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Cabinet
9 February 2022

Time and venue:

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

Membership:

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

Quorum: 3

Published: Tuesday, 1 February 2022

Agenda

1 Minutes of the meeting held on 1 December 2021 (Pages 5 - 10)

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 Assurance Review (Pages 11 - 20)

Report of Chief Executive
Lead Cabinet member: Councillor David Tutt

8 Recovery and Reset Programme (Pages 21 - 28)

Report of Chief Executive
Lead Cabinet member: Councillor David Tutt

9 **General Fund Revenue Budget 2022/23 and Capital Programme (Pages 29 - 58)**

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

10 **Treasury Management and Prudential Indicators 2022/23, Capital Strategy & Investment Strategy (Pages 59 - 120)**

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

11 **Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2022/23 and HRA Capital Programme 2021-25 (Pages 121 - 134)**

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

12 **Litter and Fly-tipping Reduction Strategy 2022 - 2027 (Pages 135 - 150)**

Report of Director of Service Delivery
Lead Cabinet member: Councillor Colin Swansborough

13 **Eastbourne Public Spaces Protection (Anti-social Driving) Order 2022 (Pages 151 - 162)**

Report of Director of Service Delivery
Lead Cabinet member: Councillor Rebecca Whippy

14 **Eastbourne & Lewes Community Safety Partnership - Annual Report (Eastbourne) (Pages 163 - 172)**

Report of Director of Service Delivery
Lead Cabinet member: Councillor Rebecca Whippy

15 **A Coastal Concordat for England (Pages 173 - 178)**

Report of Deputy Chief Executive and Director of Regeneration and Planning and Director of Service Delivery
Lead Cabinet member: Councillor Colin Swansborough

Information for the public

Accessibility:

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

Information for Councillors

Disclosure of interests:

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

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

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

Councillor right of address:

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

Democratic Services

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EASTBOURNE
Borough Council
Working in partnership with **Eastbourne Homes**

Cabinet

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 1 December 2021 at 6.00 pm.

Present:

Councillor David Tutt (Chair).

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

Officers in attendance:

Homira Javadi (Chief Finance Officer), Ian Fitzpatrick (Deputy Chief Executive and Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery) and Simon Russell (Head of Democratic Services).

31 Minutes of the meeting held on 3 November 2021

The minutes of the meeting held on 3 November 2021 were submitted and approved and the Chair was authorised to sign them as a correct record.

32 Apologies for absence

An apology for absence was reported from Councillor Whippy.

33 Declaration of members' interests

Councillor Swansborough declared a prejudicial interest in agenda item 10 (Levelling Up Fund) as a Trustee of Towner. He withdrew from the room whilst the item was being considered.

Councillor Holt declared a personal interest in agenda item 10 (Levelling Up Fund) due to his role with Your Eastbourne Business Improvement District (BID) and Chamber of Commerce, who formed part of the Stakeholder Group that supported the bid. He remained in the room and voted on the item.

34 Council tax and business rate base 2022/23

The Cabinet considered the report of the Chief Finance Officer, asking them to approve the Council Tax Base and net yield from Business Rate Income for 2022/23, in accordance with the Local Government Finance Act 1992.

In presenting the report, the Chief Finance Officer reported a correction to paragraph 4.3 of the report that should read:

“The current level of Council Tax collection for mid-year is forecast to show an in-year surplus balance of £0.996m at the end of 2021/22. However, a current collection rate of 96.52% is considered as high for 2022/23 and therefore the rate has been reduced to 96.06%."

The Chief Finance Officer added that this was necessary as the Council was anticipating a difficult financial environment, following the withdrawal of several Government support packages and therefore the Council was taking the appropriate prudent action. The revised wording was unanimously accepted by Cabinet.

Resolved (Key decision):

(1) To agree the provisional Council Tax Base of 34,754.0 for 2022/23.

(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 2022/23.

(3) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance, determine net yield from Business Rate income for 2022/23.

Reason for decisions:

Cabinet is required to approve the Tax Base which will be used for the purposes of calculating the 2022/23 Council Tax.

35 Local Council Tax Reduction scheme 2022/23

The Cabinet considered the report of the Director of Service Delivery, seeking their recommendation to Full Council that the 2021/22 Local Council Tax Reduction Scheme is adopted as the 2022/23 scheme.

Recommended to Full Council (Budget and policy framework):

(1) To recommend to Full Council that the 2021/22 Local Council Tax Reduction Scheme is adopted as the 2022/23 scheme.

(2) That the Exceptional Hardship Scheme is continued in 2022/23.

Reason for decisions:

The 2022/23 scheme meets the principles of supporting the most vulnerable with the Exceptional Hardship Scheme providing an extra level of support for those most affected.

36 Corporate performance - quarter 2 - 2021/22

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 2021/22.

Commentary on those performance indicators that were currently below target was detailed in the report.

The Director of Service Delivery updated the Cabinet on key performance indicator 2, and reported that 20 of the 68 outstanding businesses had now been signed up to claim expanded retail discount. Those businesses still outstanding would be receiving personal visits from the Neighbourhood First team, encouraging them to sign up.

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

Thanks were conveyed to officers for their continued high performance during an exceptional period.

Resolved (Non-key decision):

(1) To note the achievements and progress against Corporate Plan priorities for 2021-22, 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.

37 Levelling Up Fund

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, providing an update on the successful bid for Levelling Up Funding and seeking to secure the necessary delegations to enable the programme of works to commence.

Thanks were conveyed to all those involved in securing the £19,847,287 towards the regeneration of Eastbourne. The bid was focused on three projects which were a new year-round 'destination' for residents and visitors at Victoria Place, a world-class cultural, education and visitor centre at Black Robin Farm and Towner 2023, linking with the centenary celebrations of the Towner Gallery.

Scrutiny Committee, at its meeting on 29 November 2021 considered the report and made the following recommendation.

To request that the Cabinet consider that clear streamlined and transparent governance arrangements for Levelling up Funds are

circulated at the earliest opportunity to all Council members and key stakeholders, whilst retaining any commercial sensitivities.

The Cabinet agreed to incorporate Scrutiny Committee's recommendation into their resolution and this was detailed below.

Councillors Holt and Swansborough declared interests in this item. Councillor Swansborough withdrew from the room whilst the item was considered. Councillor Holt remained in the room and voted on the item.

Resolved (Key decision):

(1) To note the successful bid to the Levelling Up Fund, which has secured £19,847,287 towards the regeneration of Eastbourne.

(2) To approve an allocation of up to £19.9m in the General Fund Capital Programme, to be financed in full by the grant funding secured as per the recommendation above.

(3) To authorise the Director of Regeneration and Planning to enter into the Funding Agreement that will set out the commercial terms associated with the grant award, including use, access, and ongoing monitoring.

(4) To authorise the Director of Regeneration and Planning, in consultation with the Chief Finance Officer, Leader of the Council and Portfolio Holder for Finance, in conjunction with any Project Oversight Board, to carry out all necessary actions to facilitate the recommendations and deliver the programme of works, including feasibility, financing, appointment of professional services, development, contract award(s), lettings, and determining the terms of, and authorising the execution of, all necessary documentation, in accordance with the funding parameters.

(5) To agree that clear streamlined and transparent governance arrangements for Levelling up Funds would be circulated at the earliest opportunity to all Council members and key stakeholders, whilst retaining any commercial sensitivities.

Reason for decisions:

(1) A funding offer of £19,847,287 for Eastbourne was announced on 27 October.

(2) There is a need to move at pace since the Levelling Up Fund award must be spent by March 2024 in line with Government guidance.

(3) To enable Officers to deliver in an effective and timely manner, the necessary delegations to Lead Members and Executive Officers are required to ensure that the Council can deliver the programme within the context of the timeframe.

The meeting ended at 6.27 pm

Councillor David Tutt (Chair)

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Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Assurance Review**
Report of:	**Robert Cottrill, Chief Executive, and Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor David Tutt, Leader of the Council**
Ward(s):	**All**
Purpose of report:	**To report and comment on the findings and recommendations of the CIPFA assurance review**
Decision type:	**Key**
Officer recommendation(s):	**(1) To note and accept the CIPFA assurance review** **(2) To note and endorse the CIPFA recommendations subject to the comments and observations set out in paragraph 3.2 below** **(3) To incorporate agreed recommended actions arising from the CIPFA assurance review into the overall Recovery and Reset programme's priority-based budget proposals, and to reflect this in the upcoming 2022/23 refresh of the corporate plan** **(4) To continue consideration of priority asset disposals in order to meet the obligations and commitments set out in this report**
Reasons for recommendations:	**To enable the Recovery and Reset programme to continue in a structured way whilst incorporating the CIPFA assurance review recommendations, and meeting the capitalisation challenges**
Contact Officer(s):	**Name: Lee Banner** **Post title: Transformation Programme Manager** **E-mail: lee.banner@lewes-Eastbourne.gov.uk** **Telephone number: 07894 237929**

1 Introduction

1.1 At the meeting on 3 November 2021, Cabinet received a report on the ongoing Recovery and Reset Programme. Progress was duly noted and Cabinet agreed priority based budget proposals. Progress on delivering the transformation and savings associated with those proposals are also set out in a separate report on this agenda.

1.2 In the previous report, it was noted that, in accepting the granting of capitalisation directions for the current year and 2021/22, the council committed to an external review being undertaken by CIPFA. That review has since been concluded, and the final report was published on 12 December 2021. This report seeks to present and comment on the recommendations arising from the assurance review and the response to it.

2 Summarising the CIPFA assurance review

2.1 The CIPFA assurance review is supportive of the direction the council is already taking in addressing current financial shortfalls through the Recovery and Restart programme. The report also states that there is a strong grasp and understanding of the challenge among senior members and officers. It recognises that current shortfalls are largely as a result of the pandemic and its dramatic impact on tourism income, coupled with increased costs elsewhere, such as homelessness.

2.2 The assurance review identifies some key issues and potential solutions for the council to recognise:

a. The need for a priority-based disposal of assets to generate capital receipts necessary for capitalisation and/or increasing reserves
b. The need to have less reliance on tourism income to help meet revenue demands and, instead, develop other income streams
c. The need to avoid high risk projects for the foreseeable future

Asset Disposal:
Determining the priorities on which assets to dispose of depends on a number of factors including the amount of capital yield, the impact on revenue, the social and/or environmental value of the asset, and the available market for it. Assets, such as the Hampden Retail Park, have been obtained to secure regeneration, provide a long-term investment but, more importantly, a significant current revenue income stream, without which essential services would be under threat. Disposal may yield capital receipts which can be used for capitalisation purposes to plug existing revenue shortfalls or top up reserves but may also add to the longer-term problem of ongoing revenue sustainability.

The current challenge to generate funds for capitalisation will demand an objective consideration of all council assets. This will require a great degree of pragmatism across all parts of the council and the wider resident community in considering future asset disposal considerations, if capitalisation targets are to be met.

Income Streams:
Fundamentally, Eastbourne is a seaside tourist resort heavily reliant on visitor activity and spend. Whilst earning direct tourism-related income, much of the council's actions seek to enable others to prosper in this sector, having a balanced and measured strategy in constructive partnership with bodies such as the Chamber of Commerce and the Eastbourne Hospitality Association.

The principle of diversifying into other forms of income is accepted but will take time to develop. As such, it is prudent to point out that the council's previous diversification into the acquisition of revenue yielding assets was also largely in response to addressing major revenue shortfalls caused by a previous financial challenge, specifically the severe reduction in its core grant funding from government since 2010. This, of course, remains the key source of pre-pandemic financial pressures which were then significantly compounded by the pandemic.

This demonstrates that the council has a track record in creatively responding to challenges that are not of its own making. Similarly, the council has been able to realise significant internal revenue savings in the recent past with the implementation of “Future Model” followed by the shared working partnership with Lewes District Council.

Major Projects:
As a result of unprecedented pressures, the council’s ability to invest in and/or instigate non-essential large capital projects in the foreseeable future will be extremely limited and this has been reflected in the council’s revised capital programme and asset disposal plans. The CIPFA assurance review remarks that, whilst this is firmly understood by senior members and officers, acceptance of this may be less understood by the wider audience.

3 Observations on the assurance review recommendations

3.1 The full list of 31 CIPFA recommendations and, in each case, recommended actions for Cabinet to consider, are set out in full at **Appendix 1**. However, in recommending these actions, it is important to make a general point about CIPFA’s proposed recommendation timescales. At the time of writing, the potential impact and timeline of the latest Omicron covid wave is unknown. Clearly, this may have an ongoing, unavoidable effect on the council’s ability to deliver on some of these recommendations within the anticipated timescale. This will be reviewed over the coming weeks and months.

3.2 The Leader of the council has reflected the council’s position following the assurance review in a response letter to the Minister for Equalities and Levelling Up Communities. Officers have also provided the Department for Levelling Up, Housing and Communities with a comprehensive pack of finance, assets and income projection documentation, including a revised profiling of capitalisation needs as set out in the financial appraisal (paragraph 7.1 below).

4 Consultation

4.1 No further consultation is required for the content of this report. The full CIPFA assurance review document is already in the public domain, and is listed as a background paper to this report.

5 Corporate Plan and Council Policies

5.1 The recommendations of the assurance review will need to be reflected at high level in the refreshed corporate plan for 2022/23. Depending on the specific decisions taken, particularly in relation to asset disposals, there may be impacts of varying degrees on other council policies.

6 Business case and alternative option(s) considered

6.1 The overall business case for the actions already proposed in the Recovery and Reset programme together with the recommendations of the CIPFA assurance review are borne out of necessity having regard to the Covid-19 pandemic. In that overall context, there are no viable alternative options. However, within the overall activity, there will be choices to be made and options to be considered in respect of asset disposals, service levels, etc. It will be very important that such deliberations are grounded and with due regard to the council's financial position and its social and environmental responsibilities. Officers have been working on an asset list in respect of potential prioritisation for disposals. In constructing this, the following disciplines are crucial:

- The size of the capital receipt that may be realised
- The availability of a market for the asset
- The current revenue contribution being made by the asset
- The ongoing cost of maintaining the asset
- The social value of the asset

6.2 Assets that will yield significant levels of capital receipt and for which there is an available market will need to be near the top of the priority list for disposal, especially if their revenue contributions are low and/or running costs are high. In setting a priority list of disposals, it is also important to set a realistic timeline with targets to meet in the coming months and years. The council's external credibility in this matter is at stake. It will need to demonstrate that it can undertake this task with objectivity rather than emotional attachment to any particular assets. This is not just a challenge for the administration but one that extends to all members, officers, and the wider community of Eastbourne.

7 Financial Appraisal

7.1 A financial appraisal of the Recovery and Reset programme was set out in the Cabinet report of 3 November 2021. As previously reported, the council has been granted capitalisation directions of £6.8m for 2020/21 and £6.0m in 2021/22. In addition, the council has been invited to express interest in further capitalisation in 2022/23. The current officer view is that the council will have sufficient capacity within the currently authorised capitalisation levels to carry forward surplus capitalisation into 2022/23. However, due to the ongoing unpredictability around the latest Omicron Covid-19 variant, it is advisable to remain open to a further application for 2022/23 should the current situation be prolonged to the point where it continues to impact on tourism and leisure income into the next financial year. Thus, the council's revised position is to seek authority for capitalisation of £4.6m in 2020/21, £4.0m in 2021/22, and the flexibility to carry forward up to £3.8m in 2022/23, predicated on the ongoing impact of the Omicron variant. This results in keeping within the overall total of £12.8m already approved. It is important to emphasise the criticality of achieving sufficient capital receipts, not only to meet the capitalisation needs, but to meaningfully reduce borrowing levels and increase reserves.

8 Legal implications

8.1 Legal implications in respect of the Recovery and Reset programme were set out in the report to Cabinet of 3 November 2021. Legal advice will need to be provided in support of any specific actions arising from the assurance review.

Lawyer consulted 18.01.21 *Legal ref: 010766-EBC-KS*

9 Risk management implications

9.1 Risk assessment in respect of the current Recovery and Reset programme was set out in the Cabinet report of 3 November 2021. As stated there, specific proposals arising from the programme action plan were all subject to project management discipline including appropriate risk and impact assessment processes. Exactly the same approach will need to be done to assess specific actions and projects arising from some of the CIPFA assurance review recommendations. At this point, the most significant risk is that the council does not take a sufficiently robust and timely approach to prioritising the disposal of assets to a level necessary to reach the targets stated. If that occurs, the risk of losing external support and goodwill could be high and could ultimately lead to an untenable situation and the resulting necessity of issuing a Section 114 notice.

10 Equality Analysis

10.1 An equality and fairness analysis was previously carried out on the Recovery and Reset programme proposals and screening of those proposals did not find any further risk of adverse impact on groups with protected characteristics. This report is at an early stage of presenting the CIPFA recommendations and none of the proposals contained are, in themselves, likely to add further impact. However, should the council fail to achieve a level of action necessary to recover its sustainability, it is possible that important services may be impacted with significant effect on the community as a whole.

11 Environmental sustainability implications

11.1 The council is committed to the delivery of its Environmental and Climate Change Strategy. Any actions arising from the assurance review recommendations will be implemented in line with this strategy.

12 Governance and Conclusion

12.1 Responsibility for delivering on all aspects of the Recovery and Reset programme is with the Cabinet and the Corporate Management Team, as these are all executive functions. Cabinet and/or CMT may choose to use internal working groups such as the existing Recovery and Reset Board to work on or oversee projects within the programme. There is also likely to be additional ongoing input by the Audit and Governance Committee in respect of matters relating to financial strategy, and the Scrutiny Committee in accordance with its constitutional terms of reference for performance monitoring. The roles of statutory officers will be crucial in ensuring that the council meets its commitments in this matter. Full Council is, of course, also in place for members to raise queries on matters for discussion. Full Council will also be the forum to consider and approve the 2022/23 refreshed Corporate Plan. This will be a challenging time and the importance of all aspects of both the democratic structure and strategic management working together in a constructive manner cannot be over-emphasised.

13 Appendices

- Appendix 1 – CIPFA Assurance Review recommendations

14 Background papers

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

- CIPFA Assurance Review full document
- Formal response to the Government following receipt of the assurance review

APPENDIX 1

No.	CIPFA assurance review recommendation description	Timescale	Recommended response and actions for Cabinet consideration
A.	**Reduction on Tourism Income**		
A1	The Council's corporate plan should be refreshed in the light of the pandemic.	3 months	Recommend that the Corporate Plan be refreshed to reflect the Covid-19 context.
A2	The Leader and Cabinet should ensure that all members understand that there will be a medium to long term requirement to continue to make adjustments, including the possibility of additional saving, to balance the budget by £6.7m in the MTFS. Stating it would not be prudent for members to assume that there will be a speedy return to "normal", pre-pandemic business.	Ongoing	Recommended for adoption as ongoing executive policy.
A3	The Council needs to establish a realistic baseline of future income that is achievable. The Council should rely only on income at this level to fund services. Any additional income generated over and above this base line should go into reserves until they are adequately replenished.	6 months	Recommended for adoption as ongoing executive policy.
A4	The Strategic Risk register should monitor the commercial investments / or commercial transactions undertaken by the Council or the commercial entities the Council has an interest in; ensuring that appropriate mitigations are put in place to manage the risks inherent in these types of transactions.	6 months	Recommended for adoption as ongoing executive policy.
1.	**Assets**		
1.1	The affordability of the capital programme needs to be continuously reviewed to ensure it is in line with objectives stated within the MTFS	3 months	Recommended for adoption as ongoing executive policy
1.2	Following its need for the capitalisation direction, the council should not consider increasing its capital expenditure on anything other than housing, health and safety issues or schemes fully justified by a sound, affordable business case. It should refrain from commercial activities unless the expenditure is proportional to its capital programme and the impact that it has on the revenue account has been fully assessed. The rationale for this should be clearly communicated to all members.	1 month	Recommended for adoption as ongoing executive policy
1.3	The council should review whether its MRP is prudent against all of its asset base and that this review is considered against its revised capital programme to ensure it is sustainable. This review should consider appropriate benchmarks for borrowing and could include the capital finance 'liability benchmark' which will be particularly useful over the long-term.	3 months	Recommend that officers be instructed to carry out this review

1.4	An asset strategy to be put in place to generate (additional) capital receipts to help to manage the council's financial pressures.	3 months	Note that this action is already under way
1.5	The significant debts from existing tenants and should be pursued thoroughly to recoup the arrears.	1 month	Recommend that officers be instructed to undertake this action
1.6	Verify valuation of assets individually, including rural estate and retail assets, and carry out detailed options and market appraisal of all assets to establish asset disposal list.	3 months	Note that this activity will be undertaken as part of recommendation 1.4 above
1.7	Develop a scheme for key strategic seafront sites to gain commercial/residential planning consent to maximise value.	9 months	Recommend that officers be instructed to undertake this action
2.	**Capitalisation**		
2.1	Monitor the in-year requirement for capitalisation of revenue expenditure to ensure this stays within the EFS current limit.	Ongoing	Recommended for adoption as executive policy
3.	**Commercial/Borrowing**		
3.1	Commercial investment balances should be reviewed and challenged to assess their usefulness to the council.	6 months	Recommended for adoption as executive policy
3.2	ICE – an independent post implementation review of the arrangements for this transaction to consider whether the transaction represents value for money for the council and its community in the short, medium to long-term considering the risks which have emanated from the COVID-19 pandemic and the council's resources. No further complex or unusual transactions of this nature are entered into at least until the council consolidates its financial performance and financial position. If any future transactions are considered a full assessment of whether or not these fit with best practice in investment management and the appropriateness of decisions against the council's risk management strategies and appetite. ICE should be included in the council's Strategic Risk Register.	3 months and ongoing	Recommended for adoption as executive policy
3.3	The council should appoint an independent (non-political) member on the Audit and Governance Committee.	6 months	Recommend that the appointment of a non-voting independent member to this committee be considered at the next Annual Council meeting
3.4	A commercial framework should be agreed with members and senior officers to assess future investment based or traded activities. There needs to be rigorous governance around commercial activities and a realistic assessment to the council's capacity and capability to deliver such projects.	6 months	Recommend that the Leadership Team will undertake this approach as part of ongoing executive policy
3.5	Council critically reviews against its MTFS, its corporate, strategic and asset management plans the need for its companies and the assets held. The review should contain robust and prudent arguments	3 months	Recommend that the Leadership Team will undertake this approach as

	if the council is not to divest itself of its interests in these companies.		part of ongoing executive policy
3.6	Council request that Eastbourne Housing Investment Company Limited (EHICL) reviews its investment properties and consider if they meet the needs of the community, their valuation is subject to further changes or judgements and review this against the risks to the council in terms of the extension of resource cover and borrowing.	3 months	Note that this request will be undertaken as part of the asset strategy recommendations at 1.4 and 1.6 above
3.7	Council should use its controlling interests or significant influence in its companies to ensure that their financial statements are subject to audit.	12 months	Note that this action is already underway
4.	**Governance/Oversight**		
4.1	External support should be appointed to assist in the discharge and monitoring of the overall Roadmap, including the asset management and disposals strategy, the review of council owned companies and development of appropriate indicators to demonstrate progress as the council may lack the capacity to deliver the change required over a sustained period of time.	Immediate	Recommend that this be undertaken in the event that insufficient internal capacity is available
4.2	The council should review the decision to not have the chief legal officer as a full member of the Corporate Management Team (CMT).	3 months	Note that this action has been implemented
4.3	Continue to develop the Priority Based Budget approach so that Cabinet reports reflect the on going financial uncertainty and the tough decisions that will continue to be needed to balance the budget post pandemic.	On going	Recommended for adoption as executive policy
4.4	Members should receive a refresher programme of training on treasury management, the prudential framework, and the risks of investing public money in commercial entities, with particular emphasis on the impact of the capitalisation directions.	3 months	Recommend that officers source and set this up and add to the existing member training programme
4.5	The council should implement the restructure for the finance section as put forward by the s151 officer as a matter of priority.	3 months	Recommend that this be implemented by officers
4.6	The financial outcomes, changes in risk profiles and asset valuations of the ICE transaction are reviewed by Cabinet and the Audit and Governance Committee on a regular at least a quarterly basis.	3 months	Recommended for adoption as executive policy
4.7	A full post-audit review needs to be carried out with the auditor regarding the 2018/19 accounts and the accounts are checked against CIPFA's disclosure checklist before they are submitted in future years including the Group Accounts.	3 months	Recommended in liaison with external auditor and for adoption as ongoing executive policy
5.	**Reserves**		
5.1	The council should set its general fund reserves, particularly its non-earmarked balance, in accordance with a risk managed assessment of its needs, these include financial, operational and strategic risks and any contingencies necessary.	3 months	Recommended for adoption as ongoing executive policy

5.2	Reserves should be established at sustainable levels such that these risks are managed and so that there will be no future need for government assistance. This will need to include scenario planning to reflect differing levels of resources that may be received.	3 months	Recommended for adoption as ongoing executive policy
6.	**Savings/efficiencies**		
6.1	The council should review its service expenditure per head on culture and related services, housing (including homelessness) and highways and transport, with a view to bringing it into line with comparator authorities.	3 months	Recommend that this be undertaken as part of future service and financial planning
6.2	The “Recovery and Reset” programme should be renamed the “Recovery and Stabilisation” programme to emphasise the need for continued prudence. It should be reviewed bi-weekly by corporate management team and monthly by Cabinet and that the council identify specific expenditure items and its financing for the 2021/22 capitalisation direction. In addition, capital financing for the 2020/21 EFS of £4.6m must also be identified.	On going	Recommend that this be reflected in the 2022/23 refresh of the corporate plan
6.3	The council should add a strategic risk relating to non-delivery of its Recovery and Reset to the Risk Register and monitor it.	3 months	Recommended for adoption as ongoing executive policy
6.4	Develop a savings plan which aligns with the whole MTFS period, updated on a more regular basis to ensure that it reflects its changes in financial sustainability and resilience and its Recovery and Reset plan, ideally it should be a “living document” for the council.	3 months	Recommended as part of the current Recovery and Reset Programme and resulting priority-based budget proposals
6.5	Ensure that robust project and programme management arrangements are in place to deliver the capital programme so that revenue budget pressures are not exacerbated.	On going	Recommended for adoption as ongoing executive policy requiring the consistent use of the existing project management toolkit

Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Recovery and Reset Programme**
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):	**1) Note the progress made with the Recovery and Reset Programme** **2) Note the Recovery and Reset savings (including the Priority Based Budget savings) at Appendix A**
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. This work is sufficiently developed for its management and oversight to now form part of the council's business as usual activity.**
Contact Officer(s):	**Name: Lee Banner** **Post title: Transformation Programme Manager** **E-mail: lee.banner@lewes-eastbourne.gov.uk** **Telephone number: 07894 237929**

1. Introduction

1.1 For the last 18 months, the council has co-ordinated its response to the Covid-19 pandemic and the subsequent impact on the economy (both for the council and the borough) through the Recovery and Reset (R&R) programme. R&R aims to manage the priority activity to address the challenges of the council's new operational context in a sustainable way, and to respond to the changing needs and demands of residents.

