 Duly elected councillors will all be receiving training appropriate to their role within the Council.

10.3.2 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).

11 CFO Statement on the Capital Strategy

11.1 Prudential Code

11.1.1 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”.

11.1.2 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.

11.2 Affordability

11.2.1 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.

11.3 Risk

11.3.1 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 2021/22, at the Council meeting on 24 February 2021, 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 2021/22, at the Council meeting on 24 February 2021, in accordance with MHCLG's "Statutory Guidance on Local Government Investments". 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 6.0) 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").

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Report to:	**Cabinet**
Date:	**10 February 2021**
Subject:	**Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2021/22 and HRA Capital Programme 2020-24**
Report of:	**Homira Javadi, 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 2021/22, and the HRA Capital Programme 2020/24.**
Decision type:	**Key Decision**
Recommendations:	**Cabinet is asked to recommend the following proposals to full Council:**

i) The HRA budget for 2021/22 and revised 2020/21 budget as set out in Appendix 1.

ii) That social and affordable rents (including Shared Ownership) are increased by 1.5% in line with government policy.

iii) That service charges for general needs properties are increased by 1.5% (CPI +1%).

iv) That the service charge for the Older Persons' Sheltered Accommodations increases by an average of 1.5%.

v) That the Support charges for Sheltered Housing Residents are set at £7.82 per unit, per week, an increase of 1.5%.

vi) That heating costs are increased by 1.5% (CPI+1%) in line with estimated costs set at a level designed to recover the actual cost.

vii) That water charges are increased by 1.5% (CPI+1%) designed to recover the estimated cost of metered consumption.

viii) Garage rents are increased by 2.1% (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)
Name: Andrew Clarke
Post Title: Deputy Chief Finance Officer
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Telephone Number: 01323 415691

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 2021/22 HRA Revenue Budget

2.1.1 The 2021/22 budget mirrors the HRA 30-Year Business Plan and is attached at Appendix 1.

2.1.2 For the 2021/22 budget, a £389k surplus is expected compared to a revised surplus of £310k in 2020/21.

The contribution to capital expenditure for 2021/22 is estimated to be £3.085m which is an increase of £1.304m on the revised 2020/21 budget. This is due to delays in the acquisitions programme and sustainability initiatives pilot. This is funded from the HRA Balance and 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 these contributions are made, there will still be £1.716m in the HRA working balance at the end of March 2022.

2.1.3 Other variances between the 2021/22 budget and the 2020/21 revised budget are:

- Rent, Service Charge and Other Income – increased income of £277k
- Depreciation – increased cost of £41k
- Loan Charges – increased cost of £6k
- Interest Receivable – an income reduction of £23k
- Management Costs – an increased cost of £128k

2.1.4 The Major Repairs Reserve is funded from cash backed depreciation of £4.3m 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.

2.1.5 The HRA debt outstanding at 31.03.20 was £42.649m which was the maximum borrowing permitted under the self-financing settlement. The outstanding debt at 31.03.22 is estimated to be £50.535m. In later years, debt levels will increase as the Authority begins to borrow more to fund property acquisitions and new build. The average debt per property is currently approximately £13k.

2.1.6 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2021/22 and the interest budget has been prepared on this basis.

2.1.7 The 2020/21 revised budget is expected to be in surplus by £310k compared to the original budget of £75k. The surplus will be transferred to the HRA Balance. Main variances are set out below:

- an increase in rental income of £69k
- an increase in Supervision and Management costs of £196k
- interest adjustments resulting in reduced costs of £362k

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 significant investment in new builds (£49.7m), the acquisition of new properties (£17.2m) and annual works to current properties of circa £4.4m. This increased investment will be enabled by additional borrowing, revenue contributions and applying capital receipts and reserves. More details are contained in Appendix 2.

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

	HRA Working Balance £'000	**Major Repairs Reserve (MRR)** £'000
Balance at 1.4.20	**5,883**	**1,176**
Net Transfer from Reserve	(1,471)	
Depreciation		4,307
Expenditure Financed from MRR		(5,483)
Estimated Balance 31.3.21	**4,412**	**0**
Net Transfer from Reserve	(2,696)	
Depreciation		4,348
Expenditure Financed from MRR		(4,348)
Estimated Balance 31.3.22	**1,716**	**0**

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 2021/22, rents can be increased by Consumer Prices Index (CPI) + 1% after four years of 1% rent reductions. The average weekly rent is £80.66 (2020/21: £79.47)

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 1.5%.

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 increase is 1.5% to ensure that costs relating to communal areas are reasonably recovered. In monetary terms, this is an average increase of 6p per unit, per week.

2.3.3 For Retirement Court properties in blocks, the average service charge increase is 1.5% to ensure the Council recovers as much communal costs as reasonable which translates to 32p increase 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 £7.82 per unit per week is implemented which is the second increase in 5 years which also reduces pressure on HRA pending the completion of the review.

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 2021/22, it is recommended that the average charge increase by 1.5%. This is an average increase of 6p per week for tenants that pay these charges.

2.6 Water Charges

2.6.1 Following the decrease implemented in 2020/21 and in order that actual costs can be recovered, it is recommended for 2021/22 that the charge increase by 1.5%, representing 6p per week for tenants that pay these charges.

2.7 Garage Rents

2.7.1 It is recommended that garage rents increase by September RPI +1% which amounts to 2.1% 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. Total budgeted expenditure for 2021/22 is £19.820m.

2.8.2 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 is from the Major Repairs Reserve. The Council is undertaking a comprehensive stock survey to ensure its housing stock is well maintained. The annual budget provision for major works is £4.4m. Any investment requirements varying significantly from the existing provision will be subject to further cabinet approval and a revision of the Business Plan.

2.8.3 There is no longer a HRA debt cap, so, as was the case last year, the Capital Programme includes sums for the acquisition of properties and new builds. In the case of acquisition, each proposed acquisition 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). New build schemes either have been brought or will need to be brought to Cabinet for individual approval. The reports will include an analysis of the effects on the Business Plan.

2.8.4 The Council is committed to meeting its target of becoming carbon neutral by 2030. Recognising that is an integral part of its sustainability plans, the Capital Programme includes a provision of £439k to be invested in emerging initiatives. Sustainability will be a key driver in developing capital repairs schemes going forwards.

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 2020/21 was set at £7,748,000. It is proposed that the management fee for 2021/22 remains at £7,748,000, subject to any final variations.

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 2021/22 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 2020

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 2020-2024 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.

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 2021/22 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.

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 Equalities and Fairness Analysis has been undertaken on these proposals. This has concluded that all groups protected under the Equality Act should benefit from the Council's ability to provide more, and better, affordable housing from 2021/22 onwards. The Equalities and Fairness Analysis has been included as a background paper.

11 Sustainability Implications

11.1 Setting aside £439k in the HRA Business Plan will help Eastbourne Borough Council meet its target of becoming carbon neutral by 2030.

12 Appendices

- Appendix 1 - HRA 2020/21 Revised Revenue Budget and 2021/22 Budget
- Appendix 2 - HRA Capital Programme 2020/21-2023/24

13 Background Papers

- HRA 2021/22 Budget Working Papers
- HRA 30-Year Business Plan Model
- HRA Right to Buy Model
- Equalities and Fairness Analysis

EBC Housing Revenue Account

	2020/12 Original Budget £000's	2020/21 Revised Budget £000's	2021/22 Estimate £000's
INCOME			
Gross Rents	(14,448)	(14,517)	(14,783)
Charges for Services	(1,025)	(1,025)	(1,036)
GROSS INCOME	**(15,473)**	**(15,542)**	**(15,819)**
EXPENDITURE			
Management Fee	7,834	7,834	7,834
Supervision and Management	1,157	1,353	1,479
Provision for Doubtful Debts	203	203	205
Depreciation & Impairment of Fixed Assets	4,307	4,307	4,348
GROSS EXPENDITURE	**13,501**	**13,697**	**13,866**
NET COST OF HRA SERVICES	**(1,972)**	**(1,845)**	**(1,953)**
Loan Charges - Interest	1,947	1,573	1,579
Interest Receivable	(50)	(38)	(15)
NET OPERATING SURPLUS	**(75)**	**(310)**	**(389)**
Contribution to Capital Expenditure	3,656	1,781	3,085
Transfer from Reserves - funding Capital Expenditure	(3,656)	(1,781)	(3,085)
Transfer to Reserves - Surplus for Year	75	310	389
	0	**0**	**0**

HOUSING REVENUE ACCOUNT WORKING BALANCE	2020/21 Original Budget	2020/21 Revised Budget	2021/22 Estimate
Working Balance at 1 April	**(5,330)**	**(5,883)**	**(4,412)**
(Surplus) or Deficit for the year	**(75)**	**(310)**	**(389)**
Funding of Capital Expenditure	**3,656**	**1,781**	**3,085**
Working Balance at 31 March	**(1,749)**	**(4,412)**	**(1,716)**

