

Cabinet

8 July 2021



Lewes District Council

Time and venue:

2.30 pm in the Lewes Leisure Centre, Mountfield Road, Lewes, BN7 2XG

Note: This meeting is a public meeting. However, the number of public seats are limited and need to be carefully managed to ensure the meeting is covid-secure. For this reason, we would like to ask that anyone intending to attend as a member of the public, contact Democratic Services in advance by email: committees@lewes-eastbourne.gov.uk or phone: 01323 415021. Anyone attending the meeting will be asked to check in at the venue and to wear a face covering.

Membership:

Councillor James MacCleary (Chair); Councillors Zoe Nicholson (Vice-Chair) Matthew Bird, Julie Carr, Chris Collier, Johnny Denis, William Meyer, Emily O'Brien and Ruth O'Keeffe

Quorum: 4

Published: Wednesday, 30 June 2021

Agenda

1 Minutes of the meeting held on 10 June 2021 (Pages 7 - 12)

2 Apologies for absence

3 Declarations of interest

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

4 Urgent items

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

5 Public question time

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

6 Written question from councillors

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

7 Matters referred to the Cabinet

Matters referred to the Cabinet (whether by the Policy and Performance Advisory Committee or by the Council) for reconsideration by the Cabinet in accordance with the provisions contained in the Policy and Performance Advisory Procedure Rules or the Budget and Policy Framework Procedure Rules set out in part 4 of the Council's Constitution.

None.

8 Portfolio progress and performance report 2020/21 - quarter 4 and end of year summary (Pages 13 - 30)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Chris Collier

9 Provisional Revenue and Capital Outturn 2020/21 (Pages 31 - 44)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Zoe Nicholson

10 Treasury management annual report 2020/21 and latest TM monitoring (Pages 45 - 76)

Report of Chief Finance Officer
Lead Cabinet member: Councillor Zoe Nicholson

11 Investing in green energy initiatives- update (Pages 77 - 86)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet members: Councillors Matthew Bird and Zoe Nicholson

(This report contains an exempt appendix. Any discussion of this must take place at item 16 following exclusion of the public.)

12 Re-imagining Newhaven (Pages 87 - 94)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor James MacCleary

(This report contains an exempt appendix. Any discussion of this must take place at item 17 following exclusion of the public.)

13 Community Grants Policy (Pages 95 - 102)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Johnny Denis

(This report contains an exempt appendix. Any discussion of this must take place at item 18 following exclusion of the public.)

14 Housing development update (Pages 103 - 112)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor William Meyer

(This report contains an exempt appendix. Any discussion of this must take place at item 19 following exclusion of the public.)

15 Exclusion of the public

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

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

16 Investing in green energy initiatives - update - Exempt Appendix 1 (Pages 113 - 150)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet members: Councillors Matthew Bird and Zoe Nicholson

Exempt information reasons 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

17 Re-imagining Newhaven - Exempt Appendix 1 (Pages 151 - 152)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor James MacCleary

Exempt information reasons 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

18 Community Grants Policy - Exempt Appendix 2 (Pages 153 - 160)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Johnny Denis

Exempt information reasons 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

19 Housing development update - Exempt Appendix 1 (Pages 161 - 164)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor William Meyer

Exempt information reasons 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

Information for the public

Accessibility:

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

Filming/Recording:

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

Public participation:

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

Information for councillors

Disclosure of interests:

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

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

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

Councillor right of address:

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

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

Other participation:

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

Democratic Services

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

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Cabinet

Minutes of meeting held in Ditchling and Telscombe Rooms - Southover House, Lewes on 10 June 2021 at 2.30 pm.

Present:

Councillor James MacCleary (Chair).
Councillors Zoe Nicholson (Vice-Chair), Matthew Bird, Julie Carr, Chris Collier, Johnny Denis, Emily O'Brien and Ruth O'Keeffe.

Officers in attendance:

Robert Cottrill (Chief Executive), Ian Fitzpatrick (Deputy Chief Executive and Director of Regeneration and Planning), Tim Whelan (Director of Service Delivery), Oliver Dixon (Head of Legal Services) and Simon Russell (Head of Democratic Services).

Also in attendance:

Councillor Isabelle Lington (Leader of the Opposition).

1 Minutes of the meeting held on 25 March 2021

The minutes of the meeting held on 25 March 2021 were submitted and approved and the Chair was authorised to sign them as a correct record.

2 Apologies for absence

Apologies for absence were reported from Councillor Meyer. Apologies were also reported from visiting members Councillors Miller and Peterson.

3 Declarations of interest

None were declared.

4 Waiver of Contract Procedure Rules - Marshall Regen for Newhaven Towns Fund - 26 March 2021

The Cabinet noted the waiver of Contract Procedure Rules (CPR) for the appointment of Marshall Regen and Nairne Ltd for business case consultancy work for Stage 2 of the Newhaven Towns Fund bid, in accordance with section 2.4.1 (b) of the CPR.

NOTED.

5 Recovery and Reset

The Cabinet considered the report of the Chief Executive, updating them on

progress of the Recovery and Reset Programme.

Good progress had been made in delivering the savings targets set out in the Recovery and Reset Plans, which were agreed by Cabinet in autumn 2020. Key outcomes of the programme thus far were detailed at section 3.1 of the report.

Councillor Nicholson added that since publication of the report, the shortfall that had been identified for 21/22 had largely been met within the area of Service Delivery. The savings targets were based on assumptions that had been built into the Council's medium term financial strategy, such as no further financial support from central government. Councillor Nicholson stated that cross party partnership working was needed to lobby government further for the Fair Funding Review to be undertaken.

PPAC, held on 3 June 2021, considered the report and were supportive of the recommendation in full. Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion.