1.2 Since its inception, the R&R programme has made strong progress in leading and delivering the changes required in support of the council's response to the Covid-19 pandemic and the work to manage the significant budget shortfall over the life of the Medium-Term Financial Strategy (MTFS) period.

1.3 Following the capitalisation direction from central government in early 2021 in response to the extreme financial pressures being experienced, the council was required to agree to an external assurance review being undertaken. This review took place during the summer of 2021 and the resulting report was published in December – the report is being considered by Cabinet under a separate item on this agenda. The process of monitoring progress of the recommendations from the external assurance review will be undertaken as part of R&R activity.

1.4 This report provides an update on the R&R activity over the last period.

2. Financial Context

2.1 The table below sets out the budget challenges which were reported in the updated MTFS reported to Cabinet in September 2021. Further work with budget holders to consider the robustness and achievability of the R&R savings has resulted in a revised position.

2.2 Overachievement of 2021/22 savings targets has contributed to reducing the gap forecast in 2022/23. The budget planning process for 2022/23 has also identified other sources to manage the funding gaps in 2022/23, these include additional funding from collection fund and updated income projections.

	2021/22 £m	**2022/23 £m**
INITIAL FORECAST GAP	0.850	5.917
Less achievable R&R savings	(2,259)	(3,333)
Improved Funding position		(1,175)
2021/22 b/f		(1,409)
NET POSITION	(1,409)	0

2.3 The final detailed budget information is being considered in a separate item on this agenda.

3. Priority Based Budgeting

3.1 Cabinet previously received a report which explained the Priority Based Budgeting work being undertaken to reduce the need for borrowing and to address the projected budget shortfall in 2022/23. Cabinet approved a number of service and organisational changes. It was noted that a further report would present what further changes would need to be made to address the financial situation in future years.

3.2 Through the Priority Based Budgeting approach, each area of the council's expenditure has been scrutinised, and a range of budget reduction options prepared for members' consideration. For each service area, three levels of reduction were tested, with weight being given to:

- where efficiencies could be achieved without reduction in service levels
- minimising the potential impact on residents
- whether the service was statutory or discretionary
- managing and mitigating any risks associated with the service change
- whether the change could be short-term and reversible

3.3 The table at Appendix A sets out the latest update on the proposals that have been developed as a result of these considerations. Some of these proposals will deliver a level of budget reduction in the current financial year, whilst others will yield savings, or increased income generation, from 2022/23. These savings are now being incorporated into the 2021/22 revised and 2022/23 draft budgets and, as mentioned above, are being reported via a separate item on this agenda.

3.4 The savings set out in Appendix A are critical to delivering a balanced budget for 2021/22 and beyond and will allow for a reduced borrowing requirement. The savings identified contribute significantly to the reductions needed for 2022/23.

4. Recovery and Reset Progress

4.1 A range of key outcomes and benefits have been delivered (in addition to those previously reported to Cabinet) by the R&R programme so far, including:

- The Digital Democracy project, which launched the Modern.Gov system with members and officers for the electronic management of meeting agendas and papers, has progressed well with good levels of adoption of the new system. Discussions are taking place about the next phase of the project, including consideration of the future of hard-copy agendas and papers for meetings.
- The procurement exercise for the project to explore a new Revenues and Benefits system completed in December, and a new provider and system was selected – the NPS system provided by NEC. NPS will provide significant automation improvements and reduce the need for manual activity. Since contract completion, the project team has worked with NEC to develop an implementation plan – the current window for "go live" of the new system is early 2023 working around the peak period of year-end-related activity.
- The project to explore options for the identification of a single system to manage Environmental Health and Licensing activity is progressing well. Colleagues have identified the council's requirements, ensuring operational benefits, efficiencies and savings can be delivered, and discussions with potential system providers are underway as part of a market testing exercise. The procurement phase of the project is due to commence in the coming months.
- Work to identify new technology to automate a range of transactional processes within Customer First is due to be implemented in the coming weeks. A new generation chat bot will be implemented on the council's website and, subsequently, on the contact centre phone line to allow customers to self-serve and find answers to their queries. The chat bot will, over time, reduce the volumes of queries into the contact centre, enabling the team to provide more in-depth support to those customers in the greatest need and to focus on more value-adding activity.
- A new system to support the online facilitation of taxi licensing services is being finalised and will launch in the spring. The system – Digital Place – will offer a higher-level of automated and electronic processes for taxi drivers and operators to streamline the service provided to them, and to introduce efficiencies for the council. Once implemented, other service areas will be

scoped for further use of Digital Place to deliver additional improvements and savings across a wider range of service areas.

- With many of the new ways of working introduced to support and embed hybrid working across the council, a review of internal communications is underway to consider how long-standing and new communication tools can be used to support the new operating model.
- The staff social club – the Water Cooler – has become well-established since its launch last autumn and staff have been developing it into an essential tool for interacting and socialising. The 45 groups created by staff – on themes related to personal interests, sports, pets and a range of equality, diversity and inclusion groups – are proving an effective way for staff to keep in touch and connect when working across a range of locations and in a hybrid way. The Water Cooler will be considered as part of the review of internal communications.
- The capital programme has been reviewed and income targets relating to the property portfolio (non-residential) are to be considered by Cabinet under a separate item on this agenda.
- Through the Strategic Property Board, assets/properties are being reviewed to identify a priority list for further consideration as to how they can best support the council to meet its current and long-term financial challenges.
- The Covid-19 community hub helpline has operated since March 2020 and, in recent months, levels of contact have been consistently very low. Plans were refreshed in December 2021 in anticipation of any changes to the levels of demand as a result of the omicron variant. At the point of writing the report, no material changes to the levels of contact have been observed. An oral update on the latest position will be provided at the meeting.

5. Consultation

5.1 No further consultation/consideration of consultation is required for the content of this report.

6. Corporate Plan and Council Policies

6.1 This report does not significantly adversely impact on the council's long-term strategic aims as set out in the Corporate Plan and associated policies.

7. Business Case and Alternative Option(s) Considered

7.1 In arriving at the proposals in this report, extensive options appraisal work was undertaken using a Priority Based Budgeting approach. Other savings options were considered and discounted because of the potential for their greater adverse impact on local residents, businesses or the economy. It is considered that the recommendations in this report provide the least disruptive and most sustainable way for the council to address its short-term financial challenges.

8. Financial Appraisal

8.1 As set out in the report.

9. Legal Implications

9.1 The Priority Based Budgeting proposals are necessary to achieve financial sustainability over the medium-term; they also represent a reasonable and proportionate set of measures, taking into account the factors at paragraph 3.2 above. This, together with the equality considerations mentioned at 11.1, makes the proposals acceptable in public law terms.

Lawyer consulted 10.01.22 *Legal ref: 010741-EBC-KS*

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, along with mitigation plans to address them. With regard to the Priority Based Budgeting proposals specifically, all have been subject to project management discipline including appropriate risk and impact assessment processes.

11. Equality Analysis

11.1 An Equality & Fairness Analysis has been undertaken on the R&R proposals. The outcome of this was reported to Cabinet in 2021. Screening of the additional proposals did not find any further risk of adverse impact on groups with protected characteristics.

12. Environmental Sustainability Implications

12.1 The proposals in this report do not adversely impact on the council's long-term carbon reduction aims, as set out in the EBC Climate Emergency Strategy.

13. Appendices

- Appendix A – Recovery and Reset Programme Savings

14. Background Papers

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

- None

Appendix A

Recovery and Reset Programme Savings

	2021/22 £000	2022/23 £000
Reshaping Services		
HR reshaping	13.8	0.0
IT reshaping	0.0	68.1
Homes First reshaping - Housing Needs and Standards	34.4	0.0
Homes First reshaping - B&B	152.5	0.0
Homes First reshaping - Housing Benefit subsidy	750.0	0.0
Homes First reshaping - provision for debt	0.0	118.1
Environment First reshaping	5.6	-3.8
Neighbourhood First reshaping	108.1	0.0
Legal reshaping	0.0	25.0
CMT reshaping	192.9	9.3
Heritage reshaping	19.1	32.0
Finance reshaping	0.0	58.4
Business Planning & Performance reshaping	0.0	160.1
Voluntary & Community Grants (incl Ward Budgets)	85.25	125.0
Contract cleaning	50.0	50.0
Refuse - AWC	223.4	0.0
Weed control	14.0	7.0
Street Cleansing	38.8	117.0
Grounds maintenance	0.0	77.8
Public conveniences	47.5	100.0
Consolidate grounds maintenance operations	0.0	100.0
Events programme - cost neutral	0.0	100.0
Events programme - Airbourne	141.7	3.4
Bulky waste - cease free collections	20.0	40.0
Garden waste	50.0	71.5
RESHAPING TOTAL	**1946.8**	**1258.9**
Best Use of Assets		
Leisure Centre	0.0	20.0
Sovereign Leisure Centre	0.0	100.0
Cultural exemption	0.0	500.0
Congress Theatre	60.0	100.0
Golf course	0.0	43.0
Devonshire Park Theatre	280.0	280.0
Close 1 Grove Road and let out	130.0	480.0
Victoria Mansion (food street)	0.0	40.0
Hamden Park Retail Park relet	0.0	93.0
Rental income recovery	60.0	60.0
Sale of Cornish Cottages	0.0	6.0

ASSETS TOTAL	**530.0**	**1722.0**
Corporate		
Reduced cost of capitalisation - estimate	0.0	300.0
TOTAL SAVINGS	**2471.3**	**3280.9**

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Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**General Fund Revenue Budget 2022/23 and Capital Programme**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Deputy Leader of the Council, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To agree the updated General Fund budget and updated Medium Term Financial Strategy, together with the updated Capital Programme position.**
Decision type:	**Budget and policy framework**
Officer recommendation(s):	**1. Members are asked to recommend the following proposals to Full Council:** **i) The General Fund budget for 2021/22 (Revised) and 2022/23 (original).** **ii) An increase in the Council Tax for Eastbourne Borough Council of 1.99% (per annum) resulting in a Band D charge for general expenses of £261.87 (per annum) for 2022/23.** **iii) The revised General Fund capital programme 2022/23 as set out in Appendix 3.** **iv) That Cabinet endorses the continuation of the Flexible use of Capital Receipts and refers on to Council for approval.** **v) To note the section 151 Officer's sign off as outlined in the report.**
Reasons for recommendations:	**The Cabinet must recommend to Full Council the setting of a revenue budget and associated Council tax for the forthcoming financial year by law.**
Contact Officer(s):	**Name: Homira Javadi** **Post title: Chief Finance Officer** **E-mail: Homira.Javadi@lewes-eastbourne.gov.uk**

1 Background

1.1 The Council published its draft Medium-Term Financial Strategy (MTFS) for 2021/22 to 2025/26 in September 2021. 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.

The MTFS included a set of financial assumptions and forecasts up to the financial year 2025/26, based on the most up to date information available at the time.

1.2 This report presents the updated forecast financial position for 2022/23, considering the capital strategy and programme approved by Council in February 2021, budget changes identified since the publication of the MTFS and the latest intelligence regarding the Spending Review announcement in October 2021 and the provisional 2022/23 local government funding settlement subsequently announced on the 16 December 2021.

1.3 The 2022/23 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.

1.4 Government spending to continue 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.

1.5 The 2022/23 budget and medium-term financial strategy has been aligned to the Council's 5 Strategic priorities. One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, as shown below:

1.6 This budget and medium-term financial plan seeks to provide the Council with a framework which allows it to continue delivering its services and achieve its strategic objectives without relying on ongoing drawdowns from reserves over the coming four-year period. The Council has a legal obligation to set a balanced budget for next year as well as sustainable balanced budgets for the medium term.

Key factors

2 Financial Impact of Covid19

2.1 The Council's response to the financial pressures caused by the COVID19 pandemic coupled with the uncertainties around economic recovery and local government future funding arrangements resulted in putting in place a number of key plans many of which have been encompassed in the Recovery and Reset Programme (R&RP).

2.2 The Council's overall recovery strategy is reliant on the outcome from the following:

- Delivery of the anticipated saving targets from the R&RP.
- Economic recovery and return of income levels to the pre COVID-19 levels.
- Greater control of the revenue and capital expenditure and financing costs.

2.3 In response to the Council's request for Exceptional Financial Support, on 2nd February 2021, the Minister of State for Regional Growth and Local Government in a letter addressed to the Leader of the Council, approved a total capitalisation direction to fund expenditure not exceeding £6.8m for the financial year 2020/21, and up to £6m for 2021/22.

2.4 Through its careful cost control, robust actions and commitment to delivery of the R&R programme, the Council's final submission to the Ministry for capitalisation for 2020/21 was £4.6m and the projected capitalisation for 2021/22 is expected to be £4.4m some £3.8m less than the approved levels.

2.5 As the country struggles to get back on its feet after the harm caused by COVID 19 the financial implications to the Councils' finances continue. The Council's income streams especially in relation to Tourism, leisure, commercial rents, sales, and fees are still at risk and continue to present a real challenge to the Authority's overall financial position in the medium term.

2.6 Following the emergence of the Omicron variant in the UK, the Prime Minister introduced new measures on 27 November 2021. The introduction of these measures had an immediate impact on the Council's income from its tourism, hospitality and leisure services with many Christmas bookings cancelled and ticket sales plummeting.

2.7 This impact triggered an immediate review of the draft budget which included additional impact assessments, scenario planning and further engagement with the Department of Levelling Up, Housing and Communities (DLUHC).

2.8 Assuming a continuation of the restrictions caused by the emergence of other variants, the scenarios estimated a potential loss of income in 2022/23 (if no further actions were taken) of between £1.4m- £3.8m.

However, since the Prime Minister's latest announcement on 19 Jan in relation to ending/ easing of the COVID restrictions, the Council's Chief Finance Officer has revisited the risks, likelihood and the impact and has concluded that at this point, any potential risk to the income is considered within the authority's financial resilience levels and has set out the following remedial measures:

- Ongoing and close monitoring of income levels
- Prompt action to stop/ reduce services reliant on sales fees (£500k)
- Use of contingency £250k
- Set aside a GF earmarked reserve of £500k; and
- Continuous engagement with the DLUHC

3 Economic Background

3.1 In 2020-21 Government borrowing increased by around £299bn largely to fund COVID support the most notable of which was £100 bn to finance the furlough scheme. Forecast of borrowing for 2021-22 were for an additional £200bn in 2021-22 although figures produced by the Office for Budget Responsibility for the first five months to August 2021 indicate net borrowing to have increased by around £93.8 bn, £31.9bn lower than expected. This outperformance is largely due to central government accrued receipts, which came in at £20.3 billion (6.9 per cent) above profile, while central government spending was also £10.3 billion (2.4 per cent) below profile. Borrowing by local authorities was £4.5 billion below profile, while borrowing by public corporations was £3.2 billion above profile.

3.2 The upside surprise in accrued receipts so far in 2021-22 is dominated by PAYE income tax and NICs (which are up £9.8 billion or 7.7 per cent on profile), corporation tax receipts (which are up £5.0 billion or 30.3 per cent), VAT (which is up £2.2 billion or 4.2 per cent) and stamp duties (which are up £1.7 billion or 31.2 per cent). Overall, the outperformance of receipts in the year to date looks broadly consistent with the higher-than-expected economic output compared to our March forecast, with stamp duties also boosted by the faster than expected rise in house prices this year.

3.3 Growth forecasts measured by changes in Gross Domestic Product (GDP) compared to previous forecasts are as were lower than forecast in 2020-21 by 1.3% at -10.9% and 1.3% higher in 2021-22 at 10.8% compared to previous forecasts. On average over the period 2022-23 to 2025-26 revised forecasts are on average -0.25% less per annum at 4.2% to 1.6%.

3.4 Inflation forecasts have risen since last review and it indicates that forecasts for CPI are 1.6% higher for 2021-22. 1.8% higher for 2022-23 and 0.4% higher for 2023-24 than at Budget 2021.

4 Spending Review 2021

4.1 On 27th October 2021 the Chancellor announced details of the Government Spending Review. For two years the government has only held single-year Spending Reviews. This spending review sets revenue and capital budgets for a three-year period 2022-23 to 2024-25.

The following significant points affecting local authorities are:

a) In relation to national pay bargaining the freeze on public sector pay increases will end from 1st April 2022. Additionally, the National Living Wage for those aged 23 and above will increase from £8.91 per hour to £9.50 per hour.

b) Core spending power i.e. The Government's assessment of increased income to local authorities is reported to have increased by 3% in real terms per year over the 3-year period 2021-22 to 2024-25 on average. At individual local authority level this percentage increase will be considerably less.

c) No announcement has been made on business rates retention (BRR) reset or funding reform although the Government has announced that the BRR pilots will continue throughout the spending review period. It was expected that the pilot would end when there was a reset so their continuation may represent a signal that a reset will not be undertaken during this spending review period.

d) The referendum threshold for increases in Council tax is expected to remain at 2% throughout the spending review period with an additional 1% per year for social care authorities. District Councils have in the past few years been able to increase Council tax by up to 2% or £5 whichever is the higher. For district Councils the referendum level is exceeded if Council tax is to be increased by 2% or £5.00 on a Band D property – i.e., an increase of more than 2% is permitted if it does not exceed £5.00 on a Band D property. Eastbourne BC is proposing an increase of £5.13; this is line with current legislative limits, and this equates to a 1.99% increase.

e) Social care authorities will be able to charge an adult social care precept of up to an additional 1%

f) Additional £3.6 bn of Social Care Reform Funding from the Health and Social Care levy derived from a 1.25% increase in national insurance announced earlier.

g) No specific announcement on New Homes Bonus although it is included in the government's figures for core spending power and therefore the assumption must be that this continues for the three-year spending review period.

h) There will be £38m to support modernisation of local authorities' cyber security

i) The spending review confirmed the first 105 places to receive funding from the Levelling Up, Fund, Eastbourne was successful in this bid and £12.68m has been secured.

j) £560 million was announced for youth services and £850 million over the SR period for cultural and heritage infrastructure

k) £7.5 bn for affordable homes programme with £300 million distributed to local authorities to support the development of smaller brownfield sites.

l) £639 million in funding by 2024-25 as part of the government's commitment to end rough sleeping through the Rough Sleeping Initiative and Homeless Prevention Grant.

m) Business rates multiplier for 2022-23 for the second-year running will not be increased and businesses in the retail, leisure and hospitality sector will benefit from a 50% business rates discount for one year in 2022-23 following the 66% discount introduced from 1st July 2021.

n) £65 million to digitise the planning system o) Authorities will now be allowed to spend Right to Buy receipts over a longer framework (increasing to five years from three years), to pay up to 40% of the cost of a new home (up from 30%) and to allow them to be used for shared ownership and First Homes. Interest Rate Forecasts

4.2 Link Asset Management, the Councils Treasury advisors, have given their view on interest rate forecasts as shown below:

Table 1: Interest rate forecasts from December 2021 to December 2024.

Link Group Interest Rate View 20.12.21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30

4.3 Over the last two years, 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 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

4.4 As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

4.5 **Some of the significant risks to the forecasts are:**

- Mutations of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- Labour and supply shortages prove more enduring and disruptive and depress economic activity.
- The Monetary Policy Committee acts 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.
- The Monetary Policy Committee tightens monetary policy too late to ward off building inflationary pressures.
- The Government acts too quickly to cut expenditure to balance the national budget.
- UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

4.6 The table below is provided by the Council's funding advisors LG Futures who specialise in assessing local government funding allocation. It shows the impact of relevant funding streams on the Council's budget and is based on a business rate retention reset for 2023/24. Officers will be monitoring the outcome of any other corresponding funding announcements and implications in setting the budget for future years.

Table 2: Provisional Finance Settlement and Other Funding Resources

	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m
Business Rates	5.4	4.1	4.9	3.4	3.9
Change to baseline need	0	0	0	(0.2)	(0.2)
New Homes Bonus	0.3	0.0	0.1	0.1	0.1
Grants	1.5	1.0	0.8	0.8	0.8
Council Tax	8.7	8.9	9.1	9.5	9.8
Covid Grants	1.8	0.8			
Total Resources	**17.6**	**14.8**	**14.9**	**13.9**	**14.7**
Annual change	**35.8%**	**(16.2%)**	**0.6%**	**(6.4%)**	**5.6%**
Expected BRR income			0.7	1.9	1.4

Based on LG Future modelling – not adjusted for surplus/deficit or one-off funding

5 Council Tax

5.1 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 of 2% and the current ceiling on rises that would otherwise require a referendum. Within this context, for 2022/23, the Council will raise £9.1m 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 £261.87 per annum.

6 2021/22 Revised Budget

6.1 The 2021/22 budget continued to be impacted by the Covid-19 pandemic in terms of income losses and additional costs. The actions taken by the Council in delivering the targets set in the Recovery and Reset, has enabled the authority to reduce its capitalisation requirements from £6m in 2021/22 to £4.4m. This is in addition to 2.3m of savings and additional income delivered in 2020/21. A summary of key variations is as follow:

	2021/22 £'000
RESHAPING TOTAL	**1641.7**
ASSETS TOTAL	**530.0**
TOTAL SAVINGS	**2171.7**
Garden Waste income	50.0
SEESL Salaries	30.2
Misc. SEESL Adj	7.4
	2,259.15
2021-22 Savings target budget	**850**
(Shortfall)/surplus	**1,409.15**
Other variations	**£'000**
Additional Income Recovery Grant	539
Capital Financing – reduction in funding cost	249
Additional Pressures	
Reduced in year rental income	-520
Catering - net income shortfall	-133
Bandstand - net income shortfall	-123
Other Net Budget changes	-12
(Shortfall)/surplus	**1,409.15**

A more detailed list of key variations is included in Appendix 5 of this report.

7 Medium Term Financial

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 2022/23 budget.

7.2 The draft MTFS was approved by Cabinet on 15 September 2021. Cabinet has been updated with the latest forecast position. This incorporates the on-going impact of any pressures and mitigations identified in the second quarter's budget monitoring from 2021/22 and newly identified budget pressures.

Business Rate Retention

7.3 The Government has, for the fourth year running, deferred implementation of its reforms to the local government funding system, (most of which reaches local authorities via retention of Business Rates). It has long been believed that the proposed reforms might lead to EBC losing a large proportion of its current retained Business Rates, (c. £2m pa).

7.4 Further, the Government has, recently, given clear indications that the current proposals, originally conceived under the Cameron/Osborne administration, no longer have full Government support as they may not go far enough in delivering the Government's 'levelling up' agenda. Consequently, beyond 2022/23, although the previously assumed loss of £2m income continues to be assumed, (in the absence of any better figure), the Government's medium-term funding intentions are increasingly uncertain.

7.5 However, in the meantime, as part of the Local Government Finance Settlement, the Government has awarded three grants (New Homes Bonus, Lower Tier and Services Grants), for 2022/23 only, and indicated that the funding used for these grants will be predominantly used to progress the 'levelling up' agenda, from 2023/24.

7.6 The forecast budget gap for 2022/23 has reduced from a £5.917m deficit to a balanced position, mainly due to additional funding from the provisional settlement, improved assumptions on income targets and the implementation of the R&R agreed savings.

The following analysis provides a summary of the key movements between 2021/22 and 2022/23 budgets:

Base Budget 2022-23 – net of capitalisation		**£ 14,137,990**
Pay Inflation @ 2.5%	£ 223,350	
NNDR	53,500	
Contract Inflation	249,900	
Utilities	138,500	
Insurance	18,550	683,800
One Off Changes (including reversal of capitalisation directive)	5,986,510	
Recovery & Reset savings	-4,702,750	1,283,760
Total Budget cost		**16,105,550**
Funded by Revenue Income		**-16,105,550**
Current 2022-23 Shortfall/(surplus)		**0**

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

Table 4: Summary of Revised MTFS Position

	2021/22 £000	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Budget Forecast	20,146	16,106	16,979	16,728	16,697
Expected Funding (2023-26 estimates)	-14,138	-16,106	-15,504	-15,841	-16,185
Initial Budget Gap Additional savings/ income required	**6,012** **(6,012)**	**0**	**1,475**	**888**	**512**
Budget Gap	0	0	-1475	-888	-512
	0	**0**	**0**	**0**	**0**

A detailed analysis of key budgets is provided in Appendix 1(General Fund Budget Summary) of this report.