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APPENDIX 2

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2019/20 - 2022/23					
Scheme	**Approved Allocation 2020/21** £000	**Revised Allocation 2020/21** £000	**2021/22** £000	**2022/23** £000	**2023/24** £000
Managed By Eastbourne Homes Ltd					
Major Works Annual Allocation	4,388	4,388	4,442	4,535	4,552
Sustainability Initiatives Pilot	500	-	439	-	-
New Build	4,099	4,755	10,237	21,443	13,259
Acquisitions Annual Allocation	3,748	2,845	4,702	4,773	4,892
Total HRA Capital Programme	**12,735**	**11,988**	**19,820**	**30,751**	**22,703**
Funded By:					
RTB Capital Receipts	465	211	429	435	445
RTB 1-1 Receipts	1,306	529	3,423	1,180	1,215
Other Capital Receipts	-	1,220	649	-	-
Major Repairs Reserve	4,307	5,483	4,348	4,403	4,635
Other Reserves	2,000	2,765	-	1,207	1,695
Revenue Contributions	3,656	1,780	3,085	281	218
Borrowing	1,001	-	7,886	23,245	14,495
Total Financing	**12,735**	**11,988**	**19,820**	**30,751**	**22,703**

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Report to:	**Cabinet**
Date:	**10 February 2021**
Title:	**Eastbourne & Lewes Community Safety Partnership – Annual Report (Eastbourne)**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning**
Cabinet member:	**Councillor Rebecca Whippy, Portfolio holder for disabilities and community safety**
Ward(s):	**All**
Purpose of report:	**To enable Cabinet to consider the 2020/21 performance of the Eastbourne & Lewes Community Safety Partnership (E&LCSP)**
Decision type:	**Non-key**
Officer recommendation(s):	**That Cabinet note the achievements and activities of the Eastbourne & Lewes Community Safety Partnership in 2020/21.**
Reasons for recommendations:	**For Cabinet to consider progress on delivery of the current Community Safety Plan.**
Contact Officer(s):	**Name: Oliver Jones** **Post: Strategy & Partnerships Lead - Housing & Communities** **E-mail: Oliver.Jones@lewes-eastbourne.gov.uk** **Telephone number: 01323 415 464**

1 Introduction.

1.1 Community Safety Partnerships (CSPs) were established under the Crime and Disorder Act 1998, which set out a statutory requirement for public service authorities, referred to as ‘responsible authorities’, to meet regularly to discuss ways of reducing crime and disorder, addressing incidences of anti-social behaviour and minimising re-offending in their local area.

1.2 Key members of the Eastbourne & Lewes Community Safety Partnership (E&LCSP) include Sussex Police; East Sussex Fire & Rescue Authority; the Sussex Police & Crime Commissioner; NHS clinical commissioning groups; & East Sussex County Council. Membership can be extended to other key local and voluntary partners as appropriate. Lewes District & Eastbourne Borough Councils play a key role in supporting the work of the CSP by acting as the secretariat, co-ordinating agreed strategic plans and reporting performance. The respective portfolio holders from each council co-chair Partnership meetings.

1.3 Lewes & Eastbourne CSPs had been working on a joint basis since 2017, and in February 2019 the Sussex Police and Crime Commissioner formally endorsed their merger (a legal requirement). The merger helped align the work of the CSP with Sussex Police's district boundaries and provided efficiency savings that allow more of the Commissioner's budget to be allocated to front line priorities. Cabinet should note that scope is left within the plans to ensure that priorities reflect local issues of concern in each Council area, such as road safety in Lewes and supporting the street community in Eastbourne. The budget allocated by the Sussex Police Crime Commissioner remains ring fenced for use in Eastbourne.

1.4 A strategic planning meeting of the E&LCSP takes place every quarter, whilst the Eastbourne Joint Action Group (EJAG) meets regularly to identify local issues and risks. EJAG escalates issues to the strategy group as appropriate. The CSP works with the county level safety partnership (the East Sussex Safer Communities Partnership) to address broader issues such as organised crime, county-lines and offender management.

1.5 The Partnership has continued to meet during the pandemic, postponing only one meeting earlier in the year. Some priorities have been adapted to tackle the pandemics impact on crime trends, such as the increases experienced in anti-social behaviour and domestic abuse.

2 Our plans.

2.1 CSPs have a statutory duty to set out a Partnership plan and monitor progress. The latest plan, approved by the Partnership in June 2020, took into account key local issues of concern, such as anti-social behaviour and the local street community, as well as the wider strategic priorities of the Police & Crime Commissioner and the Safer East Sussex Partnership. More specifically, the identified priorities are to:

- Priority 1 - Address the incidence of anti-social behaviour (ASB).
- Priority 2 - Tackle the incidence of hate crime, domestic & sexual abuse.
- Priority 3 - Reduce the incidence of serious violence & knife crime.
- Priority 4 - Support the street community and address related ASB.
- Priority 5 - Reduce the incidence of anti-social driving on our roads.

2.2 CSPs are awarded an annual grant by the PCC, based on a formula that takes account of population density and an analysis of local crime trends. A review of funding carried out by the PCC in 2018/19 resulted in an increased allocation of £48,547 being awarded to the CSP in 2019/20. The level of funding received this year remained unchanged.

3 Outcomes and performance management.

3.1 A total of 9,398[1] crimes and ASB incidents were recorded by Sussex Police in the year to March 2020, a rise of 8 percent on the previous year (8,701 crimes). This change resumed a steadily increasing trend, the number of reported crimes having levelled off a year earlier.

3.2 Acquisitive crimes, including burglary (up 51%)[2] and vehicle crime (up 36%) both rose significantly, whilst there were more moderate increases for alcohol related crime (up 8%) and alcohol related public place crime (up 6%). Reports of domestic abuse rose by 8% across the year, whilst reports of anti-social behaviour fell by 6%, though they remained the most commonly reported type of incident (2,740 reports).

3.3 Despite this increase, Eastbourne continues to be a relatively low crime area. In 2019/20 the town had a recorded crime rate of 90 crimes per 1000 people, one of the lowest, when compared to the Government's 'Most Similar [benchmark] Group'[3] of community safety partnerships. The average for the group was 108 crimes per 1000 people.

3.4 The most recently available figures provide data for the twelve months to the end of November 2020, so reflect the impact of lockdown and the pandemic. Recorded cases of theft, vehicle, and alcohol related crime have fallen the most, reflecting business closures and the reduced opportunity to commit such offences. The figures show a more moderate increase in domestic abuse, though the rolling average peaked earlier in the year, reflecting nationally reported increases during lockdown. Lockdown appears to have had the most impact on anti-social behaviour, with incidents up by 38% on those reported a year ago (3,729 reports).

3.5 Key initiatives spearheaded by the Sussex Police & Crime Commissioner to raise awareness of the impact and support available to victims of some crimes such as domestic abuse, hate crime and modern slavery, have met their intended purpose of increasing reported figures. The strict adherence to Home Office crime recording procedures is also a contributory factor to some of these trends, particularly in relation to serious crime.

3.6 These trends have set the tone for the work of the partnership across the last year, which has supported a range of initiatives that have helped; address anti-social behaviour; support organisations tacking domestic abuse; tackle increasing levels of serious and violent crime; support the local street community; and address safety on local roads. Key highlights and achievements across these priorities are set out below.

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[1] Source: Performance Improvement Branch, Sussex Police.

[2] This increase reflects an unusually low level of reporting in the 2018/19, so should be treated with a degree of caution. The increase compared to the 2017/18 is more moderate (5.8%)

[3] 'Most Similar Groups' are districts / boroughs that have been found to be the comparable to one another based on an analysis of demographic, social and economic characteristics which most relate to crime. They are driven by census data and published by the Office for National Statistics.

Priority 1 – Address the incidence of anti-social behaviour - through:

- Administering the Joint Action Group (JAG), which plays an active role in addressing matters of local concern. Attended by representatives of key local agencies, the group meet monthly to discuss police reports of crime and disorder, identify local hotspots of ASB and agree solutions. This work is supported by a budget of £5,000.
- Working with Sussex Police to support *Operation Blitz*, the local initiative targeted at tackling anti-social behaviour across the Borough. The operations target patrols at key locations and draw in additional resources at busy times, such as the school holidays. Sussex Police work closely with officers from Neighbourhood & Homes First to share information and co-ordinate follow up actions, partnerships that have proved key in helping tackle the changing ASB trends witnessed during the pandemic.
- Supporting an extension of services delivered locally by Mediation UK, by providing additional funding to enable sessions to be offered to private owners and private renters in the town. The service works with residents to put in place tools for resolving conflict, reducing the escalation of disputes and the resultant costs to wellbeing.
- Supporting Eastbourne Youth Radio, an established initiative that engages young people at local colleges and works with them to broadcast programming across the town each year. Mental health, knife crime and bullying are amongst the topics that will be addressed through performance, live interviews and live broadcasting early next year.
- In any typical year, the Partnership's funding supports a wide range of youth diversionary activities across the town, but many of these have not been able to operate due to the various restrictions in place. However, we have been working to promote online activities, such as the youth fitness sessions, provided by County's Active East Sussex team, through the Eastbourne Youth Partnership (EYP) and our asocial media channels. We have invited members of the EYP to submit bids to the CSP's remaining funds (see appendix 1) in January, which we hope can fund the resumption of youth activity schemes in the Spring.