Resolved (Non-key decision):

To note the progress made with the Recovery and Reset Programme.

Reason for decision:

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.

6 Community Wealth Building

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, providing them an update on progress with delivery of the Reimagining Lewes District Action Plan.

The recommendations set out in the report were part of Lewes District Council's community wealth building strategy which aimed to keep as much wealth as possible in the local economy through the creation of new local jobs and new locally owned enterprise, to ensure a sustainable future.

Policy and Performance Advisory Committee (PPAC), held on 3 June 2021, considered the report and were supportive of officer recommendation (a) in the report but did not support officer recommendations (b) and (c). Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion.

In response to the comments from PPAC, it was advised that the £100k additional cost would be funded from reserves already established as part of the 2021/22 budget to accelerate the capital programme delivery, of which Community Wealth Building formed a significant element.

Resolved (Key decision):

(1) To note the progress made in delivering the Reimagining Lewes District Action Plan and to agree the Re-imagining Lewes District Community Wealth Building Strategy set out at appendix A to the report.

(2) To agree £80k to fund a two-year fixed term post to oversee the implementation of the Strategy.

(3) To agree a one-off allocation of £20k to enable the development of initiatives to promote and enable social entrepreneurialism, with both additional cost items being funded from reserves.

Reason for decisions:

The Council is committed to developing a Community Wealth Building approach as part of the Corporate Plan adopted in February 2020.

7 Biodiversity Strategy

The Cabinet considered the report of the Director of Service Delivery, introducing the Biodiversity Strategy and associated work plan.

The purpose of this strategy was to set out ambitious yet achievable aims and actions to better tackle biodiversity loss and ecosystem degradation through nature-based solutions across the district and the wider inter-connected landscape.

As part of the strategy, the Council would work with its partners, including town and parish councils, to encourage them to adopt its policies on the land that they own and manage, as well as on land that the Council manage on their behalf.

Policy and Performance Advisory Committee (PPAC), held on 3 June 2021, considered the report and were supportive of the recommendations in full. Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion. Councillor Linington also added her support to the proposals, in particular Biodiversity Net Gain.

Resolved (Key decision):

(1) To approve the Lewes District Council Biodiversity Strategy 2021- 2025, set out at Appendix 1 to the report.

(2) To approve the associated Action Plan, set out at Appendix 2 to the report.

Reason for decisions:

To set out the principles and approach to supporting biodiversity and to provide

a framework and work plan for Lewes District Council in its collaborative approach to protecting and enhancing natural assets.

8 Local Council Tax Reduction Scheme 2022/23

The Cabinet considered the report of Director of Service Delivery, seeking their approval to commence the statutory consultation process that the Council would need to follow to make changes to the current Local Council Tax Reduction (LCTR) scheme.

The proposals would increase support for low-income families and people in financial difficulty.

The Council would aim to consult on adopting a scheme for 2022/23 that:

- a) Calculates LCTR on 100% of claimant's council tax liability
- b) Does not apply the Minimum-Income Floor to self-employed claimants
- c) Does not have a minimum award value

Following the consultation process, the Cabinet could then make the relevant recommendations to Full Council in February 2022.

Policy and Performance Advisory Committee (PPAC), held on 3 June 2021, considered the report and were not supportive of the officer recommendations set out in the report. Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion.

Resolved (Key decision):

That Cabinet, with the objective of implementing a revised Local Council Tax Reduction Scheme for 2022/23:

(1) Authorise the Chief Finance Officer to enter into consultation with the major precepting authorities

(2) Authorise the drafting of a scheme that calculates a Council Tax Reduction of 100% of a person's council tax liability, removes the Minimum-Income Floor for the self-employed and removes the £5.00 minimum award

(3) On completion of the consultation and drafting authorised under (1) and (2) above, authorise the Director of Service Delivery to consult with other interested parties.

Reason for decisions:

Any billing authority wishing to revise its Council Tax Reduction scheme for the working-age must follow the statutory process as set out in this report.

9 Local Plan Issues and Options Consultation

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, seeking their approval to undertake an 'Issues & Options' consultation as part of the preparation of the new Local Plan.

Thanks were conveyed to the Local Plan Steering Group for their input into the 'Issues and Options' document and officers for their extensive work.

Policy and Performance Advisory Committee (PPAC), held on 3 June 2021, considered the report and were supportive of the recommendations in full. Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion.

Resolved (Non-key decision):

(1) That Cabinet authorise the principle of undertaking public consultation on 'Issues & Options' for the Local Plan for an eight-week period between 9th July and 3rd September 2021.

(2) That Cabinet delegate authority to the Director of Regeneration and Planning, in consultation with the Cabinet Member for Planning and Infrastructure, to approve and release the 'Issues and Options' document for consultation.

Reasons for decisions:

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

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

10 Planning Local Validation List

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, seeking their approval for the adoption and publication of the Council Local Validation List that outlined the supporting and evidential requirements of planning applications.

Policy and Performance Advisory Committee (PPAC), held on 3 June 2021, considered the report and were supportive of the recommendations in full. Councillor Linington, Leader of the Opposition, was in attendance to present PPAC's discussion.

Resolved (Key decision):

(1) To agree the publication and use of Planning Local Validation List contained at Appendix 1 and 2 to the report.

(2) To provide delegated authority to the Director of Regeneration and Planning, in consultation with the Portfolio Holder for Planning and Infrastructure, to make minor or technical amendments to the Planning Local Validation List to its publication or as otherwise required following publication.

Reasons for decisions:

(1) To publicise the Council's expectation for the delivery of a robust planning application validation process.

(2) To make minor amendments to address technical, drafting issues or to take account of changing legislative requirements.