7.8 It should be noted that the business rates income figure for 2022/23 could change following the completion of the National Non-Domestic Rate (NNDR1), which is due at the end of January.

7.9 The amounts to be allocated will be subject to the finalisation of the business rates income estimates and will form part of the final budget proposals to Full Council.

Further papers will be developed and submitted to Cabinet in due course.

7.10 **Reserves**

The following table sets out the reserves position as at end of 2021/22. This position will be updated at the yearend.

Table 5: Reserves Summary –

Summary	**01-Apr-20 £000's**	**Transfers (In)/Out £000's**	**31-Mar-21 £000's**
General Fund Earmarked Reserve	-	-566	-566
Strategic Change Reserve	-245	-46	-291
Capital Programme Reserve	-336	0	-336
Commercial Reserve	-250	-221	-471
Revenue Grants Reserve	-614	-451	-1065
Business Rates Equalisation Reserve		-1,104	-1104
SHEP Properties Works Reserve	-1		-1
Total Earmarked Reserves	**-1,446**	**-2,388**	**-3,834**
General Fund Reserve	-2,025	-550	-2575
ICE Reserve	-1,750	-50	-1800
CPO Compensation Reserve	-829	579	-250
Total Reserves	**-6,050**	**-2,409**	**-8,459**

Note that the balances as of 01 April 2020 are still subject to audit.

The General Reserve is forecast to be £2.575m by 31 March 2022 which is within the appropriate levels and £0.575m above the recommended minimum level of £2m.

8 Section 151 Officer Section 25 report.

8.1 The final budget report to Full Council will include a review of reserves and their adequacy as part of the Section 151 Officer Section 25 report. This will also include a more detailed narrative on the application and purpose of each reserve and will also include details relating to the proposals set out in section 7.10 of this report.

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 the key budget assumptions for 2022/23 and beyond.

Since the publication of the MTFS in September, the Council has reviewed its 2022/23 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 2021.
- 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 2020/2021 and 2021/22 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 4.

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 2021 index, which will provide the relative position for the 2020/21 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 2019/20 and 2020/21 financial statements, a going concern review was undertaken considering Covid19. The Council has demonstrated that it is currently in a strong financial position with the level of reserves it has, and the funding received from the Government mitigating the financial impact forecast at this stage.

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, Climate Change initiatives, and funding specific projects. As such, 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 expected 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 took part in the first workshop in February 2021 to develop awareness and understanding of the requirements of the code. Work will continue throughout 2022/23 to ensure the Council adopts best practice.

11 Capital Programme

11.1 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.

Table 6 – Capital Programme	**Revised Estimate Total**	**Estimate Total**	**Estimate Total**	**Estimate Total**
	2021/22	**2022/23**	**2023/24**	**2024/25**
	£000	£000	£000	£000
General Fund	28,361	17,272	17,274	2,280
HRA	9,251	18,210	19,529	20,697
Total Programme	**37,612**	**35,482**	**36,803**	**22,977**

11.2 The Council's Draft Revenue Budget and Capital Programme 2022/23 to 2024/25 forecasts £95.26m (HRA of £58.4m and GF of £36.8m) of capital investment over the next three years with £55.2m met from existing or new resources. The amount of new borrowing required over these periods are therefore £40.0m (HRA of £28.8m and GF of £11.2m). Full details are contained within Appendix 3.

11.3 Capital programme recognises the spending limitations within the Finance Settlement for 2022/23 on the resources available. Therefore, the programme prioritises delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's Corporate Plan. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

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

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

11.5 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.

11.6 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.

11.7 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 £10.3m has been assumed for the General Fund Capital Programme.

11.8 The Council's external authorised borrowing limit for 2022/23 is set at £223m and no external borrowing as of 31 March 2022. The 2022/23 borrowing is estimated as £16.2m for both the General Fund and HRA. 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 can borrow money within their HRAs in order to build more homes to provide more income, or even to refurbish or regenerate existing homes. The 2022/23 HRA borrowing is estimated as £7.9m.

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

12 Financial Appraisal

12.1 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2022. This report will be based on a detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

13 Legal Implications

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

13.2 Sections 42A of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

13.3 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 Risk Management implications

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

15 Equality analysis

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

16 Conclusion

16.1 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.

17 Appendices

- Appendix 1 - General Fund Budget Summary
- Appendix 2 – MTFS Assumptions
- Appendix 3 – Capital Programme
- Appendix 4 – Risks
- Appendix 5 – Key Variations 2021/22 revised

18 Background papers

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

- Provisional Local Government Finance Settlement 2022/23
- Recovery and Reset Report

EASTBOURNE BOROUGH COUNCIL GENERAL FUND BUDGET SUMMARY	2021-22 Current Budget	2021-22 Revised Budget	2022-23 Draft Budget
CORPORATE SERVICES	£	£	£
Corporate Management Team	74,900	74,900	79,850
Financial Services Team	758,100	758,100	747,850
Corporate Finance	524,000	565,200	539,300
Internal Audit and Corporate Fraud	199,500	208,950	215,700
Human Resources	372,150	372,150	370,250
Information Technology	1,218,700	1,218,700	1,204,600
Legal Services	216,600	216,600	206,200
Civil Contingencies	42,250	42,250	42,250
Local Democracy	772,950	736,550	741,550
Local Land Charges	(69,750)	(69,750)	(85,750)
	4,109,400	**4,123,650**	**4,061,800**
REGENERATION AND PLANNING			
Director of Regeneration and Planning	41,500	41,500	42,750
Housing Strategy	0	0	0
Business Planning and Performance	796,100	796,100	506,000
Planning	467,050	467,050	390,700
Asset Management	(1,623,200)	(1,063,250)	(1,260,150)
Housing Delivery	128,950	128,950	118,600
Facilities	(43,350)	(43,350)	(68,400)
Regeneration	190,950	190,950	218,650
	(42,000)	**517,950**	**(51,850)**
SERVICE DELIVERY			
Director of Service Delivery	12,350	12,350	15,700
Head of Customer First	250,700	250,700	273,800
Customer Contact	652,000	652,000	671,400
Neighbourhood First	84,100	48,100	(2,100)
Case Management	420,900	420,900	345,800
Account Management	7,800	7,800	(37,800)
Specialist Advisors - Licensing, Cemeteries, Coast Protection	1,375,400	1,375,400	1,402,600
Specialist Advisors - Revenues and Benefits	1,504,400	1,464,850	1,453,700
Specialist Advisors - Waste	4,427,650	4,424,850	4,486,450
Bereavement Services	(1,187,650)	(1,187,650)	(1,236,700)
Homes First - Solarbourne	(200,750)	(200,950)	(200,750)
Homes First - Head of Service	26,150	26,150	29,850
Homes First - Housing Strategy	3,000	3,000	3,000
Homes First - Customer Experience	5,600	5,600	
Homes First - Housing Needs and Standards	582,450	582,450	333,700
	7,964,100	**7,885,550**	**7,538,650**
TOURISM AND ENTERPRISE			
Director of Tourism and Enterprise	9,300	9,300	0
Towner	419,850	419,850	420,400
Tourism	678,500	694,150	795,450
Events	439,600	467,300	375,200
Theatres	782,800	774,850	59,950
Sports	727,200	727,200	578,100
Seafront	84,500	135,900	51,450
Heritage	85,900	90,350	67,400
TIC	136,650	175,300	200,650
Catering	(336,400)	(203,900)	(345,050)
	3,027,900	**3,290,300**	**2,203,550**
NET COST OF SERVICES	**15,059,400**	**15,817,450**	**13,752,150**
OTHER OPERATING INCOME & EXPENDITURE			
Recovery & Reset savings	3,241,200	1,671,200	0
Other savings	(438,000)	(438,000)	0
Emergency Covid-19 Grant	(598,000)	(598,000)	0
Contingencies	250,000	250,000	250,000
General Fund	(6,000,000)	(4,400,000)	
CAPITAL FINANCING & INTEREST	2,623,390	2,374,160	2,103,400
CONTRIBUTIONS TO / (FROM) RESERVES	0		0
NET EXPENDITURE	**14,137,990**	**14,676,810**	**16,105,550**

FINANCING			
Council Tax	(8,865,800)	(8,865,800)	(9,100,300)
Council Tax (Surplus)/Deficit	(44,640)	(44,640)	(121,000)
Retained Business Rates	(4,820,350)	(4,820,350)	(4,037,100)
Retained Business Rates (Surplus)/Deficit - additional reliefs	0	0	
Retained Business Rates (Surplus)/Deficit	212,200	212,200	(141,000)
General government grants:			
Homeless Prevention Grant			(690,600)
Business Rates Deficit compensation grant	0	0	(300,000)
Section 31 grant - additional business rates reliefs	0	0	(1,241,000)
Income Recovery Grant	(300,000)	(839,000)	
New Homes Bonus	(31,920)	(31,920)	(12,800)
Localising CT Support Admin Grant	(131,950)	(131,950)	(131,950)
Lower Tier Services Grant	(155,530)	(155,350)	(329,800)
TOTAL FINANCING	**(14,137,990)**	**(14,676,810)**	**(16,105,550)**
NET BUDGET DEFICIT	**0**	**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 2022/23, in line with the Spending Review decision to un-pause public sector pay increases.

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) 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.

e) Funding

At the time of writing this report, it is anticipated that the final local government finance settlement for 2022/23 will be announced in late January but currently no date has been provided. The provisional settlement was announced on 16 December 2021.

f) Grant funding

The Council no longer receives any Revenue Support Grant.

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

Two new Lower Tier Services grants totalling of £330k have been built into the MTFP funding to help mitigate the reduction in core spending power.

g) 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.

h) Council Tax

Council Tax for 2022/23 is based on an increase of £5 (subject to Council approval). Future years are also assumed to increase by the greater of £5 or 2%. The Council Tax Referendum level for 2022/23 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 2022/23 has increased slightly, but for subsequent years no increases have been assumed at this point.

i) Business Rates

The 2022/23 Business Rates multiplier has been frozen at the 2021/22 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 2021/22, and this has been built into the 2022/23 budget. The final 2022/23 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 2022/23. 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

j) Business Rates Retention Pool

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 is expected to continue for 2022/23.

Summary of Capital Programme 2021 to 2026				Appendix 3
Scheme	**Updated Estimate Total 2021/22**	**Estimate Total 2022/23**	**Estimate Total 2023/24**	**Estimate Total 2024/25**
	£000	**£000**	**£000**	**£000**
HOUSING REVENUE ACCOUNT				
Major Works	4,442	5,816	4,607	3,532
Sustainability Initiatives Pilot	-	160		
Disabled Adaptations	-	450	450	450
New Build	2,619	8,419	11,007	13,163
Acquisitions	2,190	3,365	3,465	3,552
Total HRA	**9,251**	**18,210**	**19,529**	**20,697**
Other Housing				
EHIC - Loans	36	493	-	-
AH - Credit facility	35	-	-	-
AH - 183 Langney Rd	2,191	468	-	-
AH - Victoria Mansion	13,200	500	-	-
AH - Street Acquisitions (Affordable)	250	-	-	-
Total Other Housing	**15,712**	**1,461**	**-**	**-**
COMMUNITY SERVICES				
Disabled Facilities Grants	1,270	1,200	1,200	1,200
BEST Grant (housing initiatives)	24	-	-	-
Coast Defences Beach Management	300	300	300	300
Cycling Strategy	-	41	-	-
Play Area Sovereign Harbour	27	-	-	-
Mulberry Close Play Equip	30	-	-	-
Refurbishment of Public Facilities	-	50	50	50
Play Equipment - Palesgate	-	-	35	-
Play Equipment - Vancouver Rd	-	-	35	-
Langney Cemetery - Road Improvements	-	30	-	-
Ocklynge Cemetery - Road Improvements	-	15	-	-
Crematorium - Road Improvements	-	15	-	-
Crematorium - Cesspit Replacement	13	38	-	-
Crematorium - Chapel Improvements	-	120	-	-
Shinewater Toilets & Kiosk	-	-	50	-
*Motcombe Pool	-	-	200	-
*Changing Places	-	-	100	-
SEESL Loan	161	73	-	-
Waste & Recycling Equipment	104	198	-	-
5 Fleet Vans	-	66	-	-
Total Community Services	**1,929**	**2,145**	**1,970**	**1,550**
TOURISM & LEISURE				
Sovereign Centre - Existing building	160	150	150	-
Total Tourism & Leisure	**160**	**150**	**150**	**-**
CORPORATE SERVICES				
IT - Block Allocation	250	150	-	-
Contingency	-	250	250	250
Recovery & Reset	601	435	-	-
Covid Capitalisation	4,400	-	-	-
JTP Finance Transformation	87	100	-	-
Total Corporate Services	**5,337**	**935**	**250**	**250**
REGENERATION (Levelling Up Fund)				
Black Robin Farm	350	3,780	7,057	-

Scheme	Updated Estimate Total 2021/22	Estimate Total 2022/23	Estimate Total 2023/24	Estimate Total 2024/25
Towner & Public Art	145	674	219	-
Victoria Place	197	1,917	5,509	-
Retail Refurbishment	1,800	2,446	1,500	-
Sculpture	21	-	-	-
Total Regeneration	**2,512**	**8,817**	**14,284**	**-**
Asset Management				
Winter Garden	1,147	1,500	-	-
Dev Park Theatre (H&S)	105	-	-	-
Victoria Mansions Commercial	175	-	-	-
Congress Theatre Roof	150	275	-	-
Bandstand & Promenade Renovations	150	750	-	-
EDGC Improvements	100	-	-	-
Seafront Lighting	160	200	140	-
Leisure Estate	-	250	250	250
Food Street	200	-	-	-
ILTC - Improvements	87	-	-	-
Towner Improvements	50	150	-	-
Fort Fun	251	40	-	-
Asset Value Improvement Fund	-	300	-	-
Redoubt Improvements	-	50	-	-
Town Hall - annual allocation	-	50	50	50
The Point - annual allocation	-	30	30	30
Stage Door Improvements	-	20	-	-
1 Grove Road	126	50	50	50
Asset Management - Block Allocation	9	100	100	100
Total Asset Management	**2,711**	**3,765**	**620**	**480**
General Fund	**28,361**	**17,272**	**17,274**	**2,280**
HRA	**9,251**	**18,210**	**19,529**	**20,697**
Total Programme	**37,612**	**35,482**	**36,803**	**22,977**
Financed By:-				
Capital Receipts HRA	658	963	1,011	511
1-4-1 RTB Receipts	5,500	629	50	-
Capital Receipts GF	427	606	250	250
Grants and Contributions	4,604	9,630	18,454	5,742
Major Repairs Reserve	6,924	4,548	4,691	4,845
Revenue Contribution to Capital	576	2,934	45	174
Section 106 Contributions	27	-	-	-
GF Borrowing	18,896	8,282	2,395	485
HRA Borrowing	-	7,890	9,907	10,970
Total Financing	**37,612**	**35,482**	**36,803**	**22,977**

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.	M	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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APPENDIX 5

	2021/22 £'000
HR reshaping	13.8
Homes First reshaping - HNS Staffing	29.3
Homes First reshaping - B&B	152.5
Homes First reshaping - HB Subsidy	500.0
Environment First reshaping	5.6
Neighbourhood first reshaping	108.1
CMT reshaping	192.9
Heritage service reshaping	19.1
Voluntary & Community Grants incl Ward Budgets	85.25
Contract cleaning	50.0
Refuse - AWC	223.4
Weed control	14.0
Street Cleansing	38.8
Public conveniences	47.5
Events programme - Airbourne	141.7
Bulky waste - cease free collections	20.0
RESHAPING TOTAL	**1641.7**
Congress	60.0
Devonshire park theatre	280.0
Close 1 GR and rental income	130.0
Rental income recovery	60.0
ASSETS TOTAL	**530.0**
TOTAL SAVINGS	**2171.7**
Garden Waste income	50.0
SEESL Salaries	30.2
Misc. SEESL Adj	7.4
Other variations	
Additional Income Recovery Grant	539.0
Capital Financing – reduction in funding cost	249.0
Additional Pressures	
Reduced in year rental income	-520.1
Catering - net income shortfall	-132.5
Bandstand - net income shortfall	-123.4
Other Net Budget changes	-12.0
	2,259.15
2021-22 Savings target budget	**850**
	1,409.15
Additional savings	

	2022/23 £'000
Reshaping Services	
IT reshaping	68.1
Homes First reshaping - Provision for Debt	118.1
Environment First reshaping	-3.8
Legal reshaping	25.0
CMT reshaping	9.3
Heritage service reshaping	32.0
Financial Services reshaping	58.4
Business Planning & Performance reshaping	160.1
Voluntary & Community Grants incl Ward Budgets	125.0
Contract cleaning	50.0
Weed control	7.0
Street Cleansing	117.0
Grounds maintenance	77.8
Public conveniences	100.0
Consolidate grounds maintenance operations	100.0
Events programme - cost neutral	103.4
Bulky waste - cease free collections	40.0
Garden waste	43.0
RESHAPING TOTAL	**1230.4**
Best Use of Assets	
Leisure Centre	20.0
Sovereign Leisure Centre	100.0
Cultural exemption	500.0
Congress	100.0
Golf course	43.0
Devonshire park theatre	280.0
Close 1 GR and rent income	360.0
Victoria Mansion (food street)	40.0
HPR - Relet	93.0
Rental income recovery	60.0
ASSETS TOTAL	**1596.0**
Corporate	
Reduced cost of capital - estimate	420.0
TOTAL SAVINGS	**3246.4**
OTHER SAVINGS/(COSTS) IDENTIFIED	
Members Training	10.0
Land Charges - Additional Income	16.6
5% Crem & Memorial Fee Increase	60.4
	3,333

2021-22 Savings target budget	**2,259.15**
Total Savings	**5,592.15**

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Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Treasury Management and Prudential Indicators 2022/23, Capital Strategy & Investment Strategy**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Deputy Leader and Cabinet Member for Financial Services**
Ward(s):	**All**
Purpose of the report:	**To approve the Council's Annual Treasury Management Strategy, Capital Strategy & investment Strategy together with the Treasury and Prudential Indicators.**
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 2022/23 as set out in Appendix A;** **b. Approve the Minimum Revenue Provision Policy Statement 2022/23 as set out at paragraph 8;** **c. Approve the Prudential and Treasury Indicators 2022/23 to 2024/25, as set out at paragraph 6;** **d. Approve the Capital Strategy set out in Appendix E.**
Reasons for recommendations:	**It is a requirement within 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 2022/23 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 There are few imminent changes to the future Treasury Management Strategy as follow-

- CIPFA published an updated Treasury Management and Prudential Codes on 20th December 2021, and stated that there will be a soft introduction of the codes with local authorities not being expected to have to change their current draft TM Strategy reports for 2022/23: full implementation would be required for 23/24.
- The Department of Levelling Up, Housing and Communities (DLUHC) is proposing to tighten up regulations around local authorities financing capital expenditure on investments in commercial projects for yield and has already closed access to all PWLB borrowing if such schemes are included in an authority's capital programme.

1.6 The DLUHC is also conducting a consultation on amending MRP rules for England and proposing additional text to be added to the 2003 Regulations to make explicit that:

- Capital receipts may not be used in place of the revenue charge. The intent is to prevent authorities avoiding, in whole or part, a prudent charge to revenue.
- Prudent MRP must be determined with respect to the authority's total capital financing requirement. The intent is to stop the intentional exclusion of debt from the MRP determination because it relates to an investment asset or capital loan.

These changes are not intended to have any impact on the Housing Revenue Account, or on treasury management activities that do not score as capital spend. The government wants authorities to still be able to exercise judgement in determining a prudent amount and does not want to move back to a prescriptive method.

1.7 This 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.

Potential impact on climate change and the environment

1.8 Fund managers will be required to consider ESG (Environmental, Social and Governance) factors in their investment process. All the fund managers would be expected to have signed up to the UN Principles for Responsible Investment (PRI). PRI argues that active participation in ESG and exercising shareholder rights on this basis can help to improve the performance of companies which may otherwise not address such concerns and so being an engaged corporate stakeholder is a more effective way to bring about change in corporate behaviour on ethical issues. Further requirements from those identified above are not practical given the limited ability to directly influence any immediate change in the financial markets.

1.9 The Council recognises the importance of supporting sustainability and ethical investments and as part of future investment strategy, consideration will be given to potential opportunities to invest in environmentally focussed instruments or organisations locally and/or countrywide. ‘Ethical, Social and Governance’ (ESG) investment criteria will be considered and, where viable in adherence to the policies laid out in this strategy, will only be entered into following satisfactory assessment of the instrument and/or organisation. This will ensure the Council complies with the CIPFA investment guidance that makes it clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues will play a subordinate role to those priorities.

1.10 **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 2022/23 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 2021/22, 2022/23, 2023/24 and 2024/25 are set as £8.9m, £14.8m, £10.8m and £9.7m, 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 9 February 2022;
- Finance Matters and Performance Monitoring Reports 2021;
- 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.

2022/23

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 DLUHC 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.

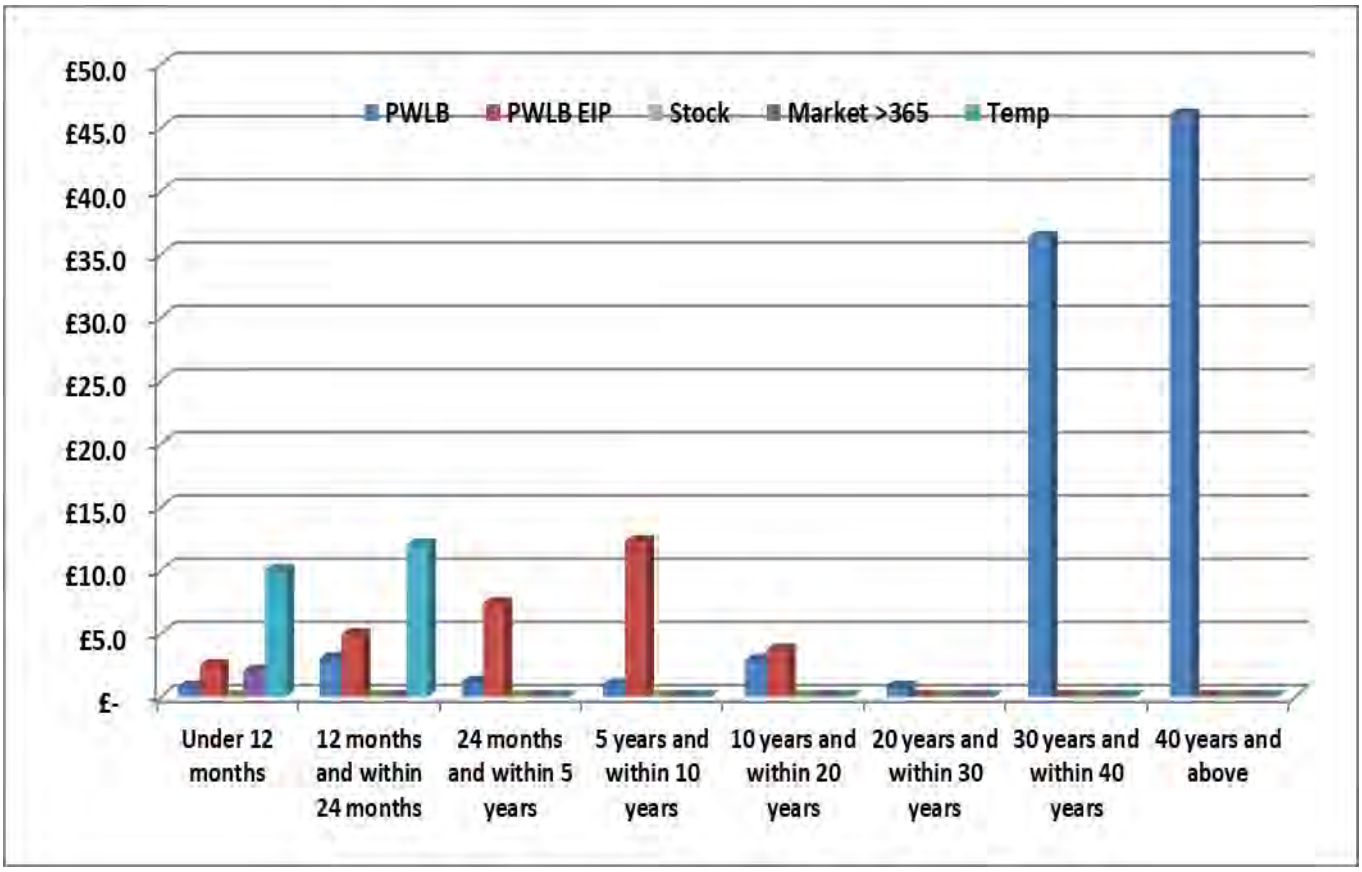
The Prudential Framework (including statutory guidance and the Prudential Code itself) allows local authorities the flexibility to take their own decisions; provided that the decisions taken are prudent, affordable and sustainable and that they have regard to the statutory guidance. However, local authorities 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 2022/23

5.1 Current Borrowing Position

The Council's long-term external borrowing (excluding finance lease arrangements) is projected to be £168m at 31 March 2022 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 2.57%. 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 2021, showing the outstanding level of loans each year, is shown in **Graph 1** below:



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5.2 Prospects for Interest Rates

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. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

Link Group Interest Rate View	20.12.21													
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Over the last two years, 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 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

As shown in the forecast table above, the forecast for Bank Rate now includes four increases, one in December 2021 to 0.25%, then quarter 2 of 2022 to 0.50%, quarter 1 of 2023 to 0.75%, quarter 1 of 2024 to 1.00% and, finally, one in quarter 1 of 2025 to 1.25%.