Priority 2 - Tackle the incidence of hate crime, domestic & sexual abuse – through:

- Funding Safe from Harm a project providing emotional and practical support to high-risk victims of hate crime and anti-social behaviour across East Sussex. The programme is set to provide extended support to help address the wellbeing of around 50 victims by the end of the year.
- Contributing to a fund that pays the cost of Domestic Homicide Reviews (DHRs) in East Sussex. These reviews undertake detailed assessments of the circumstances surrounding individual cases and apply learning to systems, processes and the practice of all agencies involved, to help reduce future risk. Four cases have reported to the County level CSP this year, providing valuable insights and learning points in each case.
- Participating in the White Ribbon campaign, which highlights the positive role that men play in preventing violence against women. In November, the Council actively supported the 16 days of action, which this year focussed on

tackling isolation, support for survivors and the role that friends and family can play in recognising he signs of abuse, amongst other themes.

- Re-directing funding provided to the *Rita Project*, who were able to re-cycle grant provided to deliver domestic abuse awareness sessions in local schools, to bolster their frontline support service and meet additional demands arising from the pandemic.

Priority 3 - Reduce the incidence of serious violence & knife crime – through:

- Funding *Restore Eastbourne,* a scheme that works with young people displaying challenging / concerning behaviours. The programme lead will hold individual sessions with those referred, using tools that can help identify and address the underlying issues that may be driving behaviours. One stream of the programme focusses on referrals from Causeway School (who provide match funding), the other on referrals made by local Youth Offending Teams. The scheme will benefit 60 young people each year and the outcomes are set to improve individual wellbeing, reduce anti-social behaviour and lower individuals' risk of escalation into serious crime and exploitation by County Lines gangs.
- Participating in the Violence Reduction Unit, a Sussex Police and County led task force set up to co-ordinate a strategic approach to address serious violence across East Sussex. This work has been focussed on analysing crime trends, understanding the profile of victims, identifying who the perpetrators of crime are and setting up local action plans. In Eastbourne the work is focussed on Devonshire Ward, where plans to engage the views of the local community will be launched in early 2021.
- Supporting Sussex Police's *Operation Sceptre*, which bolsters the work undertaken all year round to help keep residents safe from knife-related harm in their local communities. The latest 'anti-knife week' took place in November, comprising of increased patrols, amnesty knife bins, education and social media campaigns.

Priority 4 - Support the street community and address related ASB – through:

- Supporting the broader work, the Council has undertaken to provide shelter to all those who are, or are at risk of becoming, street homeless, under the Governments Next Steps Accommodation Programme. The Housing Needs team continue to house around 15 people under these arrangements and have made provision to continue doing so, along with 17 or so rough sleepers, until the end of March 2021.
- Funding the provision of additional physical measures to help secure the homes of 'at risk' victims to allow them time to alert emergency services of impending threats to their safety. This followed increased intelligence about the exploitation of residents in temporary accommodation by county lines gangs.
- Reserving funding previously provided to support the weekend day shelter run by the Kingdom Way Trust, which was providing support to up to 60 members of the street community each Saturday and Sunday. The pandemic forced the scheme to close its doors earlier in the year, but the hope is that the service can be resumed in the Spring.

Priority 5 - Reduce the incidence of anti-social driving on our roads – through:

- Funding the purchase of recording devises to Community Speedwatch teams across Eastbourne.

3.7 A summary of the annual income and expenditure for Eastbourne's Partnership budget is set out in appendix 1. The pandemic restricted opportunities to allocate funding in the first part of the year, but activities have recovered and over 75% of the budget has now been spent or committed. We are confident of spending the remaining sum and are intensifying our efforts to identify funding opportunities with partners, particularly those working with young people, whose activities have been dis-proportionately affected by national restrictions. Budgets can be rolled over into future years and we will seek authorisation from the PCC to do so in relation to any unallocated sums.

4 Secure Redoubt.

4.1 Secure Redoubt is a project operating to tackle acquisitive crimes, such as theft, burglary and robbery, in a small area of Devonshire ward. A successful £420k bid to the Government's Safer Streets fund is being used to; extend membership of the Business Crime Reduction Partnership; implement a local CCTV network, offer free security improvements to local homes and businesses; and deliver image improvements across the local area.

4.2 Confirmation of the award was received in August and a team of representatives from local partners have been working at speed to engage local residents and implement the plan, before the fund closes in March 2021.

5 Consultation.

5.1 An ongoing process of engagement is in place to help assess and evaluate the success of projects and other measures supported by the Partnership. Over the past year this has involved key operational representatives, including those from Sussex Police, East Sussex Fire & Rescue Authority and the Safer East Sussex team. They have met regularly to; consider the implications of issues raised by the Eastbourne Joint Action Group; analyse crime trends; and respond to emerging threats.

6 Corporate Plan & Council Policies.

6.1 The objectives of the E&LCSP continue to be in line with the Eastbourne Corporate Plan by delivering resilient, healthy and engaged communities, through employing strategies that reduce the incidence and fear of crime, tackle anti-social behaviour and work to minimise re-offending. Measures taken to reduce environmental crime raise the quality of the environment for all residents.

7 Business case.

7.1 The CSP plan sets out the annual approach that the Council, along with other partners, will take to reduce crime and disorder, anti-social behaviour and re-offending across their local area. The current plan identifies clear priorities, agreed with partners, which will help address local issues up to March 2021. The plan is revised and updated each year, with the new plan due to be signed off by the Partnership in Spring 2021. It will be supported by an accompanying spending plan once the Council receives confirmation from the Sussex Police & Crime Commissioner of its 2021/22 budget allocation.

8 Financial appraisal.

8.1 There are no direct financial implications for the Council arising from the recommendations set out in this report. However, a summary of the income and expenditure (forecast) managed by the Council on behalf of the CSP is provided in Appendix 1.

Deputy Chief Finance Officer consulted 29.12.2020

9 Legal implications.

9.1 This report sets out how the Council has complied, and will continue to comply, with its duties under section 6 of the Crime and Disorder Act 1998 and the Crime and Disorder (Formulation and Implementation of Strategy) Regulations 2007.

Lawyer consulted: 29/12/2020 *Legal ref: 009821-EBC-OD*

10 Risk management implications.

10.1 Reviewing the Community Safety Plan and performance each year provides an assurance that the Council is fulfilling its statutory duties and contributes effectively to reducing the incidence of crime and anti-social behaviour.

11 Equality analysis.

11.1 This report provides an update on progress in meeting the objectives set out in the current Community Safety Plan and as such does not contain any proposals or specific recommendations. As such there are no direct impacts on the public or employees and so no Equality and Fairness Analysis is associated with this report. The requirement to undertake a full Equality & Fairness Assessment will be assessed when we next review the Eastbourne Community Safety Plan in Spring 2021.

12 Environmental impact analysis.

12.1 There are no direct environmental impact implications for the Council arising from the recommendations set out in this report.

13 Appendices.

13.1 Appendix 1 – Eastbourne CSP - Income & Expenditure 2020/21

14 Background papers.

14.1 The following background papers are associated with this report:

- Eastbourne & Lewes Community Safety Plan.

Appendix 1 – Eastbourne Community Safety Partnership – Income & Expenditure 2020/21

EASTBOURNE - PCC Grant	**£**
PCC Grant 2020/21	**£48,547.00**
Spending / committed	**£**
Safe from Harm - SCDA	£7,500.00
Domestic Homicide Reviews	£7,785.00
White Ribbon - DA Campaign	£250.00
Mediation - Conflict resolution services	£1,700.00
Cuckooing protection - Sussex Police	£1,000.00
Eastbourne Neighbourhood Watch	£2,901.00
Eastbourne Youth Radio	£285.00
Community Speedwatch	£2,513.13
Restoring Eastbourne	£5,237.00
Eastbourne Hoteliers Association - DISC*	£4,000.00
Homes First / Sussex Police - Doorbells *	£4,500.00
Total	**£37,671.13**
Remaining funds	**£10,875.87**

*Subject to approval

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Report to:	**Cabinet**
Date:	**10 February 2021**
Title:	**Adaptations to the waste collection service**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Colin Swansborough, Portfolio Holder for Place Services and Councillor Jonathan Dow, Portfolio Holder for Climate Change**
Ward(s):	**All**
Purpose of report:	**In order to improve the town's recycling rate and to contribute to meeting carbon reduction and financial objectives, this report seeks approval for waste collections to become predominantly alternate weekly (with flexibility as required in the town centre and for most large blocks of flats)**
Decision type:	**Key**
Officer recommendation(s):	**That Cabinet -** **(1) Approves an alternate weekly refuse and recycling collection service as standard across the borough.** **(2) Agrees to certain areas and dwellings remaining on a weekly refuse collection with operational flexibility to adjust rounds as required.** **(3) Authorises the Director of Service Delivery, in consultation with the Portfolio Holder for Place Services and the Portfolio Holder for Climate Change, to develop and progress operational plans to ensure new service arrangements are in place for April 2021.** **(4) Approves the business case as set out in section 6 and exempt Appendix 4 of this report.**
Reasons for recommendations:	**Eastbourne Borough Council's ambitions for higher recycling rates and increased resource efficiency, alongside helping to meet challenging financial and carbon reduction objectives.**

Contact Officer(s): **Name: Jane Goodall**
Post title: Strategy and Partnership Lead, Quality Environment
E-mail: jane.goodall@lewes-eastbourne.gov.uk
Telephone number: 07788515359

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1 Introduction

1.1 Eastbourne's recycling rate is circa 35%* against a national target of 50% for 2020 and moving to alternate weekly collections (AWC) is a well-established route for a local authority to improve performance in this respect.