The meeting ended at 3.20 pm

Councillor James MacCleary (Chair)

Agenda Item 8

Report to:	Cabinet
Date:	8 July 2021
Title:	Portfolio progress and performance report 2020/21- quarter 4 and end of year summary
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Councillor Chris Collier, Cabinet member for performance and people
Ward(s):	All
Purpose of report:	To consider the Council's progress and performance in respect of key projects and targets for the fourth quarter of the year (Jan-March 2021) as shown in Appendix 1.
Decision type:	Non-key
Officer recommendation(s):	To note progress and performance for Quarter 4 and 2020-21 performance. To note the targets for 2021-22
Reasons for recommendations:	To enable Cabinet members to consider specific aspects of the Council's progress and performance.
Contact Officer(s):	Name: Millie McDevitt Post title: Organisational Effectiveness and Performance Lead E-mail: Millie.McDevitt@lewes-eastbourne.gov.uk Telephone number: 01273 085637 / 01323 415637

1 Introduction

- 1.1 The Council has an annual cycle for the preparation, implementation and monitoring of its business plans and budgets. This cycle enables us regularly to review the Council's work, and the targets it sets for performance, to ensure these continue to reflect customer needs and Council aspirations.
- 1.2 It is important to monitor and assess progress and performance on a regular basis, to ensure the Council continues to deliver priority outcomes and excellent services to its customers and communities.

2 Overview

2.1 Despite the district being in lockdown during this quarter, albeit with restrictions easing with schools and colleges opening, performance continues to remain at a high level.

2.2 **2020/21:** This has been a year of exceptional performance, despite the Covid-19 pandemic. All service areas very quickly changed how they delivered their services to ensure that staff were able to work efficiently and productively in a Covid-safe way. At the same time, residents' needs and those of other customers have been at the forefront of the council's operations, with service areas ensuring that they were able to meet needs. In particular, our front line services (including customer contact; waste and recycling; account management; housing and neighbourhood first) all went out of their way to ensure that the needs of Lewes District continued to be met despite the difficult conditions imposed by the pandemic in 2020/21.

Performance targets have all been met wherever possible. The few areas which have not met their targets have been unable to do so due to pandemic related factors. So, for example, in the case of turnaround times for council lettings and repairs, these were severely impaired by staff being unable to access properties due to Covid-19.

2.3 2021/22 Measures:

Appendix 2 lists the projects and performance targets for 2021/22. These remain largely the same to allow for a year of reset following the pandemic however there are a modest number of additional sustainability related PIs which will complement a more detailed annual report in November (as agreed by Cabinet previously).

3 Corporate plan and council policies

3.1 This report sets out the Council's performance in the fourth quarter of 2020/21 against its aspirations as set out in the Corporate Plan 2020-24.

4 Financial appraisal

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

5 Legal implications

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

6 Risk management implications

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

7 Equality analysis

- 7.1 The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports or as part of programmed equality analysis.









8 Appendices

- Appendix 1 – Portfolio Progress and Performance Report (Quarter 4 2020/21)
- Appendix 2- Performance targets 2021/22







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Lewes District Council Portfolio Progress and Performance Report Quarter 4 2020-2021 (January to March 2021)

- **Councillor James MacCleary**, Leader of the Council, Chair of Cabinet and Cabinet member for regeneration and prosperity
- **Councillor Zoe Nicholson**, Deputy leader of the Council and Cabinet member for finance and assets
- **Councillor Matthew Bird**, Cabinet member for sustainability
- **Councillor Julie Carr**, Cabinet member for recycling, waste and open spaces
- **Councillor Chris Collier**, Cabinet member for performance and people
- **Councillor Johnny Denis**, Cabinet member for communities and customers
- **Councillor William Meyer**, Cabinet member for housing
- **Councillor Emily O'Brien**, Cabinet member for planning and infrastructure
- **Councillor Ruth O'Keeffe**, Cabinet member for tourism and devolution



















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

Key Performance Indicators

KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall annual status	Latest Note
1.(Finance) Maximise amount of Council Tax collected during the year Page 18	97.34%	28.48%	56.51%	84.05%	96.88%	97.34%			96.88%	97.34%		<p>Despite Covid-19 challenges in the last year, collection is only 0.46% below our annual target of 97.34% which was revised down in September to take account of the expected reduction in income. This equates to being below our annual target by £363,143. Lewes District receives 10% council tax collected (remainder collected on behalf of East Sussex County Council, Sussex Police and Crime Commissioner, East Sussex Fire and rescue service, Town & Parish councils) and so the shortfall for LDC is £36,314. Collection against the initial target of 98% which was set pre-pandemic would have been 1.12% below.</p> <p>Although the collection rate is below target and despite the suspension of all Council Tax Liability Order Hearings by HMCS throughout the entire year, measures were put in place very early on in the pandemic to try and limit and manage the expected fall in Council Tax income. This included customer debt profiling to tailor collection approaches including sending different types of 'soft' reminder letters targeted around ability to pay. A small team of caseworkers and customer advisors was also set up to help residents who were struggling to pay, but also to make outbound calls to chase late payment where it was identified from customer financial profiling that there was ability to pay.</p> <p>The decision to send statutory reminder and final notices at certain periods during the pandemic has also helped to limit the impact.</p>
2.(Finance) Maximise amount of Business Rates collected during the year	96.51%	27.91%	54.78%	82.99%	95.39%	96.51%			95.39%	96.51%		<p>Collection is 1.12% below the target of 96.51% which was revised down in September to take account of the anticipated reduction in income resulting from the Covid-19 pandemic. This equates to £177,656 shortfall for the annual target. Collection against the initial target of 98.50% set pre-pandemic would have been 3.11% below.</p> <p>Business Rates collection has mainly centred around the statutory cycle of sending reminder and final notices when lockdown restrictions have been eased and through targeted outbound calling. Collection has proved to be extremely challenging during the pandemic as many businesses have either been forced to close due to Covid restrictions or have had to continue to trade during the pandemic but have been financially impacted as they have not had access to government support schemes but experienced a financial downturn.</p>







KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall annual status	Latest Note
3.(Community and Customers) Average number of days to process new claims for housing/council tax benefit	17.3	15.2	13.0	12.5	9.1	22.0			12.7	22.0		An outturn of 9.1 days is the best quarterly performance that the team has delivered in 20 years. Considering the challenges that the pandemic has brought this is a magnificent achievement.
4.(Community and Customers) Average days to process change of circumstances (Housing/Council Tax Benefit)	2.2	6.8	5.0	10.0	6.1	8.0			6.2	8.0		As above
5.(Community and Customers) Increase the percentage of calls to the contact centre answered within 60 seconds Page 19	89.95%	88.78%	96.94%	92.83%	79.78%	80%			89.16%	80%		Although quarter 4 sees the most contact from customers due to Year End activity (350K pieces of correspondence sent in March alone), the performance has remained strong where quarter 4 saw 79.78% of all calls being answered within 60 Seconds – this compares to 92.83% for quarter 3. Overall, performance in this area has been impressive given the additional demands imposed by Covid-19. Performance levels have surpassed those of previous years with target levels being reached, or very slightly under, in all quarters.
6.(Housing) Decrease total number of households living in emergency (nightly paid) accommodation	36	45	45	31	37	NA				Data only		In Q4 we continued to have a high number of people accessing our services; the rise following the Christmas period did not ease up. Despite this, we moved 16 families out of emergency accommodation and moved 20 in. Our Specialist Advisor (Landlord Liaison) started in Q4. This role will focus on procuring properties for homeless households and help design our new Landlord Incentive Scheme. We are also exploring how we can offer homeless households a guarantor, which often an obstacle for homeless households securing accommodation, through an external provider. We are redesigning the way we deliver our housing needs service so that new way of working will better focus our resources on the most vulnerable, in anticipation of seeing an increase in demand once government restrictions (e.g. ban on evictions) end. We have also continued to look at further technology improvements to make our services more efficient.

Other Performance Indicators

KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall Annual status	Latest Note
7.Sustainability: Air Quality: Number of times nitrogen dioxide levels exceed national air quality objectives (200 µg/m3 hourly mean ave.)	0	0	0	0	0	4			0	18		This information covers both Air quality monitoring stations in Lewes district:- Lewes Town and Newhaven.
8.Community & Customers: # of Anti Social Behaviour (ASB) cases	New PI	419	418	215	254	Data only			1,306	Data only		We have amended this PI to reflect cases which gives a truer picture of ASB in the LDC. In Q1 and Q2 it was reporting internal work reports generated.
9.Community & Customers: Number of bonfire complaints	New PI	81	19	21	14	Data only			135	Data only		A steady decrease through the year.
10.Community & Customers: Proportion of customer processes initiated online	New PI	32.88%	23.87%	21.39%	34.74%	Data only			28.9%	Data only		Slight decrease
11.Community & Customers: Total number of complaints received (L)	123	98	149	127	153	Data only			527	Data only		The number of complaints reduced at the onset of lockdown and Covid 19 but has subsequently returned to pre Covid levels. The highest number of complaints over the quarter related to waste and recycling. There were no complaints escalated to the LGO.
12.Housing: Decrease average number of days to re-let Council homes (excluding temporary lets)	16 (profiled quarterly)	8.0	67.6	35.9	37.4	15			37.2	Profiled quarterly		33 properties in total relet in the January to March quarter for Lewes. Void turn round times have been adversely affected by the pandemic, lockdowns, sheltered schemes being closed and a shortage of materials. During 2020/21 void management has been the most challenging area of work-successive lockdowns either prevented or limited access to property and/or customers. Clearly driving void performance in the new financial year will be an area of considerable focus to maximise income and to deliver homes to customers in a more timely manner.

KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall Annual status	Latest Note
13.Housing: DFGs - Time taken from council receiving a fully complete application to the council approving the grant	8 days	4 days	10 days	4 days	5 days	28 days			5 days	28 days		The DFG process has become more efficient and streamlined now the OT's are working within LDC
14.Housing: Rent arrears of current tenants (expressed as a percentage of rent debit) (L)	5.72%	5.02%	4.31%	4.18%	3.82%	4%			3.82%	4%		Through careful monitoring of arrears, proactive calls to residents from council staff and sign-posting tenants to additional help where lockdown was impacting their ability to pay rent, the council has managed to weather the C-19 storm in terms of its impact on rent arrears.
15.Planning: % of appeals allowed against the authority's decision not to grant planning permission (2 year rolling government figures)	27.3%	100.0%	75.0%	Majors - 0% Minors- 1.5%	Majors 3.2% Minors 1.3%	10%		Change of measure	Majors 3.2% Minors 1.3% (latest figure as change of measure)	10.0%		All appeal decisions are reported to planning committee for information purposes and where appropriate key learning is taken. In terms of the appeals that have been overturned it was decided to follow the published National MHCLG data and the most recent survey period relates to the two years predating October 2019. For this survey period there was one overturned appeal representing 3.2% of all major applications decided and 1.3% of non-major decisions. This remains below the 10% PI recognised nationally. The previous reported quarterly figure reported the result of appeals received, however now as we are reporting the Govt statistics these report appeal overturns as a % of all applications received. Accordingly the percentage is lower. This remains below the 10% PI recognised nationally.
16. Planning: Exceed government targets for the % of major applications determined within 13 weeks - LDC	66.67%	75%	66.67%	87.5%	83.33%	60%			79.17%	60%		Performance on track
17.Planning: Exceed government targets for the % of minor applications determined within 8 weeks- LDC	81.42%	83.5%	83.7%	66.96%	50.81%	70%			71.07%	70%		This quarter is below target in Q4 however for the whole year we are above target. The annual % remains above the target and the rolling 2 year government statistic for this period as at Sep 2020 was 76%.

KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall Annual status	Latest Note
												It is recognised that 7 colleagues have started in this survey period. This has required training support from existing staff. New starters will begin to make a significant contribution on the coming weeks and there should be an identified improvement for the next survey period.
18. Recycling & Waste: KG waste collected per household	146.11	112.9	112.8	111.7	Tbc	Data only			Tbc	Data only		Awaiting data from 3 rd party
19. Recycling & Waste: Percentage of household waste sent for reuse, recycling and composting	42.47%	43.25%	40.65%	40.98%	Tbc	43%			Tbc	43.00%		Awaiting data from 3 rd party
Page 22 20. Recycling & Waste: Total number of reported fly-tipping incidents	27	65	103	39	55	50			262	200		Fly-tipping is a nationwide issue. Any reported fly tip is investigated by the council to look for evidence. Unfortunately there is often no evidence which makes it very difficult to take further, and with the very rural makeup of LDC CCTV is not always possible, however we are working through the hotspots mentioned below and will react whenever we have evidence. If evidence is found this this is likely to result in a fixed penalty notice (FPN) being served on the offender, if this is not paid we will then consider a prosecution for the offence. A FPN was issued in March 21 in the sum of £400 for a large fly tip. We have deployed CCTV to the Hollow in Newhaven and have a further camera ready to be deployed in one of the hot spot areas listed. Jan – 11, Feb – 17, March – 27 Fly-tip Hot Spots: Seaford North and West Wards, East Saltdean and Telscombe Cliffs Ward, Peacehaven West, Chailey and Wivelsfield Ward, Plumpton, Streat, East Chilington & St John
21. People & Performance: Number of people	900	2,706	3,359	1,737	5,406	501			13,208	2,004		This quarter saw a year on year increase of 93% - this was boosted by our uploading emails of customers signing up

KPI Description	Q4 2019 Value	Q1 Value	Q2 Value	Q3 Value	Q4 Value	Q4 Target	Q4 Status	Q4 Short Trend	Overall annual out-turn	Annual target 2020/21	Overall Annual status	Latest Note
registering for our email service												for a My Account who opt-in for more information from the council.
22. People & Performance: Number of new sign-ups to the Councils' social media channels	226	403	264	295	236	150			1,198	600		This quarter saw a year on year increase of 93% - this was boosted by our uploading emails of customers signing up for a My Account who opt-in for more information from the council.
Page 23 23. People & Performance: Staff: Average days lost per FTE employee due to sickness (J)	2.72 days	1.63 days	1.56 days	1.46	1.72 days	2.0 days			6.37 days	8.0 days		<p>This is the final quarter of reporting average days lost due to sickness for our entire staff group since lockdown and/or other restrictive measures were introduced and the majority of staff who were able, commenced working from home. This has had a positive impact on sickness levels with the councils recording only 1.72 days in Q4, which is a small increase from Q3 which was 1.46 days. We would normally anticipate a slight increase in the final quarter due to the time of year. This final quarter figure means we have come in below our target of 8 days, having only recorded 6.37 days for the year 2020/21.</p> <p>If we remove LDC Waste Services, the Q4 figure reduces to 1.33 days and Waste Services on its own is 4.25 days, which is an increase from 3.47 days in Q3. It is worth noting that Waste Services staff have continued to operate normally during the pandemic.</p> <p>Absences due to Covid-19 for Q4 were 11 (those staff reporting symptoms) which was an increase from 4 in Q3. No staff have recorded an absence due to Covid-19 Isolation (those staff required to self-isolate as they have been in contact with someone showing symptoms). These relatively small numbers will be largely due to the change in ways of working, including working from home and strict social distancing measures within our buildings. In addition we had a further 20 staff absent due to a reaction to drugs which we believe is related to those staff receiving a vaccination. If we remove these absences from our Q4 figure that number reduces to 1.47 days.</p> <p>Although sickness levels have reduced the HR Business Partners continue to support managers and staff in managing any attendance issues that arise.</p>

Projects

Project / Initiative	Description and update	Target completion
Devolution of Open Spaces	<p>Telscombe & Newhaven devolution: Q4 Update: In this quarter, meeting held with Newhaven Town Council to discuss current sites that are in the devolution phase and new sites that the Town Council may be interested in moving forward. The Town Council has confirmed it would like to take the sites forward and these are now being prioritised for the next phase of devolution.</p>	Q1 2024/25
Progress Local Plan Part 1 Review	<p>Develop progressive planning and infrastructure policy and commission evidence to underpin local plan part 1 review - leading towards late 2023 adoption of greenest local plan.</p> <p>Q4 Update: Call for sites closed and review underway. Issues and options document in prep for Summer deadline. Potential for capacity issues relating to evidential material post the issues and options stage and this may impact upon the delivery of the revised local plan for the 2023 submission date,</p>	Q4 2023
Upper Ouse Flood Protection and Water	<p>3 year programme of flood protection work across the District:</p> <p>Q4 Update: Discussions held with Ouse and Adur River Trust and Sussex Flow Initiative in respect of the delivery which continues following Covid 19 lockdown.</p>	Q3 2022
North Street Quarter	<p>Update: NSQL, the majority landowner at the NSQ site, has now completed the sale of its land to the developer – Human Nature. In December 2020, the Council's Cabinet agreed Heads of Terms for the sale of its land to this same developer in order that Human Nature can comprehensively redevelop the NSQ site which it is calling 'the Phoenix Project'.</p> <p>The Council and its legal advisors are continuing to work on the land sale and purchase contract with Human Nature. The landowner / developer has confirmed that it will submit a new planning application for the scheme that it wants to deliver. Human Nature has yet to confirm its full programme for delivery of the scheme but is planning a public exhibition to discuss ideas for the site in September 2021.</p>	Q2 2021/22
Springman House- Blue light services hub	<p>The relocation of the Lewes community fire station to the Springman site is an enabling project for the NSQ regeneration scheme.</p> <p>Q4 Update: The relocation of the Lewes community fire station to the Springman site is an enabling project for the NSQ regeneration scheme.</p> <p>The new NSQ landowner / developer (Human Nature) intends to submit a new planning application for the NSQ site. Human Nature is liaising with East Sussex Fire and Rescue regarding the existing community fire station at the NSQ site.</p> <p>The Council is currently preparing a planning application to demolish the Springman House building. Demolition would enable further intrusive ground investigations to take place on the site and would mean that any new development can progress quicker in the future.</p>	Linked to NSQ development