Significant risks to the forecasts

- **Mutations** of the virus render current vaccines ineffective, and tweaked vaccines to combat these mutations are delayed, or cannot be administered fast enough to prevent further lockdowns. 25% of the population not being vaccinated is also a significant risk to the NHS being overwhelmed and lockdowns being the only remaining option.
- **Labour and supply shortages** prove more enduring and disruptive and depress economic activity.
- **The Monetary Policy Committee** acts 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.
- **The Monetary Policy Committee** tightens monetary policy too late to ward off building inflationary pressures.
- **The Government** acts too quickly to cut expenditure to balance the national budget.
- **UK / EU trade arrangements** – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.
- **Longer term US treasury yields** rise strongly and pull gilt yields up higher than forecast.
- **Major stock markets** e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- **Geopolitical risks,** for example in Ukraine, Iran, North Korea, but also in Europe and Middle Eastern countries; on-going global power influence struggles between Russia/China/US. These could lead to increasing safe-haven flows.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including risks from COVID-19 and its variants - both domestically and their potential effects worldwide.

5.3 Forecasts for Bank Rate

It is not expected that Bank Rate will go up fast after the initial rate rise as the supply potential of the economy is not likely to have taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to around 5%. The forecast includes four increases in Bank Rate over the three-year forecast period to March 2025, ending at 1.25%. However, it is likely that these forecasts will need changing within a relatively short timeframe for the following reasons: -

- We do not know how severe an impact Omicron could have on the economy and whether there will be another lockdown or similar and, if there is, whether there would be significant fiscal support from the Government for businesses and jobs.
- There were already increasing grounds for viewing the economic recovery as running out of steam during the autumn and now into the winter. And then along came Omicron to pose a significant downside threat to economic activity. This could lead into stagflation, or even into recession, which would then pose a dilemma for the MPC as to whether to focus on combating inflation or supporting economic growth through keeping interest rates low.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on over £160bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It looks as if the economy coped well with the end of furlough on 30th September. It is estimated that there were around 1 million people who came off furlough then and there was not a huge spike up in unemployment. The other side of the coin is that vacancies have been hitting record levels so there is a continuing acute shortage of workers. This is a potential danger area if this shortage drives up wages which then feed through into producer prices and the prices of services i.e., a second-round effect that the MPC would have to act against if it looked like gaining significant momentum.
- We also recognise there could be further nasty surprises on the COVID-19 front beyond the Omicron mutation.
- If the UK invokes article 16 of the Brexit deal over the dislocation in trading arrangements with Northern Ireland, this has the potential to end up in a no-deal Brexit.

In summary, with the high level of uncertainty prevailing on several different fronts, we expect to have to revise our forecasts again - in line with whatever the new news is. It should also be borne in mind that Bank Rate being cut to 0.25% and then to 0.10%, were emergency measures to deal with the COVID-19 crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away such emergency cuts on no other grounds than they are no longer warranted, and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

5.4 Forecasts for PWLB rates and gilt and treasury yields

Since the start of 2021, we have seen a lot of volatility in gilt yields, and hence PWLB rates. As the interest forecast table for PWLB certainty rates above shows, there is forecast to be a steady, but slow, rise in both Bank Rate and gilt yields during the forecast period to March 2025, though there will doubtless be a lot of unpredictable volatility during this forecast period.

While monetary policy in the UK will have a major impact on gilt yields, there is also a need to consider the potential impact that rising treasury yields in America could have on our gilt yields. As an average since 2011, there has been a 75% correlation between movements in US 10-year treasury yields and UK 10-year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

There are also possible DOWNSIDE RISKS from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to monitor.
There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see below). Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the "taper tantrums" in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

As the US financial markets are, by far, the biggest financial markets in the world, any upward trend in treasury yields will invariably impact and influence financial markets in other countries. Inflationary pressures and erosion of surplus economic capacity look much stronger in the US compared to those in the UK, which would suggest that Fed rate increases eventually needed to suppress inflation, are likely to be faster and stronger than Bank Rate increases in the UK. This is likely to put upward pressure on treasury yields which could then spill over into putting upward pressure on UK gilt yields.

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within the forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and Russia, China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era for local authority investing – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US, before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' before starting on raising Bank Rate and the ECB now has a similar policy.
- *For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.*
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

5.5 Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.
- **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 and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.
- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps 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 current 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.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, or 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.

5.6 Borrowing Strategy for 2022/23

This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered. Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Finance Officer will 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 borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration 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. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

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 6) shows that most of the Council's debt is long dated and matures from March 2022 to September 2068. The Council's Draft Revenue Budget and Capital Programme 2022/23 to 2024/25 forecasts £95.2m of capital investment over the next three years with £55.2m to be met from existing or new resources. The amount of new borrowing required over this period is therefore £40.0m (HRA of £28.7m and GF of £11.3m) as shown in **Table 2** below.

Capital Expenditure Table 2	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund	5.4	8.1	4.1	2.8	2.0
HRA	3.9	9.3	18.2	19.5	20.7
Regeneration/Commercial	8.0	20.3	13.1	14.5	0.3
Total	**17.3**	**37.7**	**35.4**	**36.8**	**23.0**
Financed by:					
Capital receipts	4.1	6.7	2.2	1.3	0.8
Capital grants	2.6	4.6	9.6	18.5	5.7
Capital reserves	3.1	7.0	4.5	4.7	4.8
Revenue	0.0	0.6	2.9	0.0	0.2
Net borrowing needed for the year	**7.5**	**18.8**	**16.2**	**12.3**	**11.5**

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	**2020/21 Actual**	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Financing Requirement	**£m**	**£m**	**£m**	**£m**	**£m**
CFR – General Fund	72.8	77.7	79.8	78.9	77.3
CFR - housing	47.8	47.8	55.7	65.6	76.6
Regeneration/Commercial	58.4	62.4	67.2	69.0	69.3
Total CFR	**179.0**	**187.9**	**202.7**	**213.5**	**223.2**
Movement in CFR	**6.2**	**8.9**	**14.8**	**10.8**	**9.7**

Movement in CFR represented by					
Net financing needed for the year (above)	7.5	18.8	16.2	12.3	11.5
Less MRP/VRP and other financing movements	(1.3)	(9.9)	(1.4)	(1.5)	(1.8)
Movement in CFR	**6.2**	**8.9**	**14.8**	**10.8**	**9.7**

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 £9.9m for 2021/22, which includes £9.0m loan repayment by EHIC. 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	2020/21 Actual	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m	£m
External borrowing					
GF Borrowing at 1 April	104.3	111.6	121.5	129.8	132.2
GF Expected change in borrowing	7.3	9.9	8.3	2.4	0.5
GF Actual gross borrowing at 31 March	**111.6**	**121.5**	**129.8**	**132.2**	**132.7**
HRA Borrowing at 1 April	42.6	47.8	47.8	55.7	65.6
HRA Expected change in borrowing	5.2	0.0	7.9	9.9	11.0
HRA Actual gross borrowing at 31 March	**47.8**	**47.8**	**55.7**	**65.6**	**76.6**
Total Actual gross borrowing **at 31 March**	**159.4**	**169.3**	**185.5**	**197.8**	**209.3**
Total CFR – the borrowing need	179.0	187.9	202.7	213.5	223.2
Under/ (over) borrowing	**19.6**	**18.6**	**17.2**	**15.7**	**13.9**

The Council is currently maintaining an under-borrowed position as it previously took advantage of historic low borrowing rates. As at the end of 2021/22, the Council is projected to be under borrowed by £18.6m, £17.2m, £15.7m, £13.9m between 2021/22 and 2024/25. This means that the capital financial requirement has been financed by existing resources and loan debt.

5.7 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. 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.

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

5.8 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.

5.9 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.

5.10 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).

5.11 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.

5.12 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 2021/22 to 2024/25 are set out in **Table 4** below:

Table 4	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Expenditure £m (gross) Council's capital expenditure plans	£37.7m	£35.4m	£36.8m	£23.0m
Capital Financing Requirement £m Measures the underlying need to borrow for capital purposes (including Leases)	£187.9m	£202.7m	£213.5m	£223.2m
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	21.2%	24.1%	27.5%	29.5%

The Capital Expenditure (gross) figures above with respect to the financial year of 2021/22, include the Secretary of State approval of capitalisation direction to fund revenue expenditure not exceeding £6.0m (projected to be £4.4m).

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:

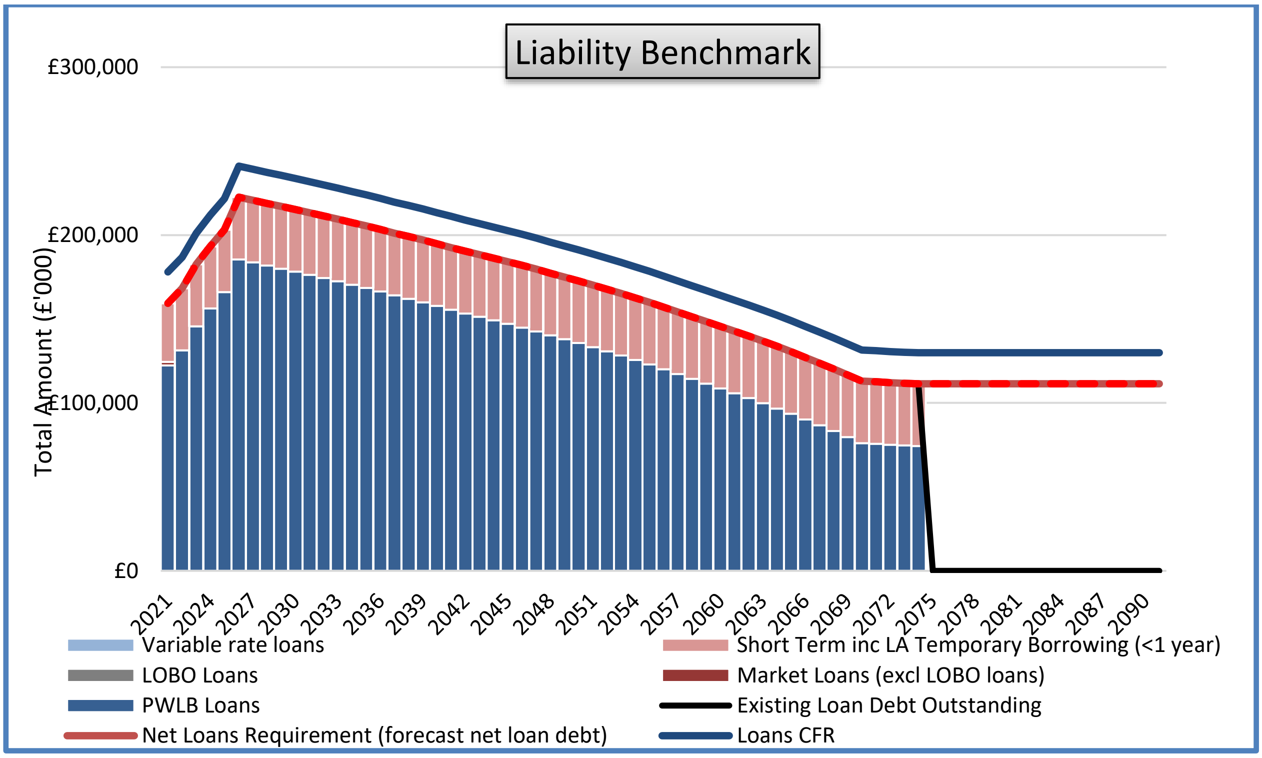
Table 5	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate £m**
Authorised Limit for External Debt £m*	£207m	£223m	£235m	£246m
The Authorised Limit - The authorised limit represents a limit beyond which external debt is prohibited and it is the maximum amount of debt that 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*	£188m	£203m	£214m	£223m
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 Liability Benchmark

Changes to the Prudential Code for Capital Finance in Local Authorities were consulted on in 2021. The Liability Benchmark / Gross Loans Requirement is determined by taking the projected Net Loans Requirement, then adding an element representing the average balance that the Council need to keep liquid to meet the peaks and troughs of the Cashflow movements. It is an additional prudential indicator introduced in the updated code to identifies the minimum future borrowing needs, compared to the capital financing requirement and the actual level of external debt.



The liability benchmark (graph below as at 31 March 2021) shows the level of expected external borrowing given current projections for capital investment up to year 2024/25. The projected borrowing levels show what the Council expects it level to be. Where the aggregate borrowing level is below the benchmark, the Council will be in an under-borrowed position, and when it is above it will be over-borrowed. This makes assumptions regarding repayment dates and this can be used as a tool for scheduling future borrowing requirements.

6.6 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 DLUHC 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: -

- DLUHC'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 DLUHC 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 2022/23

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.

The current forecast shown in paragraph 5.2, includes a forecast for a first increase in Bank Rate in quarter 2 of 2022. However, the September 2021 MPC meeting minutes indicated that their concerns over the sudden recent rise in multiple inflationary pressures could well mean that an earlier increase in Bank Rate is now possible ahead of the start of the financial year covered by this Strategy. The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year, (based on a first increase in Bank Rate in quarter 2 of 2022), are as follows.:

Average earnings in each year	
2021/22	0.10%
2022/23	0.25%
2023/24	0.50%
2a024/25	0.50%
2025/26	1.00%
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.

7.4 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	**2022/23**	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	£2m	£2m	£2m

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

7.5 Specified and Non-Specified Investments

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

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

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

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

As a result of the change in accounting standards 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. The Department for Levelling Up, Housing and Communities, [DLUHC], enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023: this was intended to allow councils to initiate an orderly withdrawal of funds if required.

7.6 Creditworthiness Policy

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

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

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

The Link Asset Services credit worthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue reliance to just one agency's ratings. This modelling approach combines credit ratings with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- credit default swaps (CDS) spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

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

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

- Yellow *5 years*
- *Purple* *2 years*
- *Blue* *1 year (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.

7.7 Criteria for Specified Investments:

Table 7	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Debt Management and Deposit Facilities (DMADF)	UK	Term Deposits (TD)	unlimited	1 yr
Government Treasury bills	UK	TD	unlimited	1 yr
UK Local Authorities	UK	TD	£5m	1 yr
Lloyds Banking Group • Lloyds Bank • Bank of Scotland	UK	TD (including callable deposits), Certificate of Deposits (CD's)	£5m	1 yr
RBS/NatWest Group • Royal Bank of Scotland • NatWest	UK		£5m	1 yr
HSBC	UK		£5m	1 yr
Barclays	UK		£5m	1 yr
Santander	UK		£5m	6 mths
Goldman Sachs Investment Bank	UK		£5m	6 mths
Standard Chartered Bank	UK		£5m	6 mths
Nationwide Building Society	UK		£5m	6 mths
Coventry Building Society	UK		£5m	6 mths
Individual Money Market Funds (MMF)	UK/Ireland/ EU domiciled	AAA rated Money Market Funds	£10m 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

Table 7	Country/ Domicile	Instrument	Maximum investments	Max. maturity period
Royal Bank of Canada	Canada	TD / CD’s	£5m	1 yr
Toronto-Dominion Bank	Canada	TD / CD’s	£5m	1 yr
Development Bank of Singapore	Singapore	TD / CD’s	£5m	1 yr
Overseas Chinese Banking Corp	Singapore	TD / CD’s	£5m	1 yr
United Overseas Bank	Singapore	TD / CD’s	£5m	1 yr
Svenska Handelsbanken	Sweden	TD / CD’s	£5m	1 yr
Nordea Bank AB	Sweden	TD / CD’s	£5m	1 yr
ABN Amro Bank	Netherlands	TD / CD’s	£5m	1 yr
Cooperative Rabobank	Netherlands	TD / CD’s	£5m	1 yr
ING Bank NV	Netherlands	TD / CD’s	£5m	1 yr
DZ Bank AG	Germany	TD / CD’s	£5m	1 yr
UBS AG	Switzerland	TD / CD’s	£5m	1 yr
Credit Suisse AG	Switzerland	TD / CD’s	£5m	1 yr
Danske Bank	Denmark	TD / CD’s	£5m	1 yr

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

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

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

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

7.9 Non treasury management investments

This Council invests in non-treasury management (policy) investments. These do not form part of the treasury management strategy. However, Members are advised that the following non treasury investments are currently in place as at 31 December 2021:

Investment	Facility £000	Int Rate
CloudConnX	330	2.7%+Base
EHIC – Loan Facility	12,456	4.50%
EHIC – Loan Facility	2,400	3.00%
EHIC - Credit Facility	250	2%+Base
Aspiration Homes Loan Facility	6,740	4.50%
Aspiration Homes Loan Facility	7,700	3.15%
Aspiration Homes – Credit Facility	100	2%+Base
Seachange (Site 6 Sov Harbour) (Excl capitalised interest)	850	3.00%
Seachange (Sov Harbour Innovation Mall) (Excl capitalised interest)	1,400	3.00%

7.10 Risk and Sensitivity Analysis

Treasury management risks are identified in the Council's approved Treasury Management Practices. The main risks to the Council's treasury activities are:
- liquidity risk (inadequate cash resources);
- market or interest rate risk (fluctuations in interest rate levels and thereby in the value of investments);
- inflation risks (exposure to inflation);
- credit and counterparty risk (security of investments);
- refinancing risks (impact of debt maturing in future years); and
- legal and regulatory risk (i.e. non-compliance with statutory and regulatory requirements, risk of fraud).

Treasury Officers, in conjunction with the treasury advisers, will monitor these risks closely and particular focus will be applied to:
- the global economy – indicators and their impact on interest rates will be monitored closely. Investment and borrowing portfolios will be positioned according to changes in the global economic climate;
- Counterparty risk – the Council follows a robust credit worthiness methodology and continues to monitor counterparties and sovereign ratings closely particularly within the Eurozone.

7.11 Lending to third parties

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

7.12 The Eastbourne Biodiversity Strategy

In 2019 the council declared a climate emergency and committed to deliver a carbon neutral town by 2030. Nature-based solutions are at the heart of delivering against this target and work programmes are aligned to climate resilience and improving local biodiversity, through:

- the adoption of a pollinator strategy and pesticide policy in 2019.
- ongoing projects to increase valuable ecological habitats through better mowing regimes and tree and hedge planting where feasible.
- continual reviews of management and contracts for council-owned land and property.

The council is committed to supporting measures to help arrest biodiversity losses, restore habitats and species and work for climate resilience to promote healthy and thriving communities. This is recognised through this strategy, with the need to protect and maintain as well as enhance and increase biodiversity and nature across Eastbourne. The vision for biodiversity set out in 'Eastbourne Carbon Neutral 2030 - A plan for action' is:

> *Existing green spaces, the coast and the sea have been protected and enhanced where appropriate and new protected spaces have been created to enable animal and plant life to flourish.*

The Council broad key aims can be summarised as follows:

- To maintain and increase biodiversity on council-owned and managed land.
- To engage and enable community-led nature-based projects and to be involved in partnerships that promote natural capital and biodiversity across the borough.
- To ensure that all developments maximise the opportunities for well-considered gains in biodiversity.

The Climate Emergency Strategy
The EBC Climate Emergency Strategy contains eight themes, which can be accessed through the link below and the strategy provides the background information on emissions for the Council and the borough. The Council will use these to measure our progress towards Eastbourne Carbon Neutral 2030. https://www.lewes-eastbourne.gov.uk/community/eastbourne-climate-emergency/?assetdet80f2d1d3-30a2-4d50-9f9d-7c70a25ff1a7=294156

7.13 The Council's Approach to Ethical Investments

Ethical investing is a term used to describe an investment process which takes environmental, social and governance (ESG) or other ethical considerations into account and is a topic of increasing interest within treasury management. Investment guidance, both statutory and from CIPFA, makes clear however that all investment must adopt the principals of security, liquidity, yield, and that ethical issues must play a subordinate role to those priorities.

Historically, the council has not included ethical criteria when determining its investment criteria. The investment environment can be very fast moving, so there is a need to ensure that any investment criteria are objective, such as credit ratings. It is difficult to gain an objective assessment of the ethical standing of a potential counterparty, particularly to a tight timescale.

Ethical considerations are difficult to evaluate subjectively and would also need to be applied to the counterparty list after taking into account security and liquidity issues. The council's current counterparty list is, due to the high credit quality criteria used by the council, very small, and therefore does not encompass solely those organisations which promote themselves as ethical. However, none of the organisations on the counterparty list have given cause for concern regarding the ethical nature of their business.

Furthermore, the council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values. A small, but growing, number of financial institutions are promoting ESG products and Link Asset Services are currently looking at how these can be incorporated into its creditworthiness assessment service. This is still very much an evolving area and should any investment in ESG products be undertaken by the Council, this would require to be within the approved counterparty and creditworthiness criteria, and with regard to the views of our treasury advisors on any proposals.

ESG criteria attached to investments can include a range of different factors depending on the region where their core activities take place and the commercial sector they occupy. The following are criteria that the Fitch Rating Agency takes into consideration:

- **Environmental Category:** Emissions and Air Quality; Energy and Waste Management; Waste and Hazardous Material; Exposure to Environmental Impact;
- **Social Category:** Human Rights; Community Relations; Customer Welfare; Labour Relations; Employee Wellbeing; Exposure to Social Impacts;
- **Governance Category:** Management Structure; Governance Structure; Group Structure; Financial Transparency.

The Council does not invest in equities and therefore does not have influence over the activities of companies that part-ownership might provide. The investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity, and yield: ethical issues must play a subordinate role to those priorities.

8. MINIMUM REVENUE PROVISION POLICY STATEMENT – 2022/23

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 2022/23 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 20 October 2021 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.