*Provisional national indicator rolling 12-month recycling rate to November 2020 - 35.1%, to be confirmed by Defra.

1.2 In 2019/20, the majority of the 606 collection authorities across the UK collected on an alternate weekly basis, with twenty-six on 3 or 4 weekly refuse collections:

- 196, or 32.3%, collect refuse weekly
- 353, or 58.3%, collect refuse fortnightly

1.3 In common with every other local authority currently, the council faces significant financial challenges as a result of the Covid-19 pandemic. The proposed adaptations to waste collections represents a more cost-effective service delivery model.

1.4 The council has committed to making the town carbon neutral by 2030. Optimising waste collection operations to reduce fleet mileage will contribute to a lower carbon footprint and improved air quality in Eastbourne.

2 Proposal

2.1 It is proposed that refuse (or 'residual waste') and recycling are collected on alternate weeks from April 2021. There will be communications to ensure residents know when the adapted service will begin and on which day to put out the right receptacle (it is anticipated that very few households will have a change of collection day).

2.2 It is proposed that certain areas in the town centre and certain large blocks of flats will continue to receive a weekly refuse collection service owing to lack of space for receptacle storage and to meet standards of cleanliness in those locations.

2.3 The round provisionally designated to remain on weekly collections takes in the area that straddles the ward boundary for Devonshire and Meads and sits within the main A259, Marine Parade up to Ashford Road and roads either side of Gildredge Road. (Appendix 1, Map of area provisionally designated as 'town centre, weekly collections'). This may change subject to operational imperatives. Residents will be notified in due course, as will the managing agents and others as appropriate for the affected blocks of flats.

2.4 It is proposed that the Director of Service Delivery, in consultation with the Portfolio Holder for Place Services and the Portfolio Holder for Climate Change, is authorised to develop and progress operational plans to ensure new service arrangements are in place for April 2021.

2.5 The operational service will be afforded an element of discretion in setting these boundaries to ensure a flexible response as the service beds in, for example, to address issues of littering and anti-social behaviour.

2.6 The proposed business case is in summary at section 6 of this report.

3 Outcome expected and performance management

3.1 Recycling rates are expected to improve. According to Alternate Weekly Collections guidance issued by WRAP, 'AWC is designed to encourage participation in recycling and composting by restraining the extent to which recyclable waste can be put into residual waste'.

3.2 Cheltenham Borough Council (CBC) is the best performing of Eastbourne's 20 'nearest neighbours' (local authorities with similar geographic, demographic and economic characteristics) in terms of recycling. CBC's experience suggests that Eastbourne's recycling rate will increase by 5-7% by moving to alternate weekly collections.

3.3 With a reduction in rounds, the fleet will be reduced by two collection vehicles initially, with potential further efficiencies from future round optimisation. These changes will contribute to meeting carbon reduction and financial objectives.

4 Consultation

4.1 A public consultation exercise ran from 28 September to 21 December 2020 inviting responses to potential waste collection changes. The aim of this consultation was to learn how the changes would affect people in Eastbourne and what measures might be needed to help residents under the new arrangements.

4.2 We received 1,578 responses which was one of the highest response rates of any council-run consultation in recent years.

4.3 Most respondents are single, older couples or live in 3 person households. Of the 57% of respondents who chose to answer the equality monitoring questions in the survey:

- 36.08% (328) of respondents were male, 62.38% (567) were female.
- 14.88% (135) of respondents identified themselves as having a disability or long-term health condition.
- 15.49% (140) of respondents identified themselves as having a caring responsibility.
- 84% of respondents were aged between 35 and 75.

4.4 When asked 'How important do you think it is to recycle?' 84.83% (1336) stated they considered it to be very important.

4.5 When asked ‘What positive or negative impacts would moving to fortnightly waste and recycling collections have on you and your household?’ the following themes emerged:

- Concerns about hygiene, mess, smell or vermin: 463 comments
- Concerns about bins being too full or overflowing: 514 comments
- The changes would have no or very limited impact: 266 comments
- More refuse bin capacity would be needed: 137 comments
- It would cause issues with properties with shared bins: 112 comments

4.6 We then asked what would help people under the proposed new arrangements and the most frequently cited examples were:

- More information about what I can recycle from home: 33.75% (464)
- A bulky waste collection: 32.07% (441)
- An additional recycling bin 33.53% (461)

4.7 In response to the issues in 4.6 above: provision will be made for additional recycling bins requested; the council runs a bulky waste service; communications and engagement about what materials can be recycled is ongoing. Indeed, every household received a leaflet from East Sussex County Council at the end of 2020 with detailed recycling information.

4.8 The volume of concerns about constrained communal bin facilities in flats confirmed the view of those running the operational service that weekly collections should continue for many of the larger blocks of flats in the town.

4.9 A detailed account on the results of the consultation was presented to Scrutiny on 8 February 2021 and is included at Appendix 2.

4.10 A thorough Equality and Fairness Analysis of the proposals has been conducted and the report is at Appendix 3.

4.11 While many residents have expressed concerns about these proposals, the experience of neighbouring authorities where AWC was introduced several years ago is that these fears are not realised.

4.12 It is encouraging to note the comments of some residents who have moved to Eastbourne from areas where alternate weekly collections were the norm, that the change in service they experienced in their previous locality had very quickly become accepted once implemented and that the process was straightforward.

5 Corporate plan and council policies

5.1 The Eastbourne Borough Council Climate Emergency Strategy - Baseline Report and Action Plan (November 2020) vision for waste is: ‘We have a clean town that enables residents and visitors to reduce waste, our recycling rates put us in top 25% of authorities nationally and we have reduced non-recyclable waste’.

5.2 A key performance indicator is to ‘increase the percentage of household waste sent for reuse, recycling and composting’.

6 Business case and alternative option(s) considered

6.1 A weekly food and a weekly recycling collection service (among suggestions raised in the survey), may be assessed in the light of the forthcoming Environment Bill (and associated available resource) as they would have significant financial implications.

6.2 The business case indicates a net revenue saving in year one of £206k rising to £249k in year two as a key financial benefit of alternate weekly collections.

6.3 The total costs of implementation stand at £28k which includes additional bins, additional initial support to the contact centre and additional communications. The detail for costs and benefits is at exempt Appendix 4 (exempt under paragraph 1).

6.4 Post implementation, there may be further efficiencies from fine-tuning the balance of rounds.

6.5 Related carbon savings are anticipated to be in the region of 60,000 kgCO2e (60 tonnes) based on working estimates. Progress on actual carbon savings will be reported through the Climate Change Action Plan (updated in September).

7 Financial appraisal

7.1 Full details of the financial appraisal are included in Appendix 4.

18.01.21 AC

8 Legal implications

8.1 Waste collection authorities such as EBC are required by section 45 of the Environmental Protection Act 1990 to “arrange for the collection of household waste” in their areas. However, there is nothing in the Act or any regulations relating to it that impose any particular frequency of collection on authorities. Frequency is therefore a policy matter to be decided by individual authorities.

8.2 The Waste (England and Wales) Regulations 2011 (made under the Pollution Prevention and Control Act 1999) require a reduction in the amount of waste going to landfill* and an increase in recycling, in order to help address the economic and environmental impacts of waste. The recommendations set out in this report should, if approved, help to achieve that objective.

8.3 Cabinet is required to have “conscientious regard” to the outcome of the public consultation in determining the council’s policy on alternate weekly waste collections.

Lawyer consulted 06.01.21 *Legal ref: 009817-EBC-OD*

* NB collected residual waste goes to the East Sussex Energy Recovery Facility

9 Risk management implications

9.1 The council will rely on excellent communications and engagement to mitigate any service disruption for residents, ensuring accurate records are maintained.

9.2 Excellent team management, communications and good HR practice will ensure that employee engagement is maintained throughout changes to the operational service.

9.3 It is sometimes assumed that a move to AWC will result in the weight of the refuse bin on a fortnightly collection doubling from that on a weekly collection. Experience suggests that it is more likely to be 1.5 times the weight (e.g. 17-22kg fortnightly compared to 12-15kg weekly). This is a result of the reduced capacity for residual waste and the increased diversion of material into recycling schemes. Nevertheless, the impact of this higher weight per collection must be taken into consideration when reviewing risk assessments (WRAP).