Project / Initiative	Description and update	Target completion
Newhaven Flood Alleviation Scheme (Environment Agency)	<p>Enabling the delivery of key infrastructure projects in Newhaven.</p> <p>Update: The delayed rail possession occurred on 20 June. These works included installation and testing of new power cables, signalling tests and removal of track ballast to enable attachment of a nitrile sheet - which cuts off a flood flow route under the track.</p> <p>Minor snagging work, which can take place outside of a possession, is being planned.</p>	Q3 2021/22
Newhaven Enterprise Zone	<p>NEZ covers 8 key sites of strategic importance with the aim of driving economic growth through the creation of up to 55,000m²; of new employment floorspace, refurbishing 15,000m²; of existing employment floorspace and creating / sustaining up to 2,000 FTE jobs over a 25-year period.</p> <p>Update: Avis Way interventions – planning application being prepared. Railway Quay – see other project.</p>	Q4 2041/42
Newhaven Town Centre	<p>Delivery of mixed use regeneration scheme within NEZ.</p> <p>Update: 1st tranche of Govt funding received on 8 June. A full update elsewhere on the agenda.</p>	Q4 2020/21
<p>Page 25</p> <p>Railway Quay Newhaven</p>	<p>Delivery of mixed use regeneration scheme within NEZ.</p> <p>Update: 1st phase of project now successfully completed and café has received positive community reviews.</p> <ul style="list-style-type: none"> • Snagging period underway and painting of exterior fences progressing. • Lease agreements with key partners for additional units being negotiated. 	Q4 2020/21
Housing Development Programme - LDC	<p>The programme progresses positively to deliver upon the Corporate Plan objectives including the direct delivery of an additional 200 new homes across the district. Since 2020/21 Q1, in the face of challenges due to the pandemic, 100 new homes have been identified for rent and low-cost homeownership at varying stages of delivery.</p> <p>Update: The commitment to deliver 200 new homes will be refocussed to also include specific requirements for high levels of sustainability for all new homes as well as having a target of social rent (50-60% of market price). A new business plan will be drawn up to reflect this. A full update is available elsewhere on the agenda.</p>	Q4 2024

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Lewes District Council- Performance targets 2021/22

Key Performance Indicators

KPI Description	Target 2020/21	20/21 out-turn	2021/22 target	Target setting rationale
1.(Finance) Maximise amount of Council Tax collected during the year (Total Council tax collectable if 100%= £ 80.37m LDC share= 10% 1% shortfall in collection = £803,700)	97.34%	96.88%	97%	Based on analysis and financial forecasting using historical and recent collection performance
2.(Finance) Maximise amount of Business Rates collected during the year	96.51%	95.39%	97.50%	Based on analysis and financial forecasting using historical and recent collection performance
3.(Community and Customers) Average number of days to process new claims for housing/council tax benefit	22.0	12.7	17	Originally set at DWP national target (22 days) which councils have to report against and now stretched to 17 days which was the target for individuals rather than service area as a whole previously.
4.(Community and Customers) Average days to process change of circumstances. (Housing/Council Tax Benefit)	8.0	6.2	6	Originally set at DWP national target (22 days) which councils have to report against and now stretched to 6 days which was the target for individuals rather than service area as a whole previously.
5.(Community and Customers) Increase the percentage of calls to the contact centre answered within 60 seconds	80%	89.16%	80%	No change to target but target may be varied during high volume contact times (eg annual billing) but will maintain call answering ratio against volumes of calls.
6.(Housing) Decrease total number of households living in emergency (nightly paid) accommodation	Data only	37	N/A	N/A