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

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Australia	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	14.37	0.06%	-13.84%	-7.64%	
Australia and New Zealand Banking Group Ltd.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	25.95	-18.29%	-0.65%	11.90%	£5m
Commonwealth Bank of Australia	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	32.21	-1.31%	25.91%	36.65%	£5m
Macquarie Bank Ltd.	SB	A	F1	a	SB	A2	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
National Australia Bank Ltd.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	34.28	-1.21%	29.01%	39.91%	£5m
Westpac Banking Corp.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	35.17	-1.34%	27.75%	37.75%	£5m
Belgium	SB	AA-			SB	Aa3		SB	AA		Not Applicable	Not Applicable	7.02	-2.36%	1.44%	-5.26%	£5m
BNP Paribas Fortis	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
KBC Bank N.V.	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
Canada	SB	AA+			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	38.60	-0.05%	-0.10%	0.80%	£5m
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	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
National Bank of Canada	SB	A+	F1	a+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
Royal Bank of Canada	SB	AA-	F1+	aa-	PW	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Toronto-Dominion Bank	SB	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	6.33	0.47%	8.57%	8.20%	£5m
Danske A/S	SB	A	F1	a	SB	A2	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	31.69	-1.85%	9.84%	2.22%	£5m

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viab ility	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outl ook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Finland	SB	AA+			SB	Aa1		SB	AA+		Not Applicable	Not Applicable	7.91	0.76%	0.76%	41.25%	£5m
Nordea Bank Abp	SB	AA-	F1+	aa-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
OP Corporate Bank plc		WD	WD		SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
France	NO	AA			SB	Aa2		SB	AA		Not Applicable	Not Applicable	9.09	-0.21%	-12.08%	-7.52%	£5m
BNP Paribas	SB	A+	F1	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	36.00	-1.34%	-0.08%	6.69%	£5m
Credit Agricole Corporate and Investment Bank	SB	A+	F1	WD	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.00	-13.82%	-10.64%	-8.98%	£5m
Credit Agricole S.A.	SB	A+	F1	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	32.00	-4.42%	-0.83%	7.59%	£5m
Credit Industriel et Commercial	SB	A+	F1	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Societe Generale	SB	A-	F1	a-	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	37.95	-3.77%	6.18%	7.72%	£5m
Germany	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.10	-0.28%	-3.40%	-9.43%	£5m
Bayerische Landesbank	SB	A-	F1	bbb	SB	Aa3	P-1		NR	NR	R - 6 mths	R - 6 mths					£5m
Commerzbank AG		WD	WD	WD	SB	A1	P-1	NO	BBB+	A-2	G - 100 days	G - 100 days	45.02	-4.13%	4.16%	5.45%	£5m
Deutsche Bank AG	PO	BBB+	F2	bbb +	PO	A2	P-1	SB	A-	A-2	G - 100 days	G - 100 days	45.95	-2.06%	1.54%	4.00%	£5m
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	SB	AA-	F1+		SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Landesbank Baden-Wuerttemberg	SB	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	SB	A+	F1+		SB	Aa3	P-1	SB	A-	A-2	R - 6 mths	R - 6 mths	58.98	0.01%	0.00%	3.92%	£5m
Landwirtschaftliche Rentenbank	SB	AAA	F1+		SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths					£5m

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Norddeutsche Landesbank Girozentrale	SB	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	7.77	-1.27%	-1.01%	9.59%	£5m
ABN AMRO Bank N.V.	SB	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.	SB	A+	F1	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	23.74	0.00%	-3.25%	10.77%	£5m
ING Bank N.V.	SB	AA-	F1+	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.96	-1.88%	0.04%	11.22%	£5m
Nederlandse Waterschapsbank N.V.					SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths					£5m
Qatar	SB	AA-			SB	Aa3		SB	AA-		Not Applicable	Not Applicable	45.55	6.74%	1.08%	12.24%	£5m
Qatar National Bank	NW	A+	F1	bbb+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	75.38	1.94%	0.31%	-6.03%	£5m
Singapore	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable					£5m
DBS Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
United Overseas Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Sweden	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.53	-0.39%	-0.92%	6.20%	£5m
Skandinaviska Enskilda Banken AB	SB	AA-	F1+	aa-	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Svenska Handelsbanken AB	SB	AA	F1+	aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Swedbank AB	PO	A+	F1	a+	NW	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	0.00%	0.00%	0.00%	£5m

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Credit Suisse AG	NO	A	F1	a-	SB	A1	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	57.94	-2.89%	0.90%	-2.49%	£5m
UBS AG	SB	AA-	F1+	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	34.48	-5.45%	7.85%	9.56%	£5m
United Arab Emirates	SB	AA			SB	Aa2		SB	AA		Not Applicable	Not Applicable	44.58	-0.15%	0.08%	-2.04%	£5m
First Abu Dhabi Bank PJSC	SB	AA-	F1+	a-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
United Kingdom	SB	AA-			SB	Aa3		SB	AA		Not Applicable	Not Applicable	6.52	-0.30%	-3.26%	-18.09%	£5m
Collateralised LA Deposit*											Y - 60 mths	Y - 60 mths					£5m
Debt Management Office											Y - 60 mths	Y - 60 mths					£5m
Multilateral Development Banks											Y - 60 mths	Y - 60 mths					£5m
Supranationals											Y - 60 mths	Y - 60 mths					£5m
UK Gilts											Y - 60 mths	Y - 60 mths					£5m
Al Rayan Bank Plc					SB	A1	P-1				R - 6 mths	R - 6 mths					£5m
Bank of Scotland PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	49.70	-0.08%	-0.10%	0.02%	£5m
Barclays Bank PLC (NRFB)	SB	A+	F1	a	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	53.92	2.88%	14.87%	21.33%	£5m
Barclays Bank UK PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths					£5m
Close Brothers Ltd	SB	A-	F2	a-	NO	Aa3	P-1				R - 6 mths	R - 6 mths					£5m
Clydesdale Bank PLC	SB	A-	F2	bbb+	SB	Baa1	P-2	SB	A-	A-2	G - 100 days	G - 100 days					£5m
Co-operative Bank PLC (The)	SB	B+	B	b	PO	Ba3	NP				N/C - 0 mths	N/C - 0 mths					£5m
Goldman Sachs International Bank	SB	A+	F1		SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	65.22	8.48%	18.71%	21.72%	£5m
Handelsbanken Plc	SB	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	33.50	-15.06%	-10.57%	4.68%	£5m

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HSBC UK Bank Plc (RFB)	NO	AA-	F1+	a	SB	A1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1		SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
Lloyds Bank Plc (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	34.49	-2.76%	4.51%	4.54%	£5m
National Bank Of Kuwait (International) PLC	NO	AA-	F1+					NO	A	A-1	O - 12 mths	O - 12 mths					£5m
NatWest Markets Plc (NRFB)	SB	A+	F1	WD	PO	A2	P-1	SB	A-	A-2	R - 6 mths	R - 6 mths	48.46	-3.86%	4.30%	10.13%	£5m
Santander Financial Services plc (NRFB)	SB	A+	F1		SB	A1	P-1	SB	A-	A-2	R - 6 mths	R - 6 mths					£5m
Santander UK PLC	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
SMBC Bank International Plc	NO	A	F1		SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	30.16	1.00%	1.20%	7.14%	£5m
Standard Chartered Bank	NO	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	34.98	-11.28%	-6.62%	14.68%	£5m
Coventry Building Society	SB	A-	F1	a-	SB	A2	P-1				R - 6 mths	R - 6 mths					£5m
Leeds Building Society	SB	A-	F1	a-	SB	A3	P-2				G - 100 days	G - 100 days					£5m
Nationwide Building Society	SB	A	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
Nottingham Building Society					SB	Baa3	P-3				N/C - 0 mths	N/C - 0 mths					£5m
Principality Building Society	SB	BBB+	F2	bbb+	SB	Baa2	P-2				N/C - 0 mths	N/C - 0 mths					£5m
Skipton Building Society	SB	A-	F1	a-	SB	A2	P-1				R - 6 mths	R - 6 mths					£5m
West Bromwich Building Society					SB	Ba3	NP				N/C - 0 mths	N/C - 0 mths					£5m
Yorkshire Building Society	SB	A-	F1	a-	SB	A3	P-2				G - 100 days	G - 100 days					£5m
National Westminster Bank PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths					£5m
The Royal Bank of Scotland Plc (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths					£5m

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United States	NO	AAA				Aaa		SB	AA+		Not Applicable	Not Applicable	5.50	-61.07%	-1.96%	-1.96%	£5m
Bank of America N.A.	SB	AA	F1+	aa-	PO	Aa2	P-1	PO	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	0.00%	0.00%	0.00%	£5m
Citibank N.A.	SB	A+	F1	a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	57.72	4.71%	18.93%	14.91%	£5m
JPMorgan Chase Bank N.A.	SB	AA	F1+	aa-	SB	Aa1	P-1	PO	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	51.68	4.67%	14.18%	9.07%	£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

Link Treasury Services Limited Economic Background & Interest Rate Forecast

COVID-19 vaccines.

These were the game changer during 2021 which raised high hopes that life in the UK would be able to largely return to normal in the second half of the year. However, the bursting onto the scene of the Omicron mutation at the end of November, rendered the initial two doses of all vaccines largely ineffective in preventing infection. This has dashed such hopes and raises the spectre again that a fourth wave of the virus could overwhelm hospitals in early 2022. What we now know is that this mutation is very fast spreading with the potential for total case numbers to double every two to three days, although it possibly may not cause so much severe illness as previous mutations. Rather than go for full lockdowns which heavily damage the economy, the government strategy this time is focusing on getting as many people as possible to have a third (booster) vaccination after three months from the previous last injection, as a booster has been shown to restore a high percentage of immunity to Omicron to those who have had two vaccinations.

There is now a race on between how quickly boosters can be given to limit the spread of Omicron, and how quickly will hospitals fill up and potentially be unable to cope. In the meantime, workers have been requested to work from home and restrictions have been placed on large indoor gatherings and hospitality venues. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in sectors like restaurants, travel, tourism and hotels which had been hit hard during 2021, but could now be hit hard again by either, or both, of government restrictions and/or consumer reluctance to leave home. Growth will also be lower due to people being ill and not working, similar to the pingdemic in July. The economy, therefore, faces significant headwinds although some sectors have learned how to cope well with Covid.

However, the biggest impact on growth would come from another lockdown if that happened. The big question still remains as to whether any further mutations of this virus could develop which render all current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread until tweaked vaccines become widely available.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.

- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.
- However, the MPC will want to normalise Bank Rate over the next three years so that it has its main monetary policy tool ready to use in time for the next down-turn; all rates under 2% are providing stimulus to economic growth.
- We have put year end 0.25% increases into Q1 of each financial year from 2023 to recognise this upward bias in Bank Rate - but the actual timing in each year is difficult to predict.
- Covid remains a major potential downside threat in all three years as we ARE likely to get further mutations.
- How quickly can science come up with a mutation proof vaccine, or other treatment, – and for them to be widely administered around the world?
- Purchases of gilts under QE ended in December. Note that when Bank Rate reaches 0.50%, the MPC has said it will start running down its stock of QE.

MPC MEETING 16H DECEMBER 2021

- The Monetary Policy Committee (MPC) voted 8-1 to raise Bank Rate by 0.15% from 0.10% to 0.25% and unanimously decided to make no changes to its programme of quantitative easing purchases due to finish in December 2021 at a total of £895bn.
- The MPC disappointed financial markets by not raising Bank Rate at its November meeting. Until Omicron burst on the scene, most forecasters, therefore, viewed a Bank Rate increase as being near certain at this December meeting due to the way that inflationary pressures have been comprehensively building in both producer and consumer prices, and in wage rates. However, at the November meeting, the MPC decided it wanted to have assurance that the labour market would get over the end of the furlough scheme on 30th September without unemployment increasing sharply; their decision was, therefore, to wait until statistics were available to show how the economy had fared at this time.
- **On 10th December we learnt of the disappointing 0.1% m/m rise in GDP** in October which suggested that economic growth had already slowed to a crawl even before the Omicron variant was discovered in late November. Early evidence suggests growth in November might have been marginally better. Nonetheless, at such low rates of growth, the government's "Plan B" COVID-19 restrictions could cause the economy to contract in December.
- **On 14th December, the labour market statistics** for the three months to October and the single month of October were released. The fallout after the furlough scheme was smaller and shorter than the Bank of England had feared. The single-month data were more informative and showed that LFS employment fell by 240,000, unemployment increased by 75,000 and the unemployment rate rose from 3.9% in September to 4.2%. However, the weekly data suggested this didn't last long as unemployment was falling again by the end of October. What's more, the 49,700 fall in the claimant count and the 257,000 rise in the PAYE measure of company payrolls suggests that the labour market strengthened again in November. The other side of the coin was a further rise in the number of vacancies from 1.182m to a record 1.219m in the three months to November which suggests that the supply of labour is struggling to keep up with demand, although the single-month figure for November fell for the first time since February, from 1.307m to 1.227m.

- These figures by themselves, would probably have been enough to give the MPC the assurance that it could press ahead to raise Bank Rate at this December meeting. However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.
- **On 15th December we had the CPI inflation** figure for November which spiked up further from 4.2% to 5.1%, confirming again how inflationary pressures have been building sharply. However, Omicron also caused a sharp fall in world oil and other commodity prices; (gas and electricity inflation has generally accounted on average for about 60% of the increase in inflation in advanced western economies).
- **Other elements of inflation are also transitory** e.g., prices of goods being forced up by supply shortages, and shortages of shipping containers due to ports being clogged have caused huge increases in shipping costs. But these issues are likely to clear during 2022, and then prices will subside back to more normal levels. Gas prices and electricity prices will also fall back once winter is passed and demand for these falls away.
- Although it is possible that the Government could step in with some **fiscal support for the economy**, the huge cost of such support to date is likely to pose a barrier to incurring further major economy wide expenditure unless it is very limited and targeted on narrow sectors like hospitality, (as announced just before Christmas). The Government may well, therefore, effectively leave it to the MPC, and to monetary policy, to support economic growth – but at a time when the threat posed by rising inflation is near to peaking!
- This is the adverse set of factors against which the MPC had to decide on Bank Rate. For the second month in a row, the MPC blind-sided financial markets, this time with a **surprise increase in Bank Rate from 0.10% to 0.25%.** What's more, the hawkish tone of comments indicated that the MPC is now concerned that inflationary pressures are indeed building and need concerted action by the MPC to counter. This indicates that there will be more increases to come with financial markets predicting 1% by the end of 2022. The 8-1 vote to raise the rate shows that there is firm agreement that inflation now poses a threat, especially after the CPI figure hit a 10-year high this week. The MPC commented that "there has been significant upside news" and that "there were some signs of greater persistence in domestic costs and price pressures".
- On the other hand, it did also comment that **"the Omicron variant is likely to weigh on near-term activity".** But it stressed that at the November meeting it had said it <u>would</u> raise rates if the economy evolved as it expected and that now "these conditions had been met". It also appeared more worried about the possible boost to inflation form Omicron itself. It said that "the current position of the global and UK economies was materially different compared with prior to the onset of the pandemic, including elevated levels of consumer price inflation". It also noted the possibility that renewed social distancing would boost demand for goods again, (as demand for services would fall), meaning "global price pressures might persist for longer". (Recent news is that the largest port in the world in China has come down with an Omicron outbreak which is not only affecting the port but also factories in the region.)
- On top of that, there were no references this month to inflation being expected to be below the **2% target in two years' time,** which at November's meeting the MPC referenced to suggest the markets had gone too far in expecting interest rates to rise to over 1.00% by the end of the year.
- These comments indicate that there has been a material reappraisal by the MPC of the inflationary pressures since their last meeting and the Bank also increased its forecast for inflation to peak at 6% next April, rather than at 5% as of a month ago. However, as

the Bank retained its guidance that only **a "modest tightening"** in policy will be required, it cannot be thinking that it will need to increase interest rates that much more. A typical policy tightening cycle has usually involved rates rising by 0.25% four times in a year. "Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

- In as much as a considerable part of the inflationary pressures at the current time are indeed **transitory,** and will naturally subside, and since economic growth is likely to be weak over the next few months, this would appear to indicate that this tightening cycle is likely to be comparatively short.
- As for the timing of the next increase in Bank Rate, the MPC dropped the comment from November's statement that Bank Rate would be raised "in the coming months". That may imply another rise is unlikely at the next meeting in February and that May is more likely. However, much could depend on how adversely, or not, the economy is affected by Omicron in the run up to the next meeting on 3rd February. Once 0.50% is reached, the Bank would act to start shrinking its stock of QE, (gilts purchased by the Bank would not be replaced when they mature).
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -
    - Raising Bank Rate as "the active instrument in most circumstances".
    - Raising Bank Rate to 0.50% before starting on reducing its holdings.
    - Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
    - Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **US.** Shortages of goods and intermediate goods like semi-conductors, have been fuelling increases in prices and reducing economic growth potential. In November, **CPI inflation hit a near 40-year record level of 6.8%** but with energy prices then falling sharply, this is probably the peak. The biggest problem for the Fed is the mounting evidence of a strong pick-up in cyclical price pressures e.g., in rent which has hit a decades high.
- **Shortages of labour** have also been driving up wage rates sharply; this also poses a considerable threat to feeding back into producer prices and then into consumer prices inflation. It now also appears that there has been a sustained drop in the labour force which suggests the pandemic has had a longer-term scarring effect in reducing potential GDP. Economic growth may therefore be reduced to between 2 and 3% in 2022 and 2023 while core inflation is likely to remain elevated at around 3% in both years instead of declining back to the Fed's 2% central target.
- Inflation hitting 6.8% and the feed through into second round effects, meant that it was near certain that the **Fed's meeting of 15th December** would take aggressive action against inflation. Accordingly, the rate of tapering of monthly $120bn QE purchases announced at its November 3rd meeting. was doubled so that all purchases would now finish in February 2022. In addition, Fed officials had started discussions on running down the stock of QE held by the Fed. Fed officials also expected three rate rises in 2022 of 0.25% from near zero currently, followed by three in 2023 and two in 2024, taking rates back above 2% to a neutral level for monetary policy.
- The first increase could come as soon as March 2022 as the chairman of the Fed stated his view that the economy had made rapid progress to achieving the other goal of the Fed – "maximum employment". The Fed forecast that inflation would fall from an average of 5.3% in 2021 to 2.6% in 2023, still above its target of 2% and both figures significantly up from previous forecasts. What was also significant was that this month the Fed dropped its description of the current level of inflation as being "transitory" and instead

referred to “elevated levels” of inflation: the statement also dropped most of the language around the flexible average inflation target, with inflation now described as having exceeded 2 percent “for some time”. It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.
- **November’s inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB’s target of 2% and it is likely to average 3% in 2022, in line with the ECB’s latest projection.
- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB’s target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.
- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.
- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is 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, and vice versa. This is likely to reduce world growth rates from those in prior decades.

SUPPLY SHORTAGES. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

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:

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

- o Recovery and Reset Programme/Best use of Assets review;
- o Medium Term Financial Strategy;
- o 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 2022/23, EBC is planning capital expenditure of £35.4 million (and £59.8 million over the next two years) as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m
General Fund	8.1	4.1	2.8	2.0
HRA	9.3	18.2	19.5	20.7
Regeneration/Housing	20.3	13.1	14.5	0.3
Total	**37.7**	**35.4**	**36.8**	**23.0**

2.1.4 The main General Fund capital projects scheduled for 2022/23 are as follows:

Scheme	2022/23
Housing	1,460
Regeneration	5,286
Levelling Up	6,371
Asset improvements	1,142
Other Grant Funded Schemes	1,500
IT & Other schemes	1,513
Total	**17,272**

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 £67.7 million allocated to the New Build Programme over the (four-year) forecast period, which is expected to deliver 140 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	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
	£m	£m	£m	£m
External sources	4.6	9.6	18.5	5.7
Own resources	14.3	9.6	6.0	5.8
Debt	18.8	16.2	12.3	11.5
TOTAL	**37.7**	**35.4**	**36.8**	**23.0**

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

	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
	£m	£m	£m	£m
Own resources	9.9	1.4	1.5	1.8

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 £14.8 million in 2022/23. 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)

	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
	£m	£m	£m	£m
General Fund services	77.7	79.8	78.9	77.3
Council housing (HRA)	47.8	55.7	65.6	76.6
Regeneration/Housing	62.4	67.2	69.0	69.3
TOTAL CFR	**187.9**	**202.7**	**213.5**	**223.2**

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 2022/23. 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 £143.2 million at an average interest rate of 2.18% and cash balances of £10 million of which £5m was held on call at a rate of 0.17% and £2.2m was held on call at a rate of 0.01%.

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 0.15% for 6 months) and long-term fixed rate loans where the future cost is known but higher (currently 1.5 to 2.3%).

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

	31.3.2022 budget	31.3.2023 budget	31.3.2024 budget	31.3.2025 budget
	£m	**£m**	**£m**	**£m**
Debt	169.3	185.5	197.8	209.3
Capital Financing Requirement	187.9	202.7	213.5	223.2

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

	2021/22 limit	**2022/23 limit**	**2023/24 limit**	**2024/25 limit**
	£m	**£m**	**£m**	**£m**
Authorised limit – total external debt	207.0	223.0	235.0	246.0
Operational boundary – total external debt	187.9	202.7	213.5	223.2

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 lending terms, 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 DLUHC 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 2021, the commercial property portfolios include a retail park, sports complex, members club and commercial units with an estimated Fair Value of £24.8 million. Estimated gross income for 2021/22 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 2021. 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 2021 was £47.8 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	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m
Financing Costs (£m)	1.8	1.9	2.0	2.2
Proportion of Net Revenue Stream	12.7%	13.4%	13.3%	14.3%

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

Description	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£m	£m	£m	£m
Financing Costs (£m)	1.2	1.5	2.1	2.3
Proportion of Net Revenue Stream	8.5%	10.7%	14.2%	15.1%

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

8.2 "Prudence, Affordability and Sustainability"

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

<u>*Prudence*</u>

- Prudential indicators 8 and 9 presented above (Paragraph 8.1.1) are within expected and controllable parameters. Thus:
  - *Prudential Indicator 8 (General Fund) - Proportion of Financing Costs to Net Revenue Stream* – the growth in financing costs reflects the Council's ambitions for capital investment in its strategic priorities over the medium-term.
  - *Prudential Indicator 9 (HRA) - Proportion of Financing Costs to Net Revenue Stream* – the indicator profile mirrors the HRA 30-Year Business Plan.

- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme. This is illustrated in the approach to capital receipts whereby the proceeds are not assumed within projections until the associated sale is completed and the money received by the Council; and
- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost effective manner.

Affordability

- The estimated 'revenue consequences' of the Capital Programme (£95.2 million over three years) have been included in the 2022/23 Budget and Medium-Term Financial Strategy (MTFS), extending to 2024/25; 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 2024/25 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 2024/25) 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 2022/23, at the Council meeting on 23 February 2022, 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 2022/23, at the Council meeting on 23 February 2022, in accordance with DLUHC'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").

Report to:	**Cabinet**
Date:	**9 February 2022**
Subject:	**Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2022/23 and HRA Capital Programme 2021-25**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Deputy Leader and Cabinet Member for Financial Services**
Ward(s):	**All**
Purpose of the report:	**To agree the detailed HRA budget proposals, rent levels, service charges and heating costs for 2022/23, and the HRA Capital Programme 2021-25.**
Decision type:	**Budget and policy framework**
Recommendations:	**Cabinet is asked to recommend the following proposals to full Council:**

i) The HRA budget for 2022/23 and revised 2021/22 budget as set out in Appendix 1.

ii) That social and affordable rents (including Shared Ownership) are increased by 4.1% in line with government policy.

iii) That the average General Needs Housing Benefit (HB) Eligible service charge will be £5.04 per week

iv) That the average HB Eligible service charge for Retirement Housing will be £35.85 per week

v) That the Support charge for Retirement Housing will be £5.44 per unit.

vi) That the average Non-HB Eligible heating charges will be £3.49 per week.

vii) That the average non-HB Eligible water charges will be £3.33

viii) That Garage rents are increased by 4.86% (September RPI).

Recommendations cont.:	**ix)**	**To grant 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:
Name: Helen Waring
Post Title: Consultant – HRA Business Plan
E-mail: Helen.waring@lewes-eastbourne.gov.uk
Telephone Number: 07522 186807

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 and, 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 continue to be used to fund the Capital Programme. 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 2022/23 HRA Revenue Budget

2.1.1 The 2022/23 budget mirrors the HRA 30-Year Business Plan and is attached at Appendix 1.

2.1.2 For the 2022/23 budget, a £160k operating deficit is expected compared to a revised operating surplus of £127k in 2021/22. It should be noted that, in the context of the 30-Year HRA Business Plan, an in-year deficit is not of concern, as the balance on the account at the end of the year remains in surplus (£1.702m).

The contribution to capital expenditure for 2022/23 is estimated to be £2.934m which is an increase of £2.358m on the revised 2021/22 budget. These contributions are made depending on the size of the proposed Capital Programme. Appendix 2 clearly shows that the Capital Programme is expected to increase from 2022/23 onwards.

The contribution to capital expenditure is funded from the HRA Balance, 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 £1.702m in the HRA working balance at the end of March 2023.

2.1.3 Other variances between the 2022/23 budget and the 2021/22 revised budget are:

- Rent, Service Charge and Other Income – increased income of £701k
- Depreciation – increased cost of £200k
- Loan Charges – increased cost of £117k
- Reduction in Interest Income – £3k
- Management Costs – increased cost of £474k
- Additional Sustainability Costs (now revenue) – £194k

2.1.4 The Major Repairs Reserve is funded from cash backed depreciation of £4.5m plus inflation per year and is expected to breakeven in the short, medium and long term. Setting depreciation at this level may require review now that the results of the stock survey have been received and the demands of the asset management plan in the longer term are better understood.

2.1.5 The HRA debt outstanding at 31.03.21 was £47.796m. The outstanding debt at 31.03.23 is estimated to be £55.686m. 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 £14k.

2.1.6 The Council's treasury management advisors are predicting a gradual rise in interest rates going forward into 2022/23 and the interest budget has been prepared on this basis.

2.1.7 The 2021/22 revised budget is expected to be in surplus by £127k compared to the original budget of £389k. The surplus will be transferred to the HRA Balance. Main variances are set out below:

- A shortfall in rental income of £165k – due to less purchases taking place in 2020/21 and 2021/22
- an increase in Supervision and Management costs of £64k
- interest adjustments resulting in increased costs of £33k

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's 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 highlighting 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 four-year capital programme which includes significant investment in new builds (£35.2m), the acquisition of new properties (£12.6m), Major Works (£18.4m) and disabled adaptations (£1.4m). This 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 1.4.21	**5,245**	**2,575**
Net Transfer from Reserve	(449)	
Depreciation		4,348
Expenditure Financed from MRR		(6,923)
Estimated Balance 31.3.22	**4,796**	**0**
Net Transfer from Reserve	(3,094)	
Depreciation		4,548
Expenditure Financed from MRR		(4,548)
Estimated Balance 31.3.23	**1,702**	**0**

2.2 Rent Levels for 2022/23

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 2022/23, rents can be increased by Consumer Prices Index (CPI) + 1% which equates to 4.1%. The average weekly social rent will be £83.23 and average affordable weekly rent will be £127.01

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 4.1%.

2.3 Service Charges

2.3.1 Homes First have commenced a service charge project to ensure tenants are fully informed about the service charges being applied to their rent accounts and that full recovery of costs is being achieved. The service charges for 2022/23 have been calculated using a combination of actual costs from 2020/21 and estimates where more appropriate for 2022/23. For properties that share services, these charges cover common services such as communal heating, lighting, equipment maintenance contracts, cleaning, and grounds maintenance. In Retirement Housing Accommodation, the charges additionally include Retirement Housing Advisers staff costs. These costs should be charged separately from the rent in those properties to which they apply.

It should be noted that, in a year when inflation is particularly high, full cost recovery could mean that some service charge increases could prove challenging (in particular energy charges). Homes First will review the level of these charges and offer support where possible to mitigate the impact on individual tenants.

2.3.2 For General Needs tenants the average total for HB Eligible service charges will be £5.04 with the lowest at £0.92 and the highest at £27.28.

2.3.3 For Retirement Housing tenants the average total for HB Eligible service charges will be £35.82 per week with the lowest at £27.97 and the highest at £51.37.

2.4 Support Charge for Retirement 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 Retirement Housing blocks.

2.4.2 Following the implementation of the Joint Transformation Programme and a review of how Retirement Housing Staff costs are allocated within the service the support charge for 2022/23 will be £5.44 per unit. This service charge is not eligible for housing benefit and the reduction of £2.37 per unit will benefit all Retirement Housing tenants.