9.4 Other risks and mitigations are set out below:

- Ensure residents have enough capacity for their recycling (mitigated by large 240L bin provided as standard and additional bin if required).
- Potential increase in fly-tipping and littering if not clear to residents when collections will take place (mitigate with communications while changes bed in).
- A potential increase in refuse with the standard 180L bin being increased to 240L will be monitored.
- Reducing 6 rounds to 4 will increase weight loads per truck therefore potentially increasing ‘tip-runs’. If necessary, this can be off-set by offering a ‘turn-around vehicle’ from the 2 spare vehicles. (This is where a spare driver gives the crew an empty truck so they can continue with their round, while the full truck is run to tip. This is what happens throughout the Christmas catch-up). Once the rounds are properly balanced, then the need for a ‘turnaround’ should be eliminated. Retaining the 2 spares for a short period would afford that flexibility.
- Smaller blocks of flats throughout the borough, and there are not many, are currently serviced by the regular crews on a weekly basis. If, following review, they do not have the bin store capacity to last a fortnight for domestic waste collections, then the ‘narrow access vehicles’ can absorb these and continue them on a weekly collection.
- The public can take excess waste and recycling to the Eastbourne Household Waste Recycling Site.

10 Equality analysis

10.1 An Equality & Fairness Analysis has been undertaken for this report. It concluded that while it is hoped that increased recycling, decreased noise and improved air quality will positively impact the local population generally, potentially negative impacts have been identified for those households generating non-infectious personal waste (carers, disabled people, older people, women and households with children requiring nappies). Any negative impacts and experiences by these groups may indicate that aims 1 (Eliminate discrimination, harassment and victimisation) & 3 (Foster good relations) of the PSED may not have been met.

11 Environmental sustainability implications

11.1 Eastbourne Borough Council aims to minimise waste and to recycle or reuse as part of a circular economy approach to tackle the climate and nature emergency

11.2 The treatment and disposal of waste accounts for 2% of the borough's carbon footprint as calculated using the Scatter methodology, this amounts to around 9,300 tonnes of carbon dioxide equivalents emitted during 2017.

11.3 Increasing the recycling rate and optimising waste collection operations to reduce fleet mileage would contribute to a lower carbon footprint in Eastbourne.

12 Appendices

- Appendix 1 – Map of area provisionally designated as 'town centre, weekly collections'
- Appendix 2 – Report on the response to the public consultation on waste collections
- Appendix 3 - Equality and Fairness Analysis
- Appendix 4 Exempt – Financial report

13 Background papers

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

- WRAP: Alternate weekly collections guidance, 2007
- Scrutiny Committee, 3 February 2020: 'Improving recycling'. Agenda Item 10
- Cabinet, 16 September 2020: 'Improving recycling – public consultation' Agenda Item 13

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Appendix 1 – Map of area provisionally designated as 'town centre, weekly collections'

Streets in blue are likely to remain on a weekly collection from April 2021

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Appendix 2

Consultation on Eastbourne waste collections

January 2021

Contents

Background

Eastbourne Borough Council is considering changes to its waste and recycling service. This includes moving from weekly to fortnightly waste collections in most parts of the borough, known as 'alternate weekly collection'.

The aim of the changes would be to increase the amount of waste recycled in Eastbourne. The UK government has set a target for all local authorities to achieve a recycling rate of at least 50%. Eastbourne's recycle rate currently stands at about 35% and there is clear evidence from the experience of other local authorities that moving to alternate weekly collections increases recycling.

Currently Eastbourne is in the minority of local authorities in the UK which still collects waste (non-recyclable refuse) weekly. The experience in these other areas is that alternate weekly collections work well, with no detrimental impacts on the local environment.

Under the new arrangements, recycling collections would stay fortnightly and we would still offer assisted collections for anyone who needs them. Collections would still happen on the same day of the week and would alternate between waste one week and recycling the next.

We would aim to reduce the amount of waste produced in Eastbourne, and fewer waste trucks on the road would also contribute to the carbon reduction aims of the town.

There would also be a financial benefit to changing the service. The Covid-19 pandemic has created significant financial challenges for all local authorities and moving to fortnightly waste collections would, along with other measures being made across all areas of the council, help to meet these challenges.

Consultation

From Monday 28 September to Monday 21 December 2020 the council invited responses to the proposals through a public consultation.

The aim of this consultation was for the council to understand how the changes would affect people in Eastbourne and what measures we might need to put in place to help residents under the new arrangements.

We provided a survey for people to send us their views which was available online via the council's website and in paper copy on request.

We offered the consultation information and survey in different languages and formats including audio, Braille and large print.

We promoted the consultation though a range of communications channels, including:

- The home page of the council website
- By email to our consultation, waste and other electronic mailing lists
- Through the local media via press release
- Through social media such as Twitter and Facebook
- Though a video interview with the relevant Lead Member to encourage participation

In addition, we wrote to the following groups inviting them to respond and share the consultation with their networks:

- Eastbourne Disability Involvement Group
- Eastbourne Faiths Forum
- Eastbourne Seniors Forum
- BourneOut LGBT
- Eastbourne Cultural Involvement Group
- 3VA (Voluntary Action)
- The proposals were presented and commented on by stakeholders at the Eastbourne Disability Involvement Group on 4th November 2020.

Who responded

We received 1,578 responses which was one of the highest response rates of any council-run consultation in recent years.

A breakdown of respondents by ward of Eastbourne is available in the summary of responses.

Of the 57% of respondents who chose to answer the equality monitoring questions in the survey:

- 36.08% (328) of respondents were male, 62.38% (567) were female.
- 14.88% (135) of respondents identified themselves as having a disability or long-term health condition.
- 15.49% (140) of respondents identified themselves as having a caring responsibility.
- 84% of respondents were aged between 35 and 75.

88% of respondents lived in households of 4 people or fewer.

The majority of respondents were homeowners, either living in a flat 12.74% (200), or a house / bungalow 64.08% (1006).

Key findings

When asked *'Which of the following best describes the amount of waste and recycling you currently put out on your collection day'*:

- 50% of respondents stated their waste bin was generally full when collected. For those living in a property with communal bins this increased to 68.46% (204)
- 50% stated their waste bin was either a quarter, half or three quarters full at each collection.
- 82% stated their recycling bin was generally full when collected.

When asked 'Which items tend to fill up your waste bin?' the most frequently cited categories of item were:

- Food waste 75.36% (1159)
- Packaging which can't be recycled 93.11% (1432)
- Nappies / sanitary waste / other personal infectious waste 33.16% (510)

When asked *'How important do you think it is to recycle?'* 84.83% (1336) stated they considered it to be very important.

When asked *'What positive or negative impacts would moving to fortnightly waste and recycling collections have on you and your household?'* the following themes emerged:

- Concerns about hygiene, mess, smell or vermin: 463 comments
- Concerns about bins being too full or overflowing: 514 comments
- The changes would have no or very limited impact: 266 comments
- More refuse bin capacity would be needed: 137 comments
- It would cause issues with properties with shared bins: 112 comments

While understanding people's concerns, it is encouraging to note there were comments from residents who have moved to Eastbourne from areas where alternate weekly collections were the norm, that the change in service they experienced in their previous locality had very quickly become accepted once implemented and that the process was straightforward.

We then asked what would help people under the proposed new arrangements. The most frequently cited things were:
- More information about what I can recycle from home: 33.75% (464)
- A bulky waste collection: 32.07% (441)
- An additional recycling bin 33.53% (461)

There was an option to add other things that might help, through which these themes emerged:
- An extra / bigger refuse bin: 142 comments
- Keeping weekly refuse collections: 85 comments
- Food waste collections: 65 comments

In response to the issues raised: provision will be made for additional recycling bins requested; the council runs a bulky waste service; communications and engagement about what materials can be recycled is ongoing. Indeed, every household received a leaflet from East Sussex County Council at the end of 2020 with detailed recycling information.