Other Performance Indicators

KPI Description	Target 2020/21	20/21 out-turn	2021/22 target	Target setting rationale
7.Housing: Decrease average number of days to re-let Council homes (excluding temporary lets)	15	37.2	20	Void management was the most challenged area of Housing work in 20/21 due to critical restrictions in accessing property, working in proximity with customers and some shortage of materials during lockdowns. The increased target time reflects the need to reset and to allow for potential lockdowns and possible similar challenges.
8.Housing: DFGs - Time taken from council receiving a fully complete application to the council approving the grant	28 days	5 days	14	Q3 out turn figure used for target setting.
9.Housing: Rent arrears of current tenants (expressed as a percentage of rent debit) (L)	4%	3.82%	3.5%	Strong progress in reducing arrears was made during 2020-21, resulting in stretching of target for 2021-22.
10.People & Performance: Number of people registering for our email service	2,004	13,208	3000	Target reflects the increased uptake of subscriptions in general while allowing for some levelling out as the service reaches its maximum potential subscriber coverage.
11.People & Performance: Number of new sign-ups to the Councils' social media channels	600	1,198	600	Target reflects the increased uptake of subscriptions in general while allowing for some levelling out as the service reaches its maximum potential subscriber coverage.
12.People & Performance: Staff: Average days lost per FTE employee due to sickness (J)	8.0 days	6.37	8 days	Based on historical and recent collection performance
13.Planning: % of appeals allowed against the authority's decision not to grant planning permission (2 year rolling government figures)	10.0% (annual and quarterly data)	2 year rolling figure	10.0%	Government targets
14. Planning: Exceed government targets for the % of major applications determined within 13 weeks - LDC	60% (annual and quarterly data)	79.17%	60%	Government targets
15.Planning: Exceed government targets for the % of minor applications determined within 8 weeks- LDC	70% (annual and quarterly target)	71.07%	70%	Government targets
16.Recycling & Waste: KG waste collected per household	Data only	451.3	Data only	Q4 data input for 20/21 out turn on 20/4/21
17.Recycling & Waste: Percentage of household waste sent for reuse, recycling and composting	43% (quarterly and annual target)	Awaiting data	48%	Indicative national targets: 2025 – 55%; 2030 – 60%; 2035 – 65% Recycling is likely to increase through 21/22 with improved capacity at many flats.
18.Recycling & Waste: Total number of reported fly-tipping incidents	200 (annual target)	262	180	Fly tipping has increased nationally, despite best efforts at investigation and enforcement. This will need careful monitoring to assess how much relates to lockdown clear outs, for example, and access to household waste sites.

KPI Description	Target 2020/21	20/21 out-turn	2021/22 target	Target setting rationale
19,[Annual PI] Recycling & Waste: Reduce the quantity of residual waste collected per household (NI 191)	Data only	Awaiting data	Data only	Reducing waste is a key priority according to the waste hierarchy (reduce, reuse, recycle). However, waste tonnages have increased through the Covid-19 lockdown and beyond, as more people work from home and shop online, producing more domestic waste.
20.Sustainability: Amount of corporate carbon emissions (measured in tonnes CO ₂ e)	Data only	NEW PI	NEW PI	Detailed reporting to be provided in the annual report as agreed by cabinet. Quarterly reports to provide headline figure & relevant narrative.
21. [Annual PI] Sustainability: Sites exceeding national air quality nitrogen dioxide objectives (40 µg/m ³ yearly average)	Data only	9	n/a	Diffusion tube sites annual average Nitrogen Dioxide concentration to measure <40 µg/m ³ after annualisation, bias adjustment and distance correction for relevant exposure. Results are recorded on an annual basis and are preliminary until a bias adjustment has been made and applied to the figures. For the calendar year 2020/21 the preliminary results show <i>some or all</i> monthly averages in excess of 40 ug/m ³ . Please note that lockdowns and restricted travel due to Covid will have a significant impact on the overall figures for 2020/21. These will be examined in detail in the Annual Status Report currently being produced.
22.Sustainability: Air Quality: Number of times nitrogen dioxide levels exceed national air quality objectives (200 µg/m ³ hourly mean average.)	18 (annual target)	0	18 (annual target)	This is a national target to measure the number of times per annum nitrogen dioxide levels have exceeded 200 µg/m ³ hourly mean average

Corporate Projects: These will be reported individually to Cabinet with full reports in a timely manner and with latest updates.

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Agenda Item 9

Body:	Cabinet
Date:	8 July 2021
Subject:	Provisional Revenue and Capital Outturn 2020/21
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Zoe Nicholson, Deputy leader of the Council and Cabinet member for finance and assets
Ward(s):	All
Purpose of the report:	To update Members on provisional outturn for 2020/21.
Decision type:	Key
Recommendation:	Cabinet is recommended to : i) Endorse the provisional outturn for 2020/21. ii) Approve the transfers from/to reserves as set out in section 3.2.
Reasons for recommendations:	To enable Cabinet members to consider specific aspects of the Council's financial performance for 2020/21.
Contact:	Homira Javadi: Chief Finance Officer Tel: 01323 415512 or email Homira.Javadi@lewes-eastbourne.gov.uk

1.0 Background

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. At the time of writing, the Statement of Accounts were still to be completed and signed off by the Chief Finance Officer. This is therefore a provisional outturn position and is subject to the accounts being finalised and subsequently audited.
- 1.2 This report provides Cabinet with an update on the provisional outturn, including treasury management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall.

2.0 General Fund

2.1 Revenue Outturn

The 2020/21 financial year saw significant challenges with the impact of Covid-19 pandemic and associated lockdown. This has had an impact on the outturn position as a result of additional emergency spending and losses of income across many service areas. The overall impact against the revised budget, has seen increased net spend of £320K in service areas, however this has been negated by reduced cost of financing and additional interest income totalling £782K.

2.2 Overall there is a balanced outturn for the year after allowing for various year-end adjustments. A summary statement is shown in the following table.