2.5 Heating Costs – Retirement Housing Accommodation

2.5.1 Heating costs have been calculated based on actual figures from 2020/21. The average cost per unit will be £3.01 with the lowest at £1.69 and the highest at £5.20. Heating costs are related to gas supplied to individual dwellings only and are not eligible for housing benefit.

2.6 Water Charges – Retirement Housing

2.6.1 Water charges have been calculated based on actual figures from 2020/21. The average cost per unit will be £3.27 with the lowest at £1.87 and the highest at £5.68. Water charges relate to water supplied to individual dwellings only and are not eligible for housing benefit.

2.7 Garage Rents

2.7.1 It is recommended that garage rents increase by September RPI which amounts to 4.86% with the weekly average rent being £13.06.

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 2022/23 is £18.210m.

2.8.2 The budget for the major works element of the programme (£5.816m) has been set following a comprehensive stock survey that has taken place during the past year. This sum and all sums required over the next 30 years are deemed to be the level of investment needed to ensure that Eastbourne's housing stock is well maintained. The annual budget provision for major works was previously set at around £4.4m. The results of the new stock survey have been modelled into the latest version of the Business Plan. Funding for the major works programme comes mainly from the Major Repairs Reserve, topped up by Revenue Contributions when required. An annual allocation of £450k for disabled adaptations has been added to the programme with effect from 2022/23, since this would not be included in the stock survey figures.

2.8.3 The Capital Programme continues to include 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 £160k 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 2021/22 was set at £7,696,000. It is proposed that the management fee for 2022/23 is set at £8,077,000, 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 Financial Services and the Chief Finance Officer.

3 Outcome Expected and Performance Management

3.1 The HRA budget will be monitored regularly during 2022/23 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 Residents' Voice have been consulted on this report. 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 2020-2024 Corporate Plan. 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.

Lawyer consulted 12.01.21 *Legal ref: 010743-EBC-KS*

9 Risk Management Implications

9.1 The 2022/23 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 Equality and Fairness Analysis has been undertaken on these proposals. This has concluded that:

- Changes to charges will impact the protected groups of age and disability. Additionally, those experiencing homelessness and potentially carers may be impacted.
- Communication around any change to charges must be clear and timely and contain information on how concerns may be channelled. Concerned residents (or their carers) should have a clear avenue to raise concerns or receive further information. Alternative formats should be arranged upon request.

11 Sustainability Implications

11.1 Setting aside £500k (of which £444k will be spent in 2021/22 and 2022/23) in the HRA Business Plan will help Eastbourne Borough Council meet its target of becoming carbon neutral by 2030. The remaining £444k is broken down as follows:

- 2021/22 revenue spend = £45k
- 2022/23 revenue spend = £239k, capital spend = £160k

12 Appendices

- Appendix 1 - HRA 2021/22 Revised Revenue Budget and 2022/23 Budget
- Appendix 2 - HRA Capital Programme 2021/22-2024/25

13 Background Papers

- HRA 2022/23 Budget Working Papers
- HRA 30-Year Business Plan Model
- HRA Right to Buy Model

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Appendix 1

EBC Housing Revenue Account

	2021/22 Original Budget £000's	2021/22 Revised Budget £000's	2022/23 Estimate £000's
INCOME			
Gross Rents	(14,783)	(14,618)	(15,268)
Charges for Services	(1,036)	(1,036)	(1,087)
GROSS INCOME	**(15,819)**	**(15,654)**	**(16,355)**
EXPENDITURE			
Management Fee	7,834	7,696	8,077
Supervision and Management	1,479	1,681	1,961
Provision for Doubtful Debts	205	205	212
Depreciation & Impairment of Fixed Assets	4,348	4,348	4,548
GROSS EXPENDITURE	**13,866**	**13,930**	**14,798**
NET COST OF HRA SERVICES	**(1,953)**	**(1,724)**	**(1,557)**
Loan Charges - Interest	**1,579**	**1,603**	**1,720**
Interest Receivable	(15)	(6)	(3)
NET OPERATING (SURPLUS)/DEFICIT	**(389)**	**(127)**	**160**
Transfer from Reserves	0	0	0
Revenue Contribution to Capital Expenditure	3,085	576	2,934
HRA (SURPLUS)/DEFICIT	**2,696**	**449**	**3,094**

HOUSING REVENUE ACCOUNT WORKING BALANCE	**2021/22 Original Budget**	**2021/22 Revised Budget**	**2022/23 Estimate**
Working Balance at 1 April	**(4,412)**	**(5,245)**	**(4,796)**
(Surplus) or Deficit for the year	**2,696**	**449**	**3,094**
Working Balance at 31 March	**(1,716)**	**(4,796)**	**(1,702)**

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HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME 2021/22 - 2024/25					
Scheme	Approved Allocation 2021/22 £000	Revised Allocation 2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Managed By Eastbourne Homes Ltd					
Major Works	4,442	4,442	5,816	4,607	3,532
Sustainability Initiatives Pilot	0	0	160	0	0
Disabled Adaptations	0	0	450	450	450
New Build	9,910	2,619	8,419	11,007	13,163
Acquisitions	7,485	2,190	3,365	3,465	3,552
Total HRA Capital Programme	**21,837**	**9,251**	**18,210**	**19,529**	**20,697**
Funded By:					
Capital Receipts	1,078	659	963	1,011	511
RTB 1-1 Receipts	3,423	0	161	50	0
Major Repairs Reserve	6,923	6,923	4,548	4,691	4,845
Revenue Contributions	3,085	576	2,934	45	174
External Funding		1,093	1,714	3,825	4,197
Borrowing	7,328	0	7,890	9,907	10,970
Total Financing	**21,837**	**9,251**	**18,210**	**19,529**	**20,697**

Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Litter and Fly-tipping Reduction Strategy 2022-2027**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Colin Swansborough, Cabinet Member for Climate Change, Place Services and Special Projects**
Ward(s):	**All**
Purpose of report:	**To set out the council's approach to reducing litter, fly-tipping, graffiti and associated environmental issues**
Decision type:	**Key**
Officer recommendation(s):	**That Cabinet approves** **(1) The Litter and Fly-tipping Reduction Strategy 2022-2027 set out in Appendix 1** **(2) The associated Action Plan, set out in Appendix 2**
Reasons for recommendations:	**To reduce littering in Eastbourne, with the majority of residents viewing it as totally unacceptable. Volunteer litter picking groups feel supported by the council and all residents value the council's work to tackle litter, dog fouling, fly-tipping and graffiti.**
Contact Officer(s):	**Name: Jane Goodall** **Post title: Environment Lead** **E-mail: jane.goodall@lewes-eastbourne.gov.uk** **Telephone number: 07788 515359**

1 Introduction

1.1 The quality of the environment is of the utmost importance to our residents. Litter, fly-tipping, graffiti, fly-posting and dog fouling are a blight on our streets, parks and beaches and cost thousands of pounds to clear up every year. To tackle this antisocial behaviour, we take a multi-service approach working with our residents, community groups and other partners.

1.2 Neighbourhood First provides support to the community in engagement, education, monitoring and enforcement in relation to littering, fly tipping, dog fouling and other environmental services. Operational services are supported by the approach to communication and engagement.

1.3 Critical to our success is continuing communications and engagement using a range of media. The Reduce, Reuse, Recycle Bulletin is emailed to residents every month. There are also regular updates to the website, on social media, printed publications, leaflets and via the external media through the issuing of press releases.

2 Proposal

2.1 The approach to managing litter and associated environmental issues set out in the accompanying strategy and action plan is as follows:

- Education, communications and engagement to raise awareness and influence positive behaviours.
- Providing adequate bins to make it easy for residents and visitors to do the right thing.
- Prompt removal, as appropriate, of litter and detritus, fly tipping and graffiti.
- Support to community groups joining us in these endeavours.
- Investigative and enforcement activity where there is evidence of environmental crimes.

2.2 Our ambition is to improve the cleanliness of the borough by reducing litter and fly tipping and the harmful effects that these polluting activities have on Eastbourne's environment.

3 Outcome expected and performance management

3.1 Through delivery of the strategy and action plan, the council will improve its effectiveness in tackling littering and fly-tipping.

3.2 While it is preferable that people do the right thing and dispose of their waste responsibly, sadly not everyone does. Enforcement activity will be taken in line with the Enforcement Policy [background paper] when there is evidence of people committing an environmental crime, including littering and fly-tipping.

4 Litter and fly tipping enforcement

4.1 Neighbourhood First staff undertake structured street inspections quarterly to monitor the street scene, as well as continuous monitoring by virtue of being based in the community.

4.2 With a focus on local issues, we respond to complaints and enquiries, investigate fly tips as appropriate and take robust enforcement action where evidence is obtained. A prosecution will be considered for significant transgressions in liaison with the legal team. However, without identifiable evidence (e.g. name and address) it is almost impossible to begin enforcement action in most circumstances

4.3 Work has already started to improve litter bin provision across the town, including a programme to replace dog poo bins with general litter bins, wherever possible, to increase capacity.

4.4 Neighbourhood First continues to educate about littering and fly-tipping, as well as issue Fixed Penalty Notices (FPNs) where there is evidence of environmental crimes. The total number of fly tip incidents in Eastbourne for Q2 was 219; 8 fines were issued with a total value of £1,325.

4.5 It is anticipated that the Environment Act 2021 will bring a sharper focus to tackling waste crime. As the details emerge, the council will re-evaluate its approach in the light of new powers and will update relevant policy and practice accordingly.

4.6 While the Environment Act is now part of UK law, most of its required actions do not start either directly or immediately. There remain a range of preparatory actions that need to be undertaken by government before further implementation of the wider legal framework (secondary legislation or regulations) will take place. Statutory guidance is expected to come into law by the latter part of 2022.

5 Corporate plan and council policies

5.1 The strategy supports the protection of the environment across the borough and aligns with the Sustainability and Climate Change Strategy.

6 Business case and alternative option(s) considered

6.1 Resources for the action plan are within 'business as usual' constraints. No extra posts are required to support this strategy.

6.2 The council understands that tackling litter cannot be achieved without the active support of the community. While there is plenty of good work already being undertaken across the borough, it is important that the council continues to support all litter picking groups with guidance, bags and equipment. A full set of litter picking equipment – picker, bag hoop, gloves, high-visibility top and bag is in the region of £40 per person. Funding for litter pick equipment, previously held in generic budgets, will be allocated a specific code to ensure ongoing importance is recognised. Funds of circa £1,000 will be made available to this end.

7 Financial appraisal

7.1 The Litter Reduction Strategy Action Plan demonstrates the council's commitment to work proactively and collaboratively to reducing litter. It should be noted that increased levels of litter will generate additional collection costs, which are likely to cause a budget pressure if it continues. It is expected that we can take advantage of external funding opportunities but in any event, expenditure on new bins will be subject to business cases once those costs are known.

7.2 There are no immediate cost implications in agreeing the Strategy but there may be costs associated with rolling out specific Action Plans, including officer time and a small budget for the publicity campaign, which might be funded through the existing revenue resources. Any significant financial implications resulting from the adoption of this strategy will be reported back to Members for approval.

8 Legal implications

8.1 The Council's enforcement powers in terms of litter reduction stem from various pieces of legislation, as set out in paragraphs 5.1 to 5.5 of the Strategy (see Appendix 1). The Council's approach to enforcing these laws as stated in paragraph 5 "is to as be proactive and find solutions before they occur and apply a gradual approach to enforcement in line with our enforcement policy." Such an approach helps to avoid the risk of legal challenge where a party might claim the Council had acted in an ill-considered or disproportionate manner.

8.2 The Environment Act 2021 received royal assent on 9 November 2021 but its various parts will be brought into force in stages. In the context of litter reduction, the provisions of most relevance are in Part 3 – Waste and Resource Efficiency. Provisions including those relating to–

- producer responsibility for disposal costs (s.51)
- resource efficiency requirements (s.53)
- deposit schemes (s.54)
- charges for single use items (s.55)
- carrier bag charge (s.56)

commence on 9 January 2022. However, the substance of these provisions will be specified in regulations yet to be made by the Secretary of State; it is therefore not possible to provide any level of detail at present.

Date of legal advice: 13.12.21 *Legal ref: 010542-EBC-OD*

9 Risk management implications

9.1 The risks associated with not setting out the litter reduction approach and action plan are reputational and environmental.

10 Equality analysis

10.1 The Equality Act does not have implications for this strategy.
Environment First will comply with the regulations to ensure street furniture does not cause an obstruction on the highway. SS 3/11/21

11 Environmental sustainability implications

11.1 The council is committed to supporting measures to help protect the environment. Education, comms and engagement; sufficient litter bin provision; and prompt enforcement activity have a positive impact on Eastbourne's environment.

12 Appendices

- Appendix 1 – Strategy
- Appendix 2 – action plan

13 Background papers

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

- Enforcement Policy 2018

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Eastbourne Borough Council

Litter and Fly-tipping Reduction Strategy 2022 – 2027

Contents

1. Our Vision

To reduce littering in Eastbourne, with the vast majority of residents viewing it as totally unacceptable. Volunteer litter picking groups feel supported in the council and all residents value the council's work to tackle litter, dog fouling, fly-tipping and graffiti.

2. Introduction

Litter, fly-tipping, graffiti, fly-posting and dog fouling blights our streets, parks and beaches and costs thousands of pounds to clear up every year. To tackle this antisocial behaviour, we need to fully understand the problems so we will adopt a multi-agency approach working with our residents, community groups, businesses, stakeholders and other agencies and the national organisation Keep Britain Tidy.

3. What is litter, fly-tipping, graffiti, fly-posting and dog fouling?

Litter is generally accepted to be anything below the size of a sack of household waste and is mostly understood as items related to smoking, chewing gum or eating and drinking on the move where unwanted items have not been properly disposed of or have been dropped inadvertently.

Fly-tipping is illegal dumping of liquid or solid waste (usually more than a black bag) on land or in water. The waste is usually dumped to avoid disposal costs.

Graffiti and fly-posting is anything that is written, sprayed or painted on public or private property without permission.

Dog fouling is where dog owners and dog walkers do not clear up after their dogs when out in the open.

4. What are the causes of litter, fly-tipping, graffiti and dog fouling?

The causes of litter and fly-tipping are diverse and complex and require different approaches in dealing with them effectively.

This section aims to highlight what the council understand to be the key causes:

- **Eating on the go:** With a move to eating on the go, take-away food and drinks has seen an increase in single use packaging, bottles and food trays. In addition to dropped litter this often means litter bins fill more quickly and can over spill.
- **Visitors:** Eastbourne is a destination for tourists largely to enjoy the seafront, outdoor recreation and historic attractions. While this brings many benefits, tourists do not always have access to facilities for disposing of litter in the same way as residents, e.g. not so easy to take litter home. Tourism also supports demand for eating on the go.
- **Smoking:** Smoking related litter is a common type of litter found on our streets. Although cigarette ends are small, by law they still count as litter.
- **Casual litterers:** Some people think its ok to drop litter, some people don't realise what impact leaving one item can have for example a single use coffee cup left on bench.
- **Drugs paraphernalia:** This type of litter is relatively small terms of volume and often found at 'hot' spots. It can have significant potential impact on human health, both for the public and our staff dealing with the issue.

- **Packaging:** An increase in packaging has led to an increase in overall waste some of which ends up as litter.
- **Vehicles:** Litter from eating on the go, smoking, unsecured loads found on roadsides, verges and laybys often. These are common locations for fly-tippers disposing of both domestic and commercials waste.
- **Domestic and commercial waste collection**: Litter can be caused by overfilled bins, waste that is not securely contained in bags or bins, refuse sacks and open bins accessible to foxes and seagulls.
- **Fly-tippers:** Fly-tipping is a criminal offence with the majority of Offenders knowingly depositing their waste illegally. Offenders range from commercials waste removers using lorries and vans to domestic clearances by residents of one or two household items e.g. mattresses and white goods. Not all residents are not aware of their own legal requirement to dispose of their waste responsibly and the need to check the legal credentials of any waste handlers they may use.
- **Graffiti:** The reasons behind graffiti can be complex and can be related to other crime and disorder problems.
- **Fly-posting:** This falls into three main categories those promoting local events such as bands playing, car boot sales mainly on lampposts, railing, street furniture or building. Posters advertising products or events of larger organisations posted by professional poster companies mainly posted on vacant buildings. In addition, posters displayed by pressure groups or political bodies posted mainly ad hoc.
- **Dog ownership:** Most dog owners clear up dog fouling and dispose of it correctly but there remains a small minority of dog owners that either fail to clear up after their pets or clear up but fail to bin it.

5. What the Law says

Councils are given powers under various Acts to use enforcement however our approach is to proactive and find solutions to before they occur and apply a gradual approach to enforcement in line with our enforcement policy.

5.1 For Litter

Section 89 of the Environmental Protection Act 1990 (EPA 1990) places a legal responsibility (a 'duty') on certain organisations ('Duty Bodies') to ensure that land, as far as is practicable, is kept clear of litter.

5.2 For Fly-tipping

Follows the same rules as for littering but with the addition of incident investigation, penalties and prosecution

5.3 For Graffiti and Fly-posting

There are a number of Acts that cover graffiti and include fly-posting where penalties can be issued: Anti-Social Behaviour Act 2003, Criminal Damage Act 1971 and the Town and Country Act. Local authorities are required to remove graffiti and fly-posting from public properties with priority given to the removal of offensive graffiti, that which contains words or pictures related to hate comments, extremist sentiment, anti-faith and swear words.

5.4 For Dog Fouling

Clean Neighbourhoods and Environment Act 2005 enables dog fouling to be controlled by way of Public Space Protection Orders (PSPOs) for land that is open to the air which the public have access to.

5.5 Enforcements used

- **Fixed Penalty Notes (FPNs).** It's an offence to drop litter on land or into water that's accessible to the public even if it's private land. This applies to private land that the public can access, for example a right of way.
- **Public Space Protection Orders (PSPOs)** for problems in public spaces including owners of dogs who do not clear up after their dogs.
- **Community Protection Notices (CPNs)** requiring businesses or individuals to clear litter from around their premises and or take steps to prevent future littering.
- Apply powers to keep land clear by removing abandoned vehicles, shopping trollies and certain leafleting.
- Enforcement can lead to Offenders being prosecuted in a magistrates' court and fined up to £2,500.

6. The Council's Responsibility

Eastbourne Borough Council is a 'duty body' referred to as a litter authority and responsible for all 'relevant land' where the following applies:

- Land that is open to the air on at least one side
- Under the council's direct control
- Publicly accessible (with or without payment)
- Beaches (above the average high-water mark)
- Any highway for which the council is responsible

Other 'Duty Bodies' responsible for litter on their land are: Crown authorities, educational institutions, Network Rail and rail operators, water companies and some road agencies.

For fly-tipping we carry out investigations by assessing the waste type, land type and ownership, any harm that may be caused to people, animals and the environment and arrange the safe removal of the waste. The council will work with Sussex Police the Environment Agency and East Sussex County Council and other agencies where necessary.

7. Meeting Our Vision and Obligations

To achieve our vision, we have reviewed our approach to dealing with litter, fly-tipping, graffiti, fly-posting and dog fouling and set out a positive and collaborative Action Plan to help us achieve this, using the following approaches:

- Education and behavioural change campaigns
- Partnership working
- Enforcement
- Efficient and effective Service design and infrastructure

7.1 Our Communications will

- Use various campaigns to promote our three key messages
    - ✓ **Littering is detrimental to the environment**
    - ✓ **Promote the work of volunteer litter pickers and opportunities to get involved**
    - ✓ **The council takes swift and tough action when responding to reports of littering, fly-tipping and graffiti**

- The council will use the full range of communications channels at its disposal including online, PR, posters, social media, email and more.
- Work in partnership with Keep Britain Tidy campaigns.

7.2 Our Engagement will

- Be a point of contact for our partners and stakeholders. Support individuals, local groups and initiatives and share knowledge, ideas and best practice
- Work alongside our Environment First, Neighbourhood First and Homes First teams.
- Continue to support local groups such as Plastic Free Eastbourne and Mucky Mermaids by assisting with the supply of equipment and sacks and collect the waste after their events. The council maintains a designated website page with details of local groups who hold litter picking events.
- Continue to support the Be a Responsible Angler campaign along with the National Line Recycling Scheme, LISA Sussex Anglers and the Environment Agency to reduce fishing line waste left on the beach and quay sides. Fishing pipe bins for nets and lines are located along the sea front.

7.3 Our Neighbourhood First team will

- Work proactively with our local community, stakeholders and our partners Sussex Police, Environment Agency and East Sussex County Council to identify ‘hot’ spots for fly-tipping, establish the causes and to find solutions.
- Investigate incidences of littering, fly-tipping, graffiti, fly-posting and dog fouling for evidence and ensure a graduated and robust approach to enforcement in line with our Enforcement Policy (Appendix 2).
- Along with our partners we will investigate options into campaigns for checking that those operating commercial waste collections and removals within our borough hold valid Waste Carrier Licences and Waste Transfer Notes.
- Work proactively with our Parks and Open Spaces team and Homes First to find solutions to reduce littering, fly-tipping, graffiti and dog fouling on council owned property and areas.

7.4 Our Environment First team will

- Follow the **Code of Practice on Litter and Refuse** which explains how different types of land should be kept clear.
- Carry out collections and clearances efficiently to minimize vehicle emissions.
- Maintain access to public bins for litter, dog waste and recycling.
- Improve our dog waste bins via our new programme to replace broken or damaged dog waste bins will with a combined litter and dog waste bin.
- Maintain our litter and recycling bins installed to help residents and visitors to our area recycling on the go.
- Maintain the cleanliness of our seafronts and beaches through routine cleanings schedules keeping to the standards within the Code of Practice on Litter and Refuse
- Work with our partners, National Highways - formerly Highways England - and their Network Contractor, to promote key anti littering messages along the roadside using their Variable Messaging Signs (VSM) for example ‘Take your litter home with you’, ‘Keep it clean’ and ‘Don’t Drop Litter’.

8. Appendices

Appendix 2: Action Plan for Eastbourne Borough Council (table below)

Background paper: Eastbourne Borough Council and Lewes District Council, Enforcement Policy, February 2018 (Separate document)

Appendix 2: Action Plan for Eastbourne Borough Council

Our Action Plan demonstrates our commitment to work proactively and collaboratively to reducing litter, fly-tipping, graffiti, fly-posting and dog fouling.

Action	Target	Date	Owner
Litter			
Community Led Litter Picking • Provide equipment to groups • Provide information, knowledge and best practice to community led litter picks	Circa 10x groups	On-going	Engagement Officer
Keep It Bin It - Keep Britain Tidy poster and social media campaign • Social media posting • Posters at littering and fly-tipping hot spots	Posters installed at 'hot' spots	On-going	Engagement Officer Neighbourhood First Advisors (Zones)
Roadside litter messages • Partnership with Highways England promote key messages using their Variable Messaging Signs (VSM) e.g. 'Take your litter home with you', 'Keep it clean', 'Don't Drop Litter' and social media postings. • Bin not a Bin Roadside poster campaign: Place A1 posters at key roadside locations, including A27 and social media postings. • Investigate option into sending key messages to road users securing their vehicle loads to reduce litter.	2x number of locations 2x number of locations Establish options for implementation	As and when basis On-going March 2022	Engagement Officer Engagement Officer Engagement Officer
Containing your waste • Neighbourhood First teams to remind customers of their responsibility to contain their household waste, as and when identified.	Customers visited as required	On-going	Neighbourhood First Advisors (Zones)
Recycle on the Go litter bins - WRAP campaign • Install Recycling on the Go style litter bins where practical	3x bins installed	On-going	Environment First

(These bins have a dual compartment for litter and dog waste and a separate compartment for recyclables)			
Gum Litter banner and bin sticker campaign • Install 'The bin is right here' and 'The bins are over there' 'banners	2 x locations 2 x litter bins	On-going	Engagement Officer
Fly-tipping			
Fly tipping costs more than you think…. Keep Britain Tidy poster and social media campaign • Social media postings	Social media postings	On-going	Engagement Officer
Report it App • Social media posting	Seasonal postings	On-going	Communications
Graffiti and Fly-posting			
Report it App • Social media posting	Social media postings	On-going	Communications
• Community Graffiti Mural Projects	As required	On-going	Neighbourhood First Advisors (Zones)
Dog waste			
Rolling programme to Improve our dog waste bins • Where practical replace broken or damaged dog waste bins will with a combined litter and dog waste bin	2 per year	March 27	Environment First Team Leader (Streets)
Walk it home with the dog (KBT) • Social media posting	Social media postings	On-going	Neighbourhood First Advisors (Zones)
Love our parks and open Spaces • Social media posting	Seasonal postings	On-going	Neighbourhood First Advisors (Zones)

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Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Eastbourne Public Spaces Protection (Anti-social Driving) Order 2022.**
Report of:	**Tim Whelan, Director of Service Delivery.**
Cabinet member:	**Councillor Rebecca Whippy, Cabinet member for disabilities and community safety**
Ward(s)	**Devonshire, Meads, Sovereign, St Anthony's.**
Purpose of report	**To enable Cabinet to consider a proposal to introduce a Public Spaces Protection Order (PSPO) to address the incidence of anti-social driving in a number of locations across Eastbourne.** **To approve the draft Public Spaces Protection Order for consultation, and authorise the Director of Service Delivery to undertake the required statutory consultation, amend as necessary and subsequently make the definitive Order.**
Officer recommendation(s):	**Cabinet is recommended to:** **1. Approve, as a draft only, the Public Spaces Protection Order (the Order) as set out in Appendix B.** **2. Delegate authority to the Director of Service Delivery:** **i. to carry out statutory consultation on the draft Order;** **ii. if necessary, to amend the draft Order in light of consultation responses and seek approval from the Lead Cabinet Member for Disabilities and Community Safety;** **iii. to make and publicise the definitive Order in accordance with relevant legislation;** **iv. to put in place arrangements, including with external parties, to enforce the Order; and** **v. to keep the Order under review; to bring to Cabinet any variation considered necessary to the Order during its three-year term; and at the end of that term extend the period for which it has effect, if considered necessary on statutory grounds.**
Reason for recommendation(s)	**Requesting a decision on approval of the draft Order and delegation of specified authorities to the Director of Service Delivery.**

Contact: **Name: Oliver Jones.**

Post title: Lead, Housing, Homelessness & Community Safety.