Summary of survey responses

1. Where in Eastbourne do you live?				
			Response Percent	**Response Total**
1	Devonshire (Bourne, Princes Park, Redoubt)		10.41%	164
2	Hampden Park (Hampden Park Village, Highfield, Willingdon Trees East)		9.59%	151
3	Langney (Birds Estate, Hide Hollow, Shinewater)		10.41%	164
4	Meads (Devonshire Park, Meads Village)		7.11%	112
5	Old Town (Downside, Motcombe, Ocklynge)		23.49%	370
6	Ratton (Ratton Village, Rodmill, West Willingdon Trees)		6.22%	98
7	Sovereign (Langney Point, North Harbour, South Harbour)		15.87%	250
8	St Anthony's (Langney Village, Roselands, South Langney)		9.71%	153
9	Upperton (Gildredge, Hartfield, Tutts Barn)		7.17%	113
			answered	1575
			skipped	3

2. Which of the following best describes the amount of waste and recycling you currently put out on your collection day:							
	A quarter full	**Half full**	**Three quarters full**	**Full**	**I don’t use this bin**	**I don't have this bin at my home**	**Response Total**
Waste bin	17.3% (235)	16.5% (224)	15.7% (214)	49.7% (676)	0.1% (2)	0.7% (10)	1361
Recycling bin	1.7% (23)	4.1% (56)	9.7% (132)	81.9% (1112)	0.4% (6)	2.1% (28)	1357
						answered	1362
						skipped	216
If you do not have a waste bin or a recycling bin please give us your address below and we will look into providing these for you. (83 responses)							

Matrix Charts for Question 2

	2.1. Waste bin		**Response Percent**	**Response Total**
1	A quarter full		17.3%	235
2	Half full		16.5%	224
3	Three quarters full		15.7%	214
4	Full		49.7%	676
5	I don’t use this bin		0.1%	2
6	I don't have this bin at my home		0.7%	10
			answered	1361

	2.2. Recycling bin		**Response Percent**	**Response Total**
1	A quarter full		1.7%	23
2	Half full		4.1%	56
3	Three quarters full		9.7%	132

2.2. Recycling bin			Response Percent	Response Total
4	Full		81.9%	1112
5	I don't use this bin		0.4%	6
6	I don't have this bin at my home		2.1%	28
			answered	1357

3. Which items tend to fill up your waste bin? Please tick as many as you like.				
			Response Percent	**Response Total**
1	Food waste		75.36%	1159
2	Packaging which can't be recycled		93.11%	1432
3	Garden waste		2.15%	33
4	Nappies / sanitary waste / other personal infectious waste		33.16%	510
5	Things which could be recycled but my recycling bin is full		19.57%	301
6	Other (please specify):		11.18%	172
			answered	1538
			skipped	40

Other comments: 172

Comment themes:

- General waste which can't be recycled: 57 comments
- Cat litter / other pet waste: 32 comments
- Items I would like to be able to recycle: 5 comments
- Vacuum cleaner contents: 5 comments

4. How important do you think it is to recycle?				
			Response Percent	**Response Total**
1	Very important		84.83%	1336
2	Important		13.90%	219
3	Unimportant		0.51%	8
4	Very unimportant		0.32%	5
5	Don’t know		0.44%	7
			answered	1575
			skipped	3

5. What positive or negative impacts would moving to fortnightly waste and recycling collections have on you and your household?		
	Response Percent	**Response Total**
1	100.00%	1529
	answered	1529
	skipped	49

	Comment themes	**Number of comments**
1	Concerns about hygiene, mess, smell or vermin	463
2	Concerns about bins being too full or overflowing	514
3	The changes would have no or very limited impact	266
4	More refuse bin capacity would be needed	137
5	It would cause issues with properties with shared bins	112
6	More recycling capacity would be needed	98
7	General negative impact	83
8	It would have a positive impact	78
9	Particular issues in the summer with smell / hygiene	67
10	Please keep weekly refuse collections	65
11	Weekly recycling would be preferred	61
12	Issues with nappies or personal waste	42

13	Support for the proposals	40
14	Issue with storing waste in home or putting out side waste	31
15	There would be environmental / recycling benefits	30
16	It would result in more trips to the tip or bring sites	20

6. Which of the following would help you under the new arrangements? Please tick as many as you like.

		Response Percent	Response Total
1	More information about what I can recycle from home	33.75%	464
2	Advice and ideas to reduce food waste	14.91%	205
3	Garden waste collections	15.27%	210
4	A medical waste collection	3.85%	53
5	A bulky waste collection	32.07%	441
6	An additional recycling bin	33.53%	461
7	An ‘assisted collection’ – these are available to residents who have difficulty moving their bin to the edge of their property	3.42%	47
8	Other (please specify):	41.89%	576
		answered	1375
		skipped	203

	‘Other’ answers given (comment themes)	**Number of comments**
1	An extra / bigger refuse bin	142
2	Keeping weekly refuse collections	85

3	Food waste collections	65
4	Nothing	61
5	Being able to recycle a wider variety of items	43
6	Better tip / bring site facilities	17

7. Which of the following best describes your home?

			Response Percent	Response Total
1	Home owner – flat		12.74%	200
2	Home owner – house / bungalow		64.08%	1006
3	Private renter - shared house or flat		1.15%	18
4	Private renter – flat		5.80%	91
5	Private renter – house / bungalow		8.79%	138
6	Council / Eastbourne Homes Ltd tenant – flat		2.23%	35
7	Council / Eastbourne Homes Ltd tenant – house		5.22%	82
			answered	1570
			skipped	8

8. Which of the following best describes how your bins are stored?

			Response Percent	Response Total
1	I share my bins with other households		15.60%	246
2	I have my own bins which are stored with bins from other households		4.38%	69

8. Which of the following best describes how your bins are stored?				
			Response Percent	**Response Total**
3	I have my own bins for my household only		78.19%	1233
4	Other (please specify):		1.84%	29
			answered	1577
			skipped	1

Other: 29 comments (most of which were other sharing arrangements).

- Another sharing arrangement: 27
- Bins stored in garden or on street: 2 comments

9. How many people currently live in your household? This is just those living in your home, not the number of people also living in a shared block of flats.				
			Response Percent	**Response Total**
1	1		15.70%	247
2	2		37.32%	587
3	3		15.38%	242
4	4		19.71%	310
5	5		6.87%	108
6	6 or more		5.02%	79
			answered	1573
			skipped	5

10. Do you have any other comments on the proposed changes?			
		Response Percent	**Response Total**
1	Open-Ended Question	100.00%	1141
		answered	1141

10. Do you have any other comments on the proposed changes?		
	Response Percent	Response Total
	skipped	437

	Comment themes	Number of comments
1	Keep weekly refuse collections	344
2	Concerns about mess / hygiene / vermin	179
3	Support for the proposed changes	135
4	Concerns about communal bin storage	91
5	Need for food waste collections	50
6	Weekly recycling would be preferred	49
7	More information about what can be recycled	49
8	Bins are already full at each collection	40

Equality monitoring questions

12. Would you like to answer or skip the following questions about you?				
			Response Percent	Response Total
1	Answer the questions		56.96%	884
2	Skip the questions		43.04%	668
			answered	1552
			skipped	26

13. What is your age?

		Response Percent	Response Total
1	Under 18	0.11%	1
2	18 - 24	1.31%	12
3	25 - 34	7.23%	66
4	35 - 44	16.98%	155
5	45 - 54	22.45%	205
6	55 - 64	21.47%	196
7	65 - 74	21.91%	200
8	75 +	7.45%	68
9	Prefer not to say	1.10%	10
		answered	913
		skipped	665

14. What is your gender?

		Response Percent	Response Total
1	Male	36.08%	328
2	Female	62.38%	567
3	Prefer not to say	1.43%	13
4	Other (please specify):	0.11%	1
		answered	909
		skipped	669

15. How would you describe your race/ethnic group?

		Response Percent	Response Total
1	White English\Welsh\Scottish\Northern Irish\British	89.42%	803

15. How would you describe your race/ethnic group?				
			Response Percent	Response Total
2	White Irish		1.45%	13
3	White Gypsy or Irish Traveller		0.00%	0
4	White: Other white		5.01%	45
5	Mixed / multiple ethnic group: White and Black Caribbean		0.45%	4
6	Mixed / multiple ethnic group: White and Black African		0.22%	2
7	Mixed / multiple ethnic group: White and Asian		0.45%	4
8	Mixed / multiple ethnic group: Other mixed		0.11%	1
9	Asian / Asian British: Indian		0.22%	2
10	Asian / Asian British: Pakistani		0.11%	1
11	Asian / Asian British: Bangladeshi		0.00%	0
12	Asian / Asian British: Chinese		0.00%	0
13	Asian / Asian British: Other Asian		0.33%	3
14	Black / African / Caribbean / Black British: African		0.11%	1
15	Black / African / Caribbean / Black British: Caribbean		0.00%	0
16	Black / African / Caribbean / Black British: Other Black		0.00%	0
17	Other ethnic group: Any other ethnic group		0.33%	3
18	Prefer not to say		1.78%	16
			answered	898
			skipped	680

16. Religion or belief - Religion has the meaning usually given to it but belief includes religious and philosophical beliefs including lack of belief (e.g. Atheism). Generally, a belief should affect your life choices or the way you live for it to be included in the definition.What is your religion?				
			Response Percent	**Response Total**
1	Christian		45.46%	411
2	Buddhist		0.33%	3
3	Hindu		0.11%	1
4	Jewish		0.44%	4
5	Muslim		0.11%	1
6	Sikh		0.00%	0
7	Atheist		6.53%	59
8	No religion or belief		34.96%	316
9	Prefer not to say		9.07%	82
10	Other (please specify):		2.99%	27
			answered	904
			skipped	674
Other (please specify): (27)				

17. Disability - A person is disabled if s/he has a physical or mental impairment which has a substantial and long-term adverse effect on that person's ability to carry out normal day-to-day activities. Do you have a mental or physical impairment that has a substantial long-term effect on your ability to carry out normal day-to-day activities?				
			Response Percent	**Response Total**
1	Yes		14.88%	135
2	No		80.71%	732
3	Prefer not to say		4.41%	40
			answered	907
			skipped	671

18. Carer - A carer provides unpaid support to family or friends who are ill, frail, disabled or have mental health or substance misuse problems. Would you consider yourself to be a carer?				
			Response Percent	**Response Total**
1	Yes		15.49%	140
2	No		81.64%	738
3	Prefer not to say		2.88%	26
			answered	904
			skipped	674

Next steps

This consultation report will be considered by Eastbourne Borough Council's Scrutiny Committee on 8 February 2021 . The report will be provided as a background paper to Cabinet on 10 February 2021 with recommendations on how to proceed.