Email: Oliver.Jones@lewes-eastbourne.gov.uk

Telephone number: 07939 578 415.

1. Introduction.

1.1 The incidence of anti-social driving has been an increasing concern for local residents, and reports to Sussex Police evidence a year-on-year upward trajectory of incidents. Most commonly these involve reports of poor, dangerous and aggressive driving, speeding, illegal manoeuvres, racing, and excess noise from vehicles.

1.2 In November 2021 full Council unanimously passed a motion to address the incidence of anti-social driving in the town, and this paper asks Cabinet to consider proposals for the introduction of a Public Spaces Protection Order (PSPO) in support of this.

1.3 The legislation underpinning PSPOs is Part 4 (i.e. the community protection provisions) of the Anti-Social Behaviour, Crime & Policing Act 2014 ("the 2014 Act"), which introduced new powers to tackle anti-social behaviour. The Council has previous experience of seeking the use of such orders and active PSPOs are already in place setting out controls in relation to dogs and the consumption of alcohol in the town centre. A large number of other local authorities across England have used PSPOs to control various behaviours and activities, including those associated with anti-social driving, such as aggressive driving, speeding, car meetings, and the control of noise from vehicles.

2. Legislative background to Public Spaces Protection Orders.

2.1 The 2014 Act gave local authorities the power to implement a PSPO if satisfied on reasonable grounds that two conditions have been met. The first condition is that:

- Activities carried out in a public place within the authority's area have had a detrimental effect on the quality of life of those in the locality, or
- It is likely that activities will be carried out in a public place within that area and that they will have such an effect.

2.2 The second condition is that the effect, or likely effect, of the activities:

- Is, or is likely to be, of a persistent or continuing nature.
- Is, or is likely to be, such as to make the activities unreasonable, and justifies restrictions imposed by the order.

2.3 In order to meet these requirements it is crucial that the PSPO is clear in its remit, by specifying the activities that it prohibits and the extent of the public spaces to which it applies. The Council can then, with the assistance of enforcement by Sussex Police, implement the prohibitions and/or requirements it contains to help reduce the detrimental impact on members of the public and the wider community.

2.4 PSPOs can apply for a maximum of three years. At any point before expiry, the Council can extend a PSPO by up to three years if they consider it is necessary to prevent the original behaviour from occurring or recurring. They should also consult with the local police and any other community representatives they think appropriate before doing so. Subject to meeting these requirements, an Order may be extended for a period of three years more than once.

2.5 Failure to comply with either a prohibition, or requirement, contained in a PSPO is a criminal offence. A breach of the Order can incur a fixed penalty notice of up to £100, or a fine not exceeding £1,000 upon summary conviction.

3. The anti-social driving PSPO proposal.

3.1 Anti-social driving has been a growing issue of local concern for some time, amongst both members of the public and the policing teams here in Eastbourne. Its incidence is commonplace and, since November 2020 the local policing team in Eastbourne has recorded 425 reports of anti-social driving.

3.2 Appendix A provides a summary of the reports received in the year to November 2021. It shows that the most commonly reported concerns relate to poor and dangerous driving, aggressive driving, speeding and excess noise from vehicles. A further set of issues including racing, stunts, illegal manoeuvres, and off road activity, also feature prominently in reports. Sussex Police are aware that locations in Eastbourne are routinely advertised as a meeting point for drivers of both cars and motorcycles, and of particular concern are impromptu meetings of car enthusiasts, many of which take place at Beachy Head. It is these impromptu gatherings, rather than the regular meetings of ‘car clubs’ in Eastbourne, the representatives of which local police have a good level of engagement with, that are the focus of the relevant aspects of these proposals.

3.3 Although reports of anti-social driving are received from across the town, the data analysis presented by Sussex Police suggests that its prevalence is focussed across a number of locations, with the most number of reports relating to Beachy Head, Lottbridge Drove, the parades running along the seafront and Seaside Road, amongst the most affected. The analysis of reports also shows that the issues are seasonally affected, with around 40% more reports recorded between April and September, than in the remaining months of the year. In 2021, April (53), May (48) and June (53) are the months when most reports were received. Appendix A also provides a summary of reports by location (top ten locations) and month.

3.4 Sussex police are leading the calls for the new PSPO, in order to enhance and supplement powers contained in the Road Traffic Act 1988, and the Section 59 powers made available in the Police Reform Act 2002. The Section 59 powers allow officers to issue warnings if a vehicle is being driven in a careless or inconsiderate manner and is causing, or is likely to cause, alarm, distress or annoyance to members of the public. Despite being an extremely useful tool (Sussex Police issued Section 59 warnings 79 times in Eastbourne during the year to November 2021), the definition set out in the Act used is broad, subjective and does not always lend itself to issuing warnings for some of the anti-social driving incidents witnessed.

3.5 The implementation of a PSPO has a number of key advantages that could help local police tackle a broader range of issues, such as noisy vehicles, abuse emanating from vehicles and vehicle meetings; provide a unified way of addressing these alongside more commonplace offences such as speeding; and provide officers with a means of issuing immediate fixed penalty notices of up to £100, in relation to beaches of the order. This is likely to act as a clear deterrent, whilst the presence of an order in itself provides a strong signal that antisocial driving is something that residents, the council and local police will take robust action to deal with.

3.6 The wording of the PSPO, a draft of which is set out in Appendix B, would seek to prohibit a specific list of activities most commonly featuring in reports of anti-social driving. As follows:

- Revving of engine(s) (as to cause public nuisance);
- Repeated, sudden, or rapid acceleration (as to cause public nuisance);
- Racing or speeding;
- Performing stunts (including but not limited to performing doughnut manoeuvres, drifting, skidding, handbrake turns or wheel spinning);
- Sounding horns (as to cause public nuisance);
- Playing music from a vehicle (as to cause public nuisance);
- Making modifications to the vehicle in order for it to make excessive sound, including but not limited to, the removal of exhaust silencers and using racing modes on public roads (as to cause public nuisance);
- Driving on any public footpath, pedestrian or other area not designed for such motorised vehicles;
- Causing damage or presenting a risk of damage to property whilst using a vehicle;
- Shouting or swearing at, or abusing, threatening, or otherwise intimidating (including by the use of sexual language or making sexual suggestions) another person from a vehicle;
- Making abusive gestures to another person from a vehicle; and
- Causing obstruction on a public highway, whether moving or stationary, including in convoy.

3.7 In order to be reasonable, both as a proportionate set of prohibitions and in regard to the police's capacity to enforce and manage them, the proposals limit the area to which the order applies to those roads most affected by the issues of concern, along with key roads that connect them. In line with the analysis these include: Beachy Head Road, Prince William Parade; Royal Parade; Marine Parade; Grand Parade; King Edwards Parade; Dukes Drive; Upper Dukes Drive; Warren Hill, stretches of East Dean Road; Seaside; Seaside Road; and Lottbridge Drove. These roads represent the 'top five' locations with the highest levels of recorded cases and together account for over a third (36%) of all the reports received in Eastbourne over the past year (year to November 2021). For the purpose of the PSPO, these identified stretches of road are known as 'restricted areas' and are shown on the accompanying map set out in Appendix C. The map will be an appendix to the Order once made.

3.8 Some stretches of East Dean & Beachy Head Road, along with Gilbert Road in East Dean that fall within Wealden District Council (WDC), experience similar issues and including these would present a more rounded solution to the problems at hand. However, legislation dictates that a separate PSPO put in place by WDC is the only way of achieving this. Whilst we are engaging WDC and keeping them informed of our proposals, our plan is to press ahead with the approval and consultation needed to get the EBC PSPO in place before summer 2022.

3.9 Given that the data shows that there is less anti-social driving during winter months, again from both a proportionality and enforcement perspective, it seems reasonable to propose that the PSPO should only run between 1 April to 31 October each year.

4. Consultation.

4.1 Subject to Cabinet approval of the recommendations, the Director of Service Delivery would carry out a statutory consultation exercise to elicit the views of relevant parties on the proposed Order.

4.2 The Council must consult with the following bodies on the proposals:

- The Chief Officer of Sussex Police.
- The Office of the Sussex Police and Crime Commissioner.
- Landowners of the affected areas, which in this instance would include East Sussex County Council due to their responsibility for highways, and the South Downs National Park Authority (SDNPA).
- Any community representatives the local authority considers appropriate.

4.3 Plans for the consultation would include the creation of an online survey, to meet the obligation to consult other local landowners, residents, community representatives, as well as the wider public. Notification of the consultation will be via the database of local residents and businesses who have opted to be contacted directly about the Council's plans and proposals, as well as being promoted online and through local press releases. Given the potential impact of the proposals, it is recommended that the consultation runs for six weeks.

4.4 The Director of Service Delivery would have regard to consultation responses in deciding whether the draft PSPO requires amendment. The Director would then seek approval from the Lead Member for Disabilities & Community Safety, prepare the definitive PSPO, then bring it into force in accordance with the 2014 Act.

5. Implementation & enforcement.

5.1 Subject to approval, implementation of the PSPO is anticipated to take place by June 2022. This will provide the required time to plan and complete the consultation, put in place the required legal notifications (a public notice of the order must be published on the Council's website before it can come into force) and implement the necessary enforcement processes.

5.2 Signage setting out the nature of the order and the kinds of activities it prohibits will be required in the locations covered by the order. The signs help enforce the order and reduce the risk of mitigation pleas from those found to be in breach.

5.3 Although Council officers have the legal authority to enforce PSPOs, Sussex Police have agreed that enforcement of this order will be led by Police Officers (PCs) and Police Community Support Officers (PCSOs), as only they have the powers required to stop moving vehicles. PCs and PCSOs will be responsible for giving warnings, issuing fixed penalty notices, and gathering any evidence related to serious breaches of orders that may be liable to prosecution. Section 68(1) and section 69(2) of the 2014 Act confers on police constables the power to issue a fixed penalty notice for failing to comply with a PSPO.

5.4 In line with this approach, Council officers will not be involved in any frontline enforcement, but will be responsible for following up the non-payment of fines and leading prosecutions relating to serious breaches and will offer support by promoting the existence of the order and monitoring the performance of activities in relation to it.

5.5 It is important to note that in order to play a successful part of the strategy for helping tackle anti-social driving, the PSPO will need to be actively enforced, as to act, officers must witness breaches of the prohibitions it contains. As such, the order will take its place as one of a range of tools, supplementing rather than replacing the use of existing legislative powers by the police. The consideration of speed restrictions and road calming measures, that could help put in place a rounded solution to the issues at hand, may also play a vital role in rolling out measures helping to address anti-social driving in the future.

6. Corporate plan and council policies.

6.1 The introduction of the proposed PSPO supports the wider goals set out in the Council's Corporate Plan (2021-24), which commits to identifying and addressing issues, such as anti-social driving, in order to help local communities feel safer. The Eastbourne & Lewes Community Safety Partnership, of which the Council is a key member, identifies tackling anti-social driving as one of its six key priorities.

7. Financial appraisal.

7.1 The cost associated with the consultation and subsequent implementation and monitoring of the PSPO proposed in this report will be met from existing budgets. There is no recurring impact on the General Fund. As enforcement activity will be led by Sussex Police, the order will not place any additional resource, or have budgetary implications for Neighbourhood First or other Council frontline teams.

7.2 *Finance Director consulted on 29/01/2022.*

8. Legal Implications.

8.1 The Council must be satisfied on reasonable grounds that the conditions set out in paragraphs 2.1 and 2.2 above are met before it makes the PSPO recommended in this report. The "reasonable grounds" are that the order is considered necessary for tackling the anti-social driving identified; and that the nature and scope of prohibitions specified in the order are proportionate to the scale and seriousness of the problem.

Proportionality can be achieved by limiting the number of roads covered by the order to those most seriously affected; and by applying the order only during those months when the anti-social behaviour is most likely to occur.

8.2 A further requirement is that in deciding whether to make a PSPO and what it should include, the Council must have particular regard to the rights of freedom of expression and freedom of assembly set out in articles 10 and 11 of the European Convention on Human Rights. It is not considered that either of these Convention Rights will be infringed by the proposed PSPO.

8.3 A PSPO must be publicised in accordance with regulations laid down in statutory instrument no. 2014/2591. These provisions are reflected in the body of this report.

8.4 A PSPO must include the required information about how its validity may lawfully be challenged.

8.5 It would be advisable for the Council to enter into an agreement with Sussex Police over the arrangements for enforcing the PSPO, so that each party is clear on its responsibilities. The data sharing agreement already in place will allow the parties securely to exchange and process personal data relating to individuals issued with a fixed penalty notice and/or prosecuted for breaching the order.

8.6 *Lawyer consulted on 22.12.21.* *Legal ref: 010434-EBC-OD*

9. Risk management implications.

9.1 A number of risks were identified during the process of producing the proposals - as follows:

9.2 Risk 1- The PSPO requires active enforcement, and it is possible that during times where active enforcement is not operational, incidents of anti-social driving will persist.

Mitigation – implementation of the PSPO will be restricted to those times / areas / locations across the town that data analysis shows are most commonly affected by reported incidents. This will help the police better enforce the prohibitions the order contains. In addition, Sussex Police will continue to deploy routine patrols, enforcement action and specific operations to address anti-social driving across the rest of the borough.

9.3 Risk 2- Implementation of the PSPO may lead to the displacement of anti-social driving to areas of the Borough not covered by the order, or to adjacent districts and boroughs.

Mitigation - reports of anti-social driving will be monitored and variations of the locations covered by the PSPO may be periodically sought, in response to any emerging trends. Routine enforcement using existing police powers will also help mitigate any displaced activity across the Borough.

9.4 Risk 3 – The PSPO proposals may meet opposition from members of the public, organised car clubs, or ‘routine’ gatherings of car enthusiasts that take place each week in Eastbourne.

Mitigation – the consultation will provide general reassurance about the proportionality and appropriateness of the proposals. It will also make clear that the prohibition it contains will not apply to car gatherings or rallies where no incidents of prohibited behaviours take place, for example as they might apply to groups of classic car drivers or motorcyclists meeting for organised drives. Sussex Police will seek to actively engage the weekly gathering of car enthusiasts in the town throughout the consultation period.

10. Equality analysis.

10.1 The equality impact assessment process has been followed in regard to these proposals. Completion of the initial questionnaire established that there were no equality impacts on protected groups, so a full equality impact analysis has not been completed in regard to these proposals.

11. Environmental sustainability implications.

11.1 There are no environmental sustainability implications associated with these proposals, except that a reduction in engine revving, harsh acceleration and speeding should produce fewer harmful emissions.

12. Conclusion.

12.1 The impact that anti-social driving is having on the local community in Eastbourne cannot be underestimated, and residents report that related issues are having a direct effect on the quality of their lives. Whilst the significant resources that local police have dedicated to managing the problem over the summer months have had a positive impact, Sussex Police view the PSPO as an important additional tool, that can act as a deterrent and bolster enforcement activity in the years ahead.

12.2 The proposals and recommendations outlined in this report set out a clear approach to putting in place a proportionate order that seeks to address the specific anti-social driving activities experienced across the town.

13. Appendices.

13.1 The following appendices are attached to this report:

- Appendix A - Sussex Police summary of reported incidents.
- Appendix B - Draft Eastbourne Borough Council Anti-social Driving Public Spaces Protection Order.
- Appendix C – Map(s) of restricted areas.

14. Background papers.

14.1 The following background papers are associated with this report:

- Anti-social Behaviour, Crime & Policing Act 2014, available at: http://www.legislation.gov.uk/ukpga/2014/12/contents/enacted/data.htm
- Anti-social Behaviour, Crime and Policing Act 2014: anti-social behaviour powers – statutory guidance for frontline professionals: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/956143/ASB_Statutory_Guidance.pdf

Appendix A - Sussex Police summary of reported incidents.

Report category

Reported issue	No. reports
Poor, dangerous or aggressive driving	244
Car racing, stunts or illegal manoeuvres	70
Speeding	48
Noisy / noise from vehicle	23
Vehicle stop	22
Off road driving	18
Total	425

Seasonality

Month	No. reports
January	31
February	28
March	33
April	53
May	48
June	53
July	40
August	30
September	26
October	29
November	30
December	24
Total	**425**

Period	No. reports
Apr - Sep	250
Oct - Mar	175
Total	425

Location

Road	No. reports
Beachy Head Road	40
Lotterbridge Drove	38
Seafront Parades (King Edwards / Grand / Royal / Prince William)	36
Seaside Road	28
East Dean Road	10
Cross Levels Way	9
Kings Drive	8
Willingdon Drove	7
Pevensey Bay Road	6
Sevenoaks Road	5
Total	**187**

Appendix B - Draft Public Spaces Protection Order.

Eastbourne Borough Council
Anti-social Behaviour, Crime and Policing Act 2014
Part 4: Community Protection

Eastbourne Public Spaces Protection (Anti-social Driving) Order 2022

Eastbourne Borough Council ("the Council"), in exercise of its power under section 59(1) of the Anti-social Behaviour, Crime and Policing Act 2014 ("the Act"), being satisfied that the conditions required by sections 59(2) and 59(3) of the Act have been met, and having complied with the requirements of section 72 of the Act, makes the following public spaces protection order (the "Order"):

Citation, commencement and application

1. This Order shall be known as the Eastbourne Public Spaces Protection (Anti-social Driving) Order 2022.
2. This Order shall come into force on [*date*] and shall have effect for a period of three years unless discharged under section 61 or extended under section 60 of the Act.
3. This Order applies from 1 April to 31 October in the areas detailed in the Schedule to this Order ("the Restricted Areas").

Prohibited Activities

4. The Schedule to this Order has effect.
5. By this Order, a person shall be guilty of an offence if, in any of the Restricted Areas, and without reasonable excuse, he or she commits any of the activities specified in paragraph 6.
6. The activities prohibited by this Order are:
   - (i) Revving of engine(s) (as to cause public nuisance);
   - (ii) Repeated, sudden, or rapid acceleration (as to cause public nuisance);
   - (iii) Racing or speeding;
   - (iv) Performing driving stunts (including but not limited to performing doughnut maneuvers, drifting, skidding, handbrake turns or wheel spinning);
   - (v) Sounding horns (as to cause public nuisance);
   - (vi) Playing music from a vehicle (as to cause public nuisance);
   - (vii) Making modifications to the vehicle in order for it to make excessive sound, including but not limited to the removal of exhaust silencers and using racing modes on public roads (as to cause public nuisance);
   - (viii) Driving on any public footpath, pedestrian or other area not designed for such motorised vehicles;
   - (ix) Causing damage or presenting a risk of damage to property whilst using a vehicle;
   - (x) Shouting or swearing at, or abusing, threatening, or otherwise intimidating (including by the use of sexual language or making sexual suggestions) another person from a vehicle;
   - (xi) Making abusive gestures to another person from a vehicle; and
   - (xii) Causing obstruction on a public highway, whether moving or stationary, including in convoy.

Enforcement

7. A person guilty of an offence under paragraph 5 is liable on summary conviction to a fine not exceeding level 3 on the standard scale.

Exception

8. The prohibition specified by paragraph 6(xii) shall not apply to any person driving a motor vehicle taking part in a funeral procession.

Validity

9. If any person who lives in or regularly works or visits the Restricted Areas wishes to question the validity of this Order on the grounds that the Council had no power to make it or that any requirement of the Act has not been complied with in relation to this Order, he or she may apply to the High Court within six weeks from the date on which this Order is made.

GIVEN under the COMMON SEAL of EASTBOURNE BOROUGH COUNCIL
this day of 2022.

THE COMMON SEAL OF EASTBOURNE BOROUGH COUNCIL

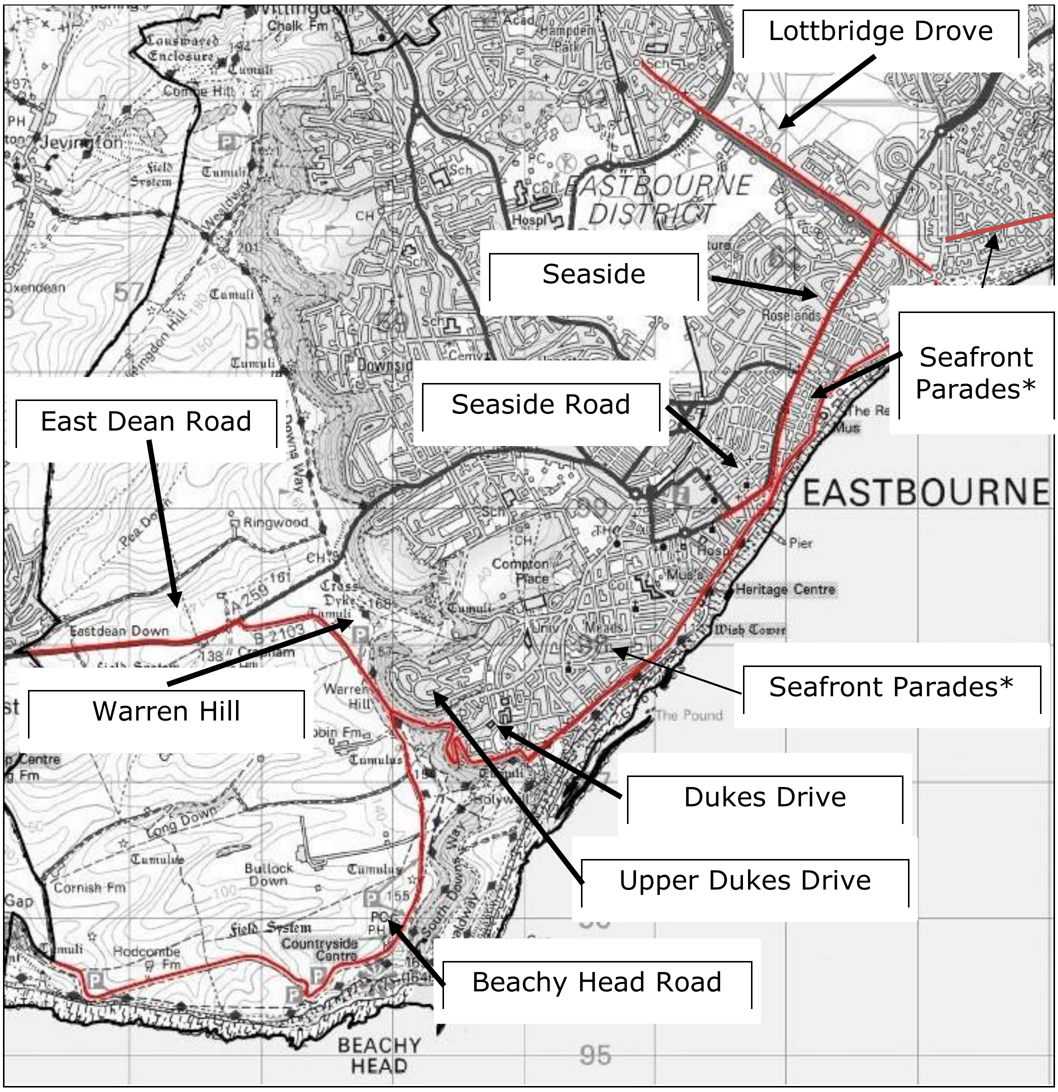
was hereunto affixed in the presence of:-

Authorised signatory…….………………………………………..

Print Name…………………………………………………………

Job Title……………………………………………………………

Appendix C / Schedule – Map of proposed restricted area [roads]



*Seafront Parades include – King Edward's Parade; Grand Parade; Marine Parade; Royal Parade; Prince William Parade.

Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**Eastbourne & Lewes Community Safety Partnership – Annual Report (Eastbourne)**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Rebecca Whippy, Cabinet member for disabilities and community safety**
Ward(s):	**All**
Purpose of report:	**To enable Cabinet to consider the 2021/22 performance of the Eastbourne & Lewes Community Safety Partnership (E&LCSP)**
Decision type:	**Non-key**
Officer recommendation(s):	**To note the achievements and activities of the Eastbourne & Lewes Community Safety Partnership in 2021/22.**
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 specified public service authorities to meet regularly to discuss ways of reducing crime and disorder, address incidences of anti-social behaviour, and minimise 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; and East Sussex County Council. Membership can be extended to other key local and voluntary partners as appropriate. Lewes and 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. Portfolio holders and senior council officers routinely attend the county level community safety forum (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 virtually during the pandemic and scheduled meetings have been held as planned over the past year, with a high level of attendance from members.

2. Annual Plan 2021/22.

2.1 CSPs have a statutory duty to set out a plan and monitor progress. The latest plan was approved by the Partnership in March 2021, following a review that considered recent crime and anti-social behaviour trends, residents views, and issues of national concern, such as violence against women and girls. It also took into account the wider strategic priorities of the Police & Crime Commissioner and the Safer East Sussex Team, who support the work of the County Council.

2.2 For the most part the strategic priorities remained unchanged, retaining an emphasis on; reducing the incidence of crime and ASB; tackling hate crime, domestic & sexual abuse; addressing serious violence; and reducing anti-social driving. The priorities were updated to broaden the scope of the partnership to address organised crime, reflecting the revised goals of key partners, and to promote gender based safety, by creating safe and welcoming spaces to encourage the positive use of public areas by all. The resulting priorities of the partnership in 2021/22 were to:

- Promote safe & welcoming spaces that reduce the incidence of crime & ASB.
- Tackle the incidence of hate crime, domestic & sexual abuse.
- Reduce the incidence of serious violence & knife crime.
- Address the impact of organised crime on local communities.
- Reduce the incidence of anti-social driving on the borough's roads.

2.3 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 2019, resulted in an increased allocation of £48,547 being awarded to the CSP in 2019/20. The level of funding received this last year remained unchanged.

3. Crime and incident trends.

3.1 An analysis of recent crime trends continues to reflect the impact of the pandemic. Figures showed a 13.3% reduction in the overall number of reported crime and ASB incidents during the twelve months to March 2021, the timeframe covering the most comprehensive phases of lockdown. Overall, the number of reports fell from 9,356 to 8,109.

3.2 Beneath these headline figures, reports for many categories of crime fell significantly, with the largest decreases recorded for acquisitive crimes, such as burglary (⇩37%), theft (⇩33%), and vehicle crime (⇩32%). These trends reflected the reduced opportunities to commit crime due to business closures, reduced car use, and more people staying at home. The closure of the night-time economy also resulted in much reduced levels of alcohol public place crime (⇩17%) and public place violent crime (⇩16%). Running contrary to these patterns, the number of ASB incidents rose significantly, up by almost 60% from 2,700 to 4,400 cases, driven by 1,188 reported neighbour disputes (⇧80%) and 2,412 reports of 'rowdy' anti-social incidents (⇧70%). Levels of reported domestic abuse fell, but remained high (1,707 incidents), whilst levels of hate crime and related incidents remained broadly stable.

3.3 The latest figures for the twelve months to November 2021, reflect a move back towards more 'regular' crime and ASB incident trends. Numbers of reports remain lower than where they were a year ago, but by a reduced amount, down 3.5% as opposed to the 13.3% drop recorded in March. Reports of alcohol and public place violent crime, as well as theft, have all begun to rise as shops and the night-time economy have opened up, though some crimes such as burglary reports remain significantly lower, reflecting the fact that many people still spend more time at home. The number of reported ASB incidents is beginning to fall back, though they remain 36% higher than a year ago, a downward trend that is expected to continue.

3.4 The Borough continues to be a relatively low crime area. The most recent figures from the Government's benchmark 'Most Similar [Crime] Group'[1] of local authorities (June 2021) shows that Eastbourne had one of the lowest crime rates per 1000 people, when compared to other members of the group. With a rate of 82 crimes per 1000 people, the Borough was ranked as the third safest and was below the group average of 96 crimes per 1000 people.

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[1] 'Most Similar Groups' are districts / boroughs that have been found to be leading comparators 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.

3.5 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 tackling domestic abuse; respond to increasing levels of serious and violent crime; support the local street community; and address safety on local roads. Key highlights, activities and achievements across these priorities are set out below.

Priority 1 – Promote safe & welcoming spaces that reduce the incidence of crime and ASB - through:

- Contributing to a range of multi-agency activities focussed on creating safe spaces for women and girls, and reducing the risks present in and around the night-time economy. This work includes; embedding the lessons learnt from the Safer Streets 1 initiative ,which put in place a range of safety and security improvements at key locations across Devonshire Ward; close collaboration with local police to support operations promoting engagement with licenced premises; raising awareness of drink spiking; reducing the harms associated with drug and alcohol use; and providing funding for the Eastbourne Street pastors to recruit and train additional capacity.

- Administering the Joint Action Group (JAG), which meets monthly to discuss local crime and disorder issues, identify local hotspots of ASB, and agree solutions. This work is supported by the CSP budget and members can now approve individual bids up to an increased limit of £2,000.

- Working with Sussex Police to support *Operation Blitz*, the local initiative targeted at tackling anti-social behaviour across the Borough. A recent refresh of the operation has added in weekday patrols at identified hotspot locations and during busy periods, such as the school holidays. Over the past year the operation has helped address numerous incidents of ASB and helped co-ordinated the activities of local police, Neighbourhood First, and Homes First Council officers to help tackle the increased levels of reports experienced during the pandemic.

- Supporting the successful bid to the Home Office's Safer Streets 3, which has secured funding to improve lighting across a key route in Gildredge Park, improving the safety of local people who and schoolchildren who use the route daily. The project is underway to put in the place the new lighting before the end of March 2022.

- Sponsoring Eastbourne Youth Radio's broadcast, an established initiative that engages young people deliver a week-long programme of 'on air' programmes that discuss a range of topics including mental health and wellbeing, knife crime and bullying.

- Funding the purchase of litter picking equipment to support up to ten community cleaning groups operating in parks, beaches, and open spaces across the Borough.

- Supporting the Council's Neighbourhood and Environment First teams work to keep public spaces across the Borough clean, tidy, and free from rubbish. In the year to date (April to November) the teams dealt with over 1,100 reports of fly-tipping, graffiti, rubbish, and abandoned vehicles. Ease of reporting is facilitated through the *report it* app, which all residents of the Borough can download free to smart devices. The teams employ a range of monitoring and enforcement activities, including warnings, fixed penalty notices, prosecutions, and the deployment of CCTV.

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

- Participating in strategic initiatives to help set the local framework addressing the incidence of domestic abuse. Contributing to the engagement and needs assessments used to develop the draft pan-Sussex Domestic Abuse Strategy, and feeding into the successful Safer Streets 3 bid for Government funds, are both examples of this. Both the strategy and bid will support a range of initiatives, awareness campaigns and education programmes that will benefit residents across the County and Borough.

- Supporting the Homes First team, who have been working in partnership with neighbouring districts and boroughs to establish new pathways for those experiencing or at risk of domestic abuse. A separate initiative has recruited new roles (Independent Domestic Violence Advocates), whose focus will be to help housing needs teams incorporate the new provisions of the Domestic Abuse Act 2021 into operations. The team have also acquired a number of units of respite accommodation, following a successful funding bid to the Department for Levelling Up Housing & Communities, which are now available to meet the urgent re-housing needs of domestic abuse victims.

- Implementing key findings of the Adult C safeguarding adults review, which has been delivering actions to improve the handling of issues faced by individuals presenting with the highest levels of multiple and complex needs, many whom have experienced domestic abuse. The associated action plan has put in place; a new multi-agency forum that will meet to discuss cases and shape solutions around individual needs; revised guidance on 'out of area' placements for women experiencing domestic abuse; a training programme bolstering the knowledge about trauma informed best practice to front line officers.

- Contributing to a fund that pays the cost of Domestic Homicide Reviews in East Sussex. These reviews undertake detailed assessments of the circumstances surrounding individual cases, and apply insights and key learning points to the systems, processes and practices of the relevant agencies involved, to help reduce future risk. Five reviews were considered at the County's Safer Communities Board this year, which both Council member and officer representatives attend.

- Promoting the County's White Ribbon campaign, which this year was aligned with *#16daysofactivism* addressing different aspects of gender based violence.

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

- Participating in the Violence Reduction Unit, a Sussex Police and County led task force, co-ordinating a strategic approach to tackling serious violence across East Sussex. Work in Eastbourne has focussed on addressing issues in three ‘high harm hotspots’ in Devonshire Ward and the town centre, that account for a disproportionate amount of serious and violent crime. A range of activities, including victim and perpetrator profiling, engagement with local HMO residents, and increased levels of patrol activity have been deployed to tackle the issue. A recent analysis of local crime trends showed that this is having a beneficial effect, with levels of serious and violent crimes now lower across the hotspot areas, when current and pre-covid trends are compared.

- Much of the recent work has focussed on reducing the violence and sexual offences committed against women and girls, and addressing the anxiety they experience in and around the night-time economy. The work referenced above, which has focussed on creating safe spaces, has been supported by analytical work tracking reported incidents, marked patrols, and covert operations that have increased the police presence in key locations, at times of heightened risk.

- Supporting activities to reduce knife crime, which include Sussex Police’s *Operation Sceptre*, that drives the year round work undertaken to help keep residents safe from knife-related harm. The operation co-ordinates incident led patrols, social media campaigns, community engagement, knife sweeps and test purchasing. It runs side by side with the *kNOw knives* programme delivered by ESCC’s Targeted Youth Service. Part funded by the Partnership, this programme runs prevention sessions that raise awareness of the risks of knife carrying, discusses the related topic of exploitation, and examines the accompanying stereotypes, myths and fears surrounding the issue that are portrayed in the media.

- Continuing to support *Restore Eastbourne,* a programme that works with young people displaying challenging and concerning behaviours. This work, which sets out to improve individual wellbeing, reduce anti-social behaviour, and lower the risk of participants being drawn into serious crime and exploitation, has now resumed following a pause during the pandemic. Over the past year the programme has engaged 45 ‘at risk’ young people at Causeway School, and a further 35 young people referred directly by Sussex Police.

Priority 4 - Address the impact of organised crime on local communities – through:

- Contributing to the new Serious & Organised Crime Partnership, a Sussex Police led, multi-agency collaboration, set up to tackle serious crimes that are being planned and coordinated by individuals working together on a continuous basis. The partnership has an operational focus and has a clear goal of identifying specific crimes that present a high level of threat, risk, and harm to residents, sharing information and intelligence to help disrupt these.

- Supporting the work of Sussex Police's Discovery team, who co-ordinate operations that tackle modern slavery, exploitation, and human trafficking. Partners, including the Council's Homes First, licencing, benefits and democratic services teams routinely work with Discovery to source information on residents and businesses, verify intelligence, and on some occasions accompany visits. These activities help disrupt the activities of organised crime groups and reduce the impact on those they exploit, who may be working a for low, or zero, pay in a variety of settings across the Borough such as restaurants, nail bars, and brothels. The general raising of awareness through communications plans and on social media is another key aspect of work in this area.

- Directly funding organisations that deliver programmes engaging and supporting young people, many of whom have been identified as being at risk of being drawn into anti-social behaviour, more serious and organised crime. These include; youth led activity days at several skate parks across the town; wellbeing mental health coaching workshops sessions delivered in association with local rugby clubs; and tech-led activity interventions designed to boost confidence, self-esteem, and skills.

Priority 5 - Support the street community and address related ASB – through:

- Continuing to support the work of the Rough Sleeper Initiative, who provide comprehensive support and outreach services. Their activities identify rough sleepers and connect with local services, including referrals to an in-house team of multi-disciplinary health, social care, substance misuse & housing professionals.

- Setting up a multi-agency forum with voluntary providers of emergency food and other support services to the homeless and street community. The forum has met regularly across the year to discuss issues, help co-ordinate services and examine ways of putting in place sustainable solutions that look to reduce dependency in the longer term.

- Approving funding for a new set of lockers to provide a safe storage solution that rough sleepers will be able to access to store bedding and other possession during the daytime.

- 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. Risk assessments undertaken earlier in the pandemic forced the scheme to close, but new premises have now been found, with a view to the re-starting the project early in 2022.

Priority 6 - Reduce the incidence of anti-social driving on the Borough's roads – through:

- Developing proposals to introduce a *Public Place Protection Order* (PSPO) focussed on addressing the incidence of anti-social driving in specified areas of the town. The PSPO, which would be enforced by the police on behalf of the Council, would seek to address specific issues such as speeding, aggressive acceleration and driving, illegal manoeuvres, racing, and excess noise from vehicles. The introduction of the order is subject to Cabinet approval and a subsequent public consultation exercise.

- Working with Sussex Police to identify locations for a new signage campaign aimed at influencing driver behaviours, including speeding, the use of mobile phones at the wheel, and drink driving. The *We're keeping an eye on you* campaign will rotate the signage at chosen locations every three months.

3.6 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 65% of the budget has now been spent or committed. The spend is spread across the priorities as shown. The Partnership is now intensifying marketing to maximise spend of the remaining sum, with a particular focus on funding projects and programmes working with young people, whose activities have been dis-proportionately affected by the pandemic. Budgets can be rolled over into future years and authorisation will be sought from the PCC to do so in relation to any unallocated sums.

4. Consultation.

4.1 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 met regularly to consider the implications of issues raised by the Eastbourne Joint Action Group, analyse crime trends, and respond to emerging risks.

5. Corporate Plan & Council Policies.

5.1 The objectives of the E&LCSP continue to be in line with those set out in the Council's Corporate Plan, which commit to 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 and improve road safety raise the quality of the local area for all local residents, visitors, and businesses.

6. Business case.

6.1 The annual CSP plan sets out the 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 six clear priorities, agreed with partners, that will help address local. The next plan is due to be signed off by the Partnership in early Spring 2022.

7. Financial appraisal.

7.1 There are no direct financial implications for the Council arising from the recommendations set out in this report. However, a summary of the current income and expenditure account, managed by the Council on behalf of the CSP is provided in Appendix 1. *Deputy Chief Finance Officer consulted 21/01/2022.*

8. Legal implications.

8.1 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: 23/12/21 (Legal ref: 010708-JOINT-OD).

9. Risk management implications.

9.1 The annual Community Safety Plan incorporates a review of high level risks associated with the delivery of CSP activities. These include risks relating to, maintaining adherence to the statutory duties set out in the Crime & Disorder Act 1998, partner attendance, and funding. The risk review provides an assessment of the likelihood, impact and severity of each risk and assigns ratings accordingly, alongside accompanying mitigations.

10. Equality analysis.

10.1 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 proposals or specific recommendations. As such there are no direct impacts on the public or employees, so no Equality and Fairness Analysis is associated with this report.

11. Environmental impact analysis.

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

12. Appendices.

12.1 Appendix 1 – Eastbourne CSP - Income & Expenditure 2021/22

13. Background papers.

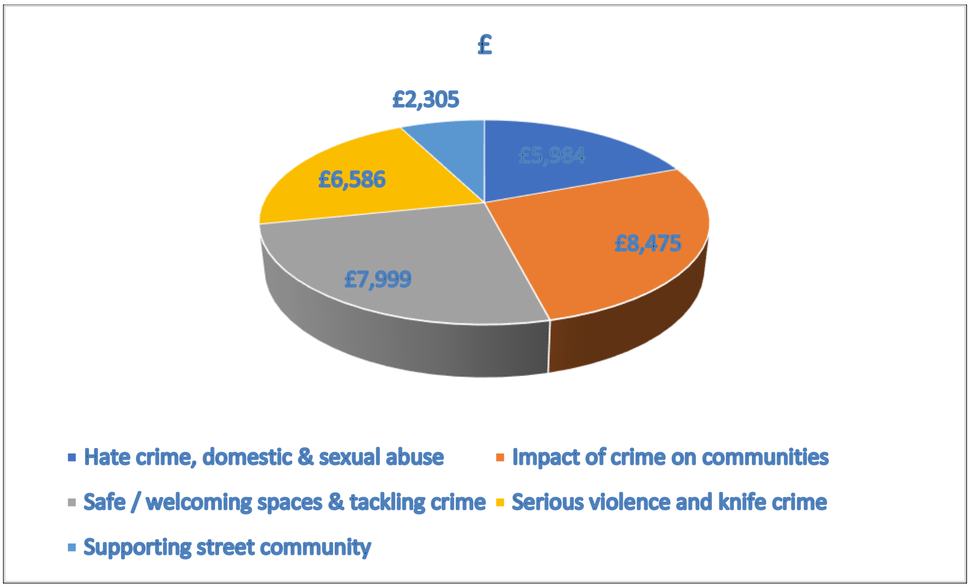
13.1 The following background papers is associated with this report - Eastbourne & Lewes Community Safety Plan.

Appendix 1 - Eastbourne Community Safety Partnership – Income & Expenditure 2021/22

Spend by project

PCC Grant 2021/22	**£48,547**
Spent / committed	**£**
Restore Eastbourne - BCRP	£5,237
Hotel Watch - BCRP	£4,000
Youth led fund days - YMCA	£1,986
Safe spaces – Eastbourne Street Pastors	£5,000
Domain histing for Neigh. Panels – EBC	£90
Mental health workshops – Balls for Brains	£1,555
Sponsorship – Eastbourne Youth Radio	£365
Mural – Friend of Gildredge Park	£1,150
Litter picking – Environment First	£930
Rough sleeper lockers - Sussex Police / RSI	£1,321
CCTV – Etchingham Road Community Centre	£845
Activity intervention young people – Tech Resort	£3,950
Night-time economy radios	£4,920
Total	**£31,349**
Remaining funds	**£17,198**

Spend by priority



Report to:	**Cabinet**
Date:	**9 February 2022**
Title:	**A Coastal Concordat for England**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning and Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Colin Swansborough, Cabinet Member for Climate Change, Place Services and Special Projects**
Ward(s):	**Devonshire, Meads and Sovereign**
Purpose of report:	**To seek approval for Eastbourne Borough Council to adopt and be a signatory to the Coastal Concordat**
Decision type:	**Key**
Officer recommendation(s):	**(1) Cabinet agrees to adopt the Coastal Concordat (as December 2019)** **(2) Authority be given to the Cabinet Members for the Cabinet member for place services and special projects to sign a letter to the Department for Environment, Food and Rural Affairs confirming Eastbourne Borough Council's adoption of the Coastal Concordat**
Reasons for recommendations:	**To enable benefit to be gained from a streamlined planning system in relation to coastal applications**
Contact Officer(s):	**Name: Leigh Palmer** **Post title: Head of Planning** **E-mail: leigh.palmer@lewes-eastbourne.gov.uk** **Telephone: 01323 415215** **Name: Tim Bartlett** **Post title: Specialist Advisor (Green Consultancy)** **E-mail: tim.bartlett@lewes-eastbourne.gov.uk** **Telephone: 01273 085490**

1 Introduction

1.1 The Coastal Concordat is a voluntary agreement between the main regulatory bodies (including the Marine Management Organisation, the Environment Agency and Natural England) and coastal local planning authorities that provides a framework within which the separate processes for the consenting of coastal developments (e.g. planning permission, marine licences) can be better co-ordinated.

1.2 Local authorities in England with a coastal interest are encouraged to adopt the coastal concordat in accordance with the HM Government 25 Year Environment Plan.

2 Background

2.1 Coastal development requires various consents, permissions and licences in order for a development to become operational. The regulatory functions governing these consents are provided by a number of different bodies and authorities, each with their own requirements. This means that an applicant for coastal development would need to approach each body or authority individually, which makes the process difficult to understand and can result in overlaps between regulators.

2.2 To address this, the Department for Environment, Food and Rural Affairs (DEFRA) made a commitment to lead on the agreement and conclusion of a marine/coastal development concordat. The original Coastal Concordat for England dated 11 November 2013 was an agreement between DEFRA, the Department for Communities and Local Government (now the Department for Levelling Up, Housing & Communities), the Department for Transport, the Marine Management Organisation, the Environment Agency, Natural England and the Local Government Association Coastal Special Interest Group. Whilst it was signed by these government departments and advisory bodies, there was limited sign up from Local Planning Authorities.

2.3 Following reviews of the effectiveness of the Concordat in 2018 and 2019, the Concordat was updated and local authorities were encouraged to sign up. The principles of the Concordat were clarified to enable consistency with the Government's 25 Year Environment Plan (A Green Future: Our 25 Year Plan to Improve the Environment), which aims to *implement a marine licensing regulatory regime that supports sustainable development while protecting the natural capital and wellbeing of the marine environment*.

3 Proposal

3.1 The Concordat applies to the consenting of coastal developments in England where several bodies have a regulatory function. It is designed to form the basis of agreements between the main regulatory bodies and coastal local planning authorities, and provide a framework within which the separate processes for the consenting of coastal developments in England can be better coordinated.

3.2 The concordat approach can be applied to any applications for individual coastal development projects where they span the intertidal area in estuaries and on the coast, or require multiple consents including both a marine licence and a planning permission from the local planning authority. It does not apply to apply to projects that are solely terrestrial (e.g. entirely above Mean High Water Springs).

3.3 The Concordat is based on five high level principles, as set out below:

- Applicants seeking regulatory approval should be provided with a first point of entry into the regulatory system for consenting coastal development, guiding them to the organisations responsible for the range of consents, permissions and licences which may be required for their development.
- Regulators should agree a single lead authority for coordinating the requirements of Environmental Impact Assessments or Habitats Regulations Assessments.
- Where opportunities for dispensing or deferring regulatory responsibilities are legally possible and appropriate, they should be taken.
- Where possible, at the pre-application stage, competent authorities and statutory advisors should agree the likely environmental and habitats assessment evidence requirements of all authorities at all stages of the consenting process.
- Where possible, regulators and statutory advisors should each provide coordinated advice to applicants from across their respective organisations.

3.4 It is considered that there will only be a small number of planning applications which will trigger use of the Coastal Concordat and these are most likely to relate to coastal works e.g. sea defences for which the council or the Environment Agency will be the applicant. There is no apparent dis-benefit to the council and there may be some time and cost saving benefits. The principles of the Concordat are considered sensible and would assist with a better passage through the regulatory system for applicants.

4 Outcome expected and performance management

4.1 The Concordat provides a framework within which public bodies relevant to this process can deliver a more effective and efficient service. It will provide benefits to applicants, regulators and advisors alike by reducing unnecessary regulatory duplication, providing better sign-posting, streamlining assessments and increasing transparency and consistency of advice.

4.2 The benefits of working under the principles of the Concordat for applicants and regulators include:

- Upfront signposting for the applicant
- Reduced duplication of evidence requirements
- Streamlined regulatory processes (one body may take a lead on Environmental Impact Assessment, Habitats Regulations Assessment, and/or Marine Conservation Zone Assessments).
- Transparency and consistency of advice
- Time and cost savings for regulators, authorities and applicants
- Meets the commitment in the 25 Year Environment Plan

4.3 In practice, if a planning application was screened in as a Concordat project, the Council would have an advisory role as the ‘first point of entry,’ with an officer signposting the applicant to other Concordat bodies and highlighting at this early stage that they may need to secure a consent, licence or permission from them.

4.4 The applicant would then contact the other regulatory bodies to find out about the regulatory regime for which they are responsible and it would remain the responsibility of the applicant to obtain all necessary consents

4.5 The most appropriate body would initiate a discussion between relevant Concordat adopters covering (where required):

a) Timescales, roles, contact details
b) Potential lead authorities for Environmental Impact Assessment / Habitats Regulations Assessment / Marine Conservation Zone if applicable
c) Opportunities to dispense with / defer regulatory responsibilities
d) Common evidence requirements
e) Arrangements for communication of the outcome of the discussion with the application

4.6 The adoption of the Concordat would assist Eastbourne Borough Council as there are a number of projects that may come forward in coming years where a Concordat would help to save resources, increase confidence in effective delivery and safeguard reputation. These projects could include:

- The long-term management of sea defences that may change and require new licenses and permissions
- Potential changes to outfalls and water utility assets
- Potential changes to the seafront, including the area around the Bandstand

5 Corporate plan and council policies

5.1 The Eastbourne Corporate Plan 2020-2024 identifies that the council should play a key role in community leadership and enabling the long-term sustainability and resilience of our communities, and should work closely with partners to enable this. The Coastal Concordat will assist with meeting these priorities.

6 Business case and alternative option(s) considered

6.1 Signing the Concordat does not remove any of the statutory responsibilities or duties of the Council or relinquish any powers, but it does set up a mechanism by which the production of evidence supporting decision making can be streamlined, and in some cases it will be appropriate to appoint a lead authority to coordinate relevant assessment processes and parallel tracking of assessments is recommended. This will lead to some limited efficiencies for the Council.

6.2 Not adopting the Coastal Concordat would mean that Eastbourne Borough Council and other planning applicants would not receive the benefit of a streamlined regulatory system in relation to coastal applications.

7 Financial appraisal

7.1 There are no direct financial implications arising from adopting and being a signatory to the Coastal Concordat, and any indirect cost can be undertaken within the services existing resources.

7.2 Signing up to the Coastal Concordat by the Eastbourne Borough Council could lead to savings on the overall project cost. The benefits of the Coastal Concordat would potentially streamline regulatory responsibilities and improved coordination under different regulatory regimes, with potential efficiency benefits for the Council.

8 Legal implications

8.1 The concordat does not amend or remove the regulatory or enforcement responsibilities of the council, but it is an informal agreement to adhere to a framework within which the separate processes for the consenting of coastal developments in England can be better coordinated. It is not a contract and as such, the council may review its position at any time.

Legal Implications Provided 13/12/21 Iken Ref 10666 – JOINT -JCS

9 Risk management implications

9.1 The main apparent implication of not signing up to the Concordat is that planning applicants/developers would not benefit from the efficiencies and streamlining when dealing with the Council (and other regulatory bodies).

10 Equality analysis

10.1 An Equality Screen has been completed in conjunction with this report. The adoption of the Coastal Concordat is not considered to impact on protected groups.

11 Environmental sustainability implications

11.1 There are no direct environmental sustainability implications, however the adoption of the Coastal concordat will simplify the process of consenting new and improved coastal defences, which will assist in mitigating the impacts of climate change.

12 Background papers

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

- HM Government – A Green Future: Our 25 Year Plan to Improve the Environment (2018)
- A coastal concordat for England (revised: December 2019)
- A coastal concordat for England: implementation document (updated: December 2019)