We will publish this report, and any subsequent updates and decisions on our website at www.lewes-eastbourne.gov.uk/consultations/consultation-on-eastbourne-waste-collections

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To request a paper copy of this consultation email CustomerFirst@lewes-eastbourne.gov.uk

Appendix 3

Equality and Fairness Analysis

A supplementary equalities template must be completed for all projects and reports

Report/ project/ policy title	**Adaptations to the waste collection service**
Report author	Devan Briggs Email address: Devan.Briggs@lewes-eastbourne.gov.uk
Responsible Head of Service	Tim Whelan, Director of Service Delivery Linda Farley, Head of Customer First
Decision Makers (LDC or EBC - Full Council/ Cabinet/ Committee/ Board/ Cabinet Member/ Service Head)	EBC Cabinet
Date signed off by equality officer	18.01.21 (by email)

If you're unsure which template to use or what information to include contact EqualitiesEmail@lewes-eastbourne.gov.uk as soon as possible.

An Equality and Fairness Analysis should be carried out when:

- developing or reviewing strategies, plans, policies and procedures;
- proposing changes to the services delivered or the way these are delivered
- proposing new services, functions, projects or initiatives.

Use this form to demonstrate the ways in which projects, policies and proposals may impact groups protected under the Equality Act 2010, along with any other communities who may be affected. This applies to residents, staff and service users. By thoroughly assessing what we do against the general duty we are able to make better decisions, leading to better outcomes for people who work for us and for people who access our services and facilities. Decision makers must give due regard to protected groups before the decision is taken.

We have various engagement groups who can review and provide feedback on your analysis. Contact EqualitiesEmail@lewes-eastbourne.gov.uk if you would like to engage with these groups ahead of completing your analysis.

Our legal obligations: The Public Sector Equality Duty (PSED)

The Council and its companies must, in the exercise of our functions and in our decision making, have due regard to the need to:

1. Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
2. Advance equality of opportunity between people who share a characteristic and those who do not share it;
3. Foster good relations between people who share a characteristic and those who do not share it.

The second aim (advancing equality of opportunity) involves, in particular, having due regard to the need to:

- Remove or minimise disadvantages experienced by people because of their protected characteristics.
- Take steps to meet the needs of people with certain protected characteristics where these are different from the needs of other people.
- Encourage people with certain protected characteristics to participate in public life or in other activities where their participation is disproportionately low.

It describes the third aim (fostering good relations) as tackling prejudice and promoting understanding between people who share protected characteristics and those who do not. Compliance with the general equality duty may involve treating some people more favourably than others, providing this is within the law.

Assessing and identifying impact

When completing this form, identify and explore any positive or negative impacts relating to the three general duties listed above.

You need to think about the protected characteristics below as defined in the Equality Act 2010

- **Age**
- **Disability**
- **Gender reassignment**
- **Marriage and civil partnership**
- **Pregnancy and maternity**
- **Race and ethnicity**
- **Religion, belief and culture**
- **Sex**
- **Sexual orientation**

The Council's Equality and Fairness Policy states that 'we also recognise that **socio-economic status** can be a significant barrier to equality of opportunity'.

Information on key demographic data and an Area Profile covering Equalities can be found on the East Sussex in Figures' website.

Question 1)

What is your proposal and what will change as a result?

Please give an overview of your proposals. What decisions are you seeking?

Currently refuse is collected weekly and recycling materials are collected fortnightly. The proposal seeks to change this so that refuse is collected fortnightly. This would mean that refuse and recycling materials are collected on alternate weeks from April 2021. This is known as alternate weekly collections (AWCs).

Certain areas in the town centre and certain large blocks of flats will continue to receive a weekly waste collection service owing to lack of space for receptacle storage and to meet standards of cleanliness in those locations.

Recycling rates are expected to improve. 'Alternate Weekly Collection (AWC) is designed to encourage participation in recycling and composting by restraining the extent to which recyclable waste can be put into residual waste,' Alternate weekly collections guidance, 2007.

Cheltenham Borough Council (CBC) is the best performing of Eastbourne's 20 'nearest neighbours' (local authorities with similar geographic, demographic and economic characteristics) in terms of recycling. CBC's experience suggests that Eastbourne's recycling rate will increase by 5-7% by moving to alternate weekly collections.

In common with every other local authority currently, we face significant financial challenges as a result of the Covid-19 pandemic. The proposed adaptations to refuse collections represents a more cost-effective service delivery model.

In addition, the council has committed to making the town carbon neutral by 2030. Optimising waste collection operations to reduce fleet mileage will contribute to a lower carbon footprint and improved air quality in Eastbourne.

With a reduction in rounds, the fleet of collection vehicles will be reduced. These changes will contribute to meeting carbon reduction and financial objectives.

Question 2)

a. **Who will be affected by the changes and how? Thinking about groups protected under the Equality Act, what impact do you anticipate for these groups?** *Explain your answer on the next page*

		Positive	Negative	Neutral
What will be the impact? Consider who the policy/ decision is intending to benefit and what the expected outcomes are. Assess each characteristic and indicate what impact you anticipate for each group in the space on the next page.	**Age**		X	
	Disability		X	
	Gender reassignment			X
	Marriage and civil partnership			X
	Maternity and pregnancy			X
	Race			X
	Religion or beliefs			X
	Sex			X
	Sexual orientation			X
Which parts of the Public Sector Equality Duty are most relevant to the policy?	1. Eliminate discrimination, harassment and victimisation		X	
	2. Advance equality of opportunity			X
	3. Foster good relations		X	

Use this space to explain your answer to 2) a. and expand on either the positive or negative impact you have identified for each group, and how the 3 aims may or may not be met.
<u>Weight of household waste bins</u> Bins may become heavier if refuse is collected fortnightly. Older and disabled people may be less able to move heavier refuse bins. Consultation findings: This issue was raised by a small number of respondents. Some respondents expressed that AWCs could help because they would put their bin out less frequently. The low number of respondents raising this issue evidenced the effectiveness of the council's assisted collection scheme; it is being provided to those who need it. Mitigating factors: Assisted collections will continue to be provided to people who need assistance. The project aims to increase the amount of waste being recycled. The provisional percentage of household waste currently reused, recycled and composted for 2019/2020 is circa 35%. This suggests there are objects being placed in refuse bins that could be put in recycle bins. The council will continue to educate residents on how to recycle and residents can request additional recycling bins. <u>Ability to use household waste recycling sites</u> Disabled people, older people and people on lower incomes are less likely to own or have access to a car than other people. Therefore, they will have less opportunity to take excess refuse to a household waste recycling site. Household waste recycling sites have pedestrian access. There is one site within Eastbourne. There are four bring sites (for recycling materials) across Eastbourne. Consultation findings: There were comments made to suggest fly tipping of excess waste would particularly be a problem for people living in flats using communal bins. Mitigating factors: Certain areas in the town centre and large blocks of flats will continue to receive a weekly refuse collection service owing to lack of space for receptacle storage and to meet standards of cleanliness in those locations. The operational service will be afforded an element of discretion in setting these boundaries to ensure a flexible response as the service beds in, for example, to address issues of littering. The council runs a bulky waste collection which is frequently publicised. Additional recycling bins can be requested free of charge. <u>Personal waste (non-infectious waste) such as incontinence waste, catheters, stomach pouches, nappies and sanitary products</u> Emptying household refuse bins fortnightly will increase the amount of personal waste (non-infectious) in the bins at the time of collection. People may have less space for other rubbish in their refuse bin and the personal waste may stay longer in the refuse bin before being collected. This issue may affect disabled people, carers, older people, women and households with children requiring nappies.

Personal waste is considered to be non-infectious waste. Therefore, it is not normally collected within clinical waste collections.

People with health conditions, and those caring for them, not only experience physical difficulties but their mental health can be affected by having to dispose of this waste. There is a risk it will impact on the person's quality of life.

Eastbourne has a higher than national average number of disabled and older residents.

Although a change in collection is unlikely to negatively impact women more than men, it should be noted that some women use menstrual sanitary products.

Consultation findings: This issue was raised in the consultation by older, disabled people, carers, and families with children requiring nappies. Some comments said that waste bins are full each week and AWC's would not be enough for the amount of waste produced. Some comments expressed strong personal negative impacts if AWCs were to be adopted.

Survey responses indicated there is a concern about the smell if collections move to AWCs. Not all people have the dexterity needed to bag waste sufficiently to avoid unpleasant smells from the waste.

Mitigating factors: People requiring more refuse bin capacity to dispose of personal waste can submit a request for a larger or additional household refuse bin. However, some households may not have space to store a larger or additional bin.

If the household feels the infrequency of collections is having a detrimental impact, they can submit a request for clinical waste collection for personal waste.

The waste team will consider requests on a case by case basis and offer a larger or additional bin, or clinical waste collection, if they believe this to be necessary and appropriate.

If AWC is adopted, webpage wording will be changed to explain people disposing of personal waste can submit a request for larger or additional bins, or clinical waste collections. Requests will be considered at the discretion of the waste team.

All requests for larger or additional bins, or clinical waste collections, to dispose of personal waste, whether accepted or declined, will be logged and reviewed each month for the first six months by the waste management team.

Complaints due to requests being declined are to be brought to the attention of the equality officer in addition to being dealt with by the waste team using the Complaints Procedure.

Putting out two standard refuse bins or a clinical waste bag has the potential to exacerbate the negative mental impact because the person may feel different to neighbours.

Wealden DC and Hastings BC were approached to ask if they are aware of issues/complaints from residents since they implemented AWCs. Wealden DC said complaints are rare and residents seem to become used to the changes. They say providing second household bins has been sufficient.

We do not have information to forecast how many people will be affected and to what degree but it is possible AWCs may have a negative impact on some older, disabled people, carers and families with children requiring nappies.

If the AWC proposal is adopted, the impact should be monitored, as set out in the action plan, as potentially a decision to move to AWCs may not support all three aims of the Public Sector Equality Duty, particularly aim 1 and 3.

Volume of waste created by HMOs and larger households

More people living in a household may create more waste. The amount of waste created may exceed bin capacity if AWCs are introduced. This issue could disproportionally impact larger households and people residing in HMOs.

Consultation findings: 95% of households with four or more people said their recycling bin is full each week, this compares to 82% of all respondents. 68% of households with four or more people said their refuse bin was full each week compared to 50% of all respondents. Comments were made expressing the difficulty large households have with the volume of waste and the current frequency of collections.

Mitigating factors: The project aims to increase recycling rates and decrease waste being placed in refuse bins. All households can request additional recycling bins. Households can request a larger or additional refuse bin if there are five or more people permanently living in the household.

Waste created at home by religious and cultural festivals and celebrations

Festivals and celebrations can often create more waste. This may disproportionately impact people of certain religions and beliefs and cultural backgrounds (race).

Consultation findings: When considering the percentage of responses indicating full refuse and/or recycling bins, the results do not show a significant percentage difference between those who identify as having a religion or belief and those who do not and those of differing racial and cultural backgrounds.

Christmas was mentioned as a time people struggled to manage the amount of waste generated within normal collections.

Although the Lewes and Eastbourne Faiths Forum and the Eastbourne Cultural Involvement Group were consulted, there was a low number of responses from certain religious or racial groups.

Mitigating factors: The consultation does not suggest mitigating factors are required.

Less noise and air pollution

AWC's reduce fleet mileage. As a result, there may be less noise and air pollution.

Air pollutants have been linked to a range of adverse health effects, including respiratory infections, cardiovascular diseases and lung cancer. Reduction of air pollution levels will decrease these illnesses[1]

Whilst this is beneficial for all people, this is particularly positive for disabled people, older people and children.

Information about the changes available in alternative formats

The council will make information available in alternative formats upon request.

Information about changes to collections will be publicised specifically to the council's community involvement groups including the Disability Involvement Group and Eastbourne's Cultural Involvement Group.

[1] World Health Organisation

Refuse collections for unauthorised Traveller or Gypsy encampments

Unauthorised Traveller and Gypsy encampments may require different waste arrangements. These will be decided on a case by cased basis.

b. What mitigations have you identified for each negatively impacted group? If you cannot identify any please explain e.g. a replacement service does not exist/ there is no resource. (There is a space for action planning at the end of this document)

Consider any additional steps the Council could take to enhance (where positive or neutral) or mitigate any negative impacts. Mitigations may include the expansion of one service to cover the restriction of another/ ensuring promotional material is designed with target audience in mind / etc.

See 2a for all mitigations.

Personal waste (non-infectious) disposal

We do not have information to forecast how many people will be affected and to what degree but it is possible AWCs may have a negative impact on some older, disabled people and carers disposing of personal waste and families with children requiring nappies.

Larger or additional bins, or clinical waste collections, may be offered at the discretion of the waste team to households needing to dispose of personal waste.

If the proposal is adopted, these requests and any complaints arising from them are to monitored, as outlined in the action plan, as potentially a decision to move to AWCs may not support all three aims of the Public Sector Equality Duty, particularly aim 1 and 3.

c. If you believe there are additional groups who may be impacted (e.g people from disadvantaged backgrounds, carers, homeless people, people living in remote locations) please record this here, along with any mitigations you have identified.

The proposal might impact:

- People with lower incomes - They are more likely to live in HMOs and less likely to own, or have access to, a car to transport excess waste to a household waste recycling site (HWRS). However, it is noted HWRS are accessible to pedestrians.
- Larger households - They may generate more waste per household. All households can request additional recycling bins. Households can request a larger or additional refuse bin if there are five or more people permanently living in the household.
- Families with young children - They might need extra refuse bin capacity due to disposing of nappies.

See 2a and b for further details and mitigations.

Question 3) **What information have you used to assess the above anticipated impacts on different groups?** *Include any consultation, engagement or research. Explain any data (internal and external), academic research, theories, models you have considered.*
A consultation took place between September and December 2020. Over 1500 responses were received. The consultation was publicised widely and specifically sent to the following groups: Eastbourne Disability Involvement Group Lewes and Eastbourne Faiths Forum Eastbourne Seniors Forum BourneOut LGBT Eastbourne Cultural Involvement Group 3VA (Voluntary Action) The consultation received over 1500 responses. The proposal was presented and commented on by stakeholders at the Eastbourne Disability Involvement Group on 4th November 2020. Care for the Carers, Wealden DC and Hastings BC were contacted to ask for information regarding the impact of AWCs on those needing to dispose of personal waste. Data was also evaluated from East Sussex in Figures and WHO
Question 4) **Was there any information you needed but were not able to find? What might be done to remedy this?**
Despite the consultation being circulated to Lewes and Eastbourne Faiths Forum and the Eastbourne Cultural Involvement Group there was a low number of responses from certain religious and racial groups.

Next steps: Send your draft to EqualitiesEmail@lewes-eastbourne.gov.uk **5 days** ahead of the report deadline. Once signed off the equality officer can send the analysis to the Equality panels, one of which is made up of external representatives and the other is an internal panel. Please indicate if your report is sensitive or confidential.

Question 5) **a. Set out below any comments from members of the Equality Panels**

No comments received from the Equality and Fairness Stakeholder Group or the Equality and Fairness Planning Group.
b. Response to feedback. *Describe any changes you have made to your policy / proposals as a result of the feedback. If you are not proposing changes in response to any of the feedback, please explain why.* *Record any actions in the table at the end of this document*.
N/A
Executive Summary Paste this summary into the Equality Analysis section of your report**.** Give a brief overview of impacts and include any comments received from the Equality Panels.
An Equality & Fairness Analysis has been undertaken for this report. It concluded that while it is hoped that increased recycling, decreased noise and improved air quality will positively impact the local population generally, potentially negative impacts have been identified for those households generating non-infectious personal waste (carers, disabled people, older people, women and households with children requiring nappies). Any negative impacts and experiences by these groups may indicate that aims 1 (Eliminate discrimination, harassment and victimisation) & 3 (Foster good relations) of the PSED may not have been met.

Action Planning

Issue identified	Action to be completed	Lead Officer	Required Resources	Target Date	Measure of Success
The effectiveness of mitigations for households requiring more refuse capacity, or frequency of collection, for the disposal of personal waste (non-infectious)	All requests for additional or larger bins, or clinical waste collections, to dispose of personal waste, whether accepted or declined, will be logged and reviewed each month for the first six months by the waste management team.	Julia Black	Waste administration and management staff time	April to October 2021. Measured after October 2021 if found to be necessary	Waste management team agree with the mitigations being offered on a case by case basis. Few complaints are received and they are not upheld.
Complaints arising from requests for larger or additional refuse bins, or clinical waste collections being declined	Complaints due to requests being declined are to be brought to the attention of the equality officer in addition to being dealt with by the waste team using the Complaints Procedure.	Julia Black	Waste administration and management staff time. Equality officer time.	Ongoing	Few complaints are received and they are not upheld. The equality officer is in agreement with the action taken by the waste team.

Approval	
I confirm I have approved this Analysis and will review the action plan to ensure it is completed within the dates identified	*To be signed and dated by Head of Service*

Please now send this report to EqualitiesEmail@lewes-eastbourne.gov.uk .

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 15

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