General Fund	Original Budget	Current Budget	Actual	Variance
	£000's	£000's	£000's	£000's
Corporate Services	5,525	4,646	4,773	127
Service Delivery	9,248	9,682	9,716	34
Regeneration and Planning	904	1,633	1,642	9
Tourism and Enterprise	434	452	602	150
Service Total	16,111	16,413	16,733	320
HRA Services	(4,035)	(4,177)	(4,195)	(18)
Cost of Financing & Interest income	1,050	1,050	268	(782)
Total Expenditure	13,126	13,286	12,806	(480)
Corporate Efficiency Savings	(1,144)	0	0	0
Contingencies	342	0	0	0
Income Recovery	0	(800)	(726)	74
Adjustments to/(from) Reserves	1,672	1,260	1,061	(199)
Adjustment to/(from) Earmarked Reserves	0	0	730	730
Budget Requirement	13,996	13,746	13,871	125
Financing				
Council Tax	(7,796)	(7,796)	(7,796)	0
Business Rates	(5,417)	(5,167)	(5,191)	(24)
Government Grants	(783)	(783)	(884)	(101)
Total Funding	(13,996)	(13,746)	(13,871)	(125)
Overall Net Position				-

2.3 The main variances are also set out in the following table.

Analysis of Major Variances	Variance £000's
Corporate Services	
Increased pension liability	113
Service Delivery	
Waste & Recycling – additional income & underspending	(122)

Rent Allowances / Rebates / Homelessness – increased bad debt provision/additional costs	1,077
Allocation of Emergency Covid-19 grant – offsetting additional costs in Services Delivery (rent allowances/rebates/homelssness)	(821)
Additional Covid-19 costs relating to Housing Services	41
Private Sector Leasing – reduced void repair costs	(84)
Licensing Act – reduced income	14
Solar Panel Trading Account – net income/reduced spend	(38)
Building Control – reduced income	33
Flood Defences – reduction in capital financing costs	(143)
Regeneration & Planning	
Business Strategy & Performance – reduced marketing spend	(40)
Planning Policy – reduced consultancy/fees	(135)
Planning Fees – reduced development fee income/additional CIL admin fees	35
Corporate Landlord – reduced rental income/business rates	417
Car Parks – reduced income	149
Public Conveniences – reduced running costs	(38)
Facilities Management – reduced operational spend	(344)
Economic Development – reduced specialist fees/contributions	(20)
Tourism & Enterprise	
Newhaven Fort – dangerous structure works	124
Arts Development – additional contributions	20
Leisure Trust – survey fees	25
Capital Financing & Interest	
Increased Interest Income	(222)
Reduced cost of financing	(560)
Reserves	
Adjustment to/(from) Reserves	(199)
New - Transfer to Income Protection	125
New – Transfer to Support Community Grant (£35k p/a over 3 years)	105
New - Transfer to Capital Financing	500
Financing	
Government Grants/Business Rates Income	(51)
Other Net Variances	39
Overall Net Position	-

2.4 The impact of ongoing under and over spending will be factored into the forthcoming review of the Medium Term Financial Strategy, which will also take into account the on-going impact of the Covid-19 pandemic and lockdown.

3.0 Reserves

3.1 In closing the accounts for last year the Council's reserves have been reviewed and the transfers to and from each reserve is set out in the table below.

Reserves Summary	01 April 2020 £000's	Transfers (In) £000's	Transfers /Out to £000's	Transfers to Capital £000's	31 March 2021 £000's
Asset Maintenance	(2,200)	0	300	367	(1,533)
Economic Regeneration	(1,666)	(721)	328	0	(2,059)
Managing In-Year Economic Downturn	(296)	0	296	0	0
Revenue Grants & Contributions	(503)	(539)	0	0	(1,042)
Strategic Change	(1,265)	(49)	300	106	(908)
Vehicle & Equipment Replacement	(751)	0	0	191	(560)
Business Rate Equalisation	0	(965)	104	0	(861)
Covid-19	0	(1,800)	1,800	0	0
Income Protection	0	(125)	0	0	(125)
Capital Financing	0	(500)	0	0	(500)
Community Grants	0	(105)	0	0	(105)
Total Earmarked Reserves	(6,681)	(4,804)	3,128	664	(7,693)
General Fund Reserve	(3,425)	(1,000)	885	0	(3,540)
Total Reserves	(10,106)	(5,804)	4,013	664	(11,233)

3.2 The transfers to and from earmarked reserves reflect their use in supporting service delivery or the use of grants previously received for specific service activity. The main transfers are as follows:

- **Asset Management** - £300K transfer to Covid-19 reserve and £367k to finance capital expenditure.
- **Economic Regeneration** - £721K transfer in re Newhaven EZ business rates, £328K transferred out to cover the cost of Newhaven EZ costs and funding for the Future High Streets Fund and Newhaven Town Deal.
- **Managing In-Year Economic Downturn** – budgeted transfer of £296K to Covid-19 reserve.
- **Revenue Grants and Contributions** - £539K of new grants and contributions transferred in for specific grant funded initiatives.
- **Strategic Changes** – budgeted transfer out of £300K to Covid-19 reserve, a £49k transfer in and £106K out to finance capital expenditure.
- **Vehicle & Equipment Replacement** - £191K transfer out to finance capital expenditure.
- **Business Rates Equalisation** – This reserve was established when the 2020/21 was set and represents surplus business rates income which has been set aside to mitigate against future fluctuation in business rates income. £968k has been transferred into the reserve.
- **Covid-19** – Transfers in of £1.8m were approved during 2020/21 to provide sufficient financial resilience against the impact of the Covid-19 lockdown. The budgeted £516k has been transferred back to revenue in line with the

revised budget. Similarly, £1m has been transferred to the General Fund Reserve to bring the amounts back to its pre- COVID19 levels. Whilst the financial consequences of the Covid-19 pandemic have been significant the on-going impact is not expected to be as severe. As a result, the balance of the reserve has been applied to the creation of the following new reserves.

3.3 **New Reserves**

As well as a number of higher than anticipated adverse variances impacting housing need services and losses of income from corporate landlord function, the outturn position has included a number of favourable in year variations such as lower financing costs, higher than expected interest income and lower than anticipated facilities management costs. These have allowed the Council to restore its GF reserve to its precovid levels in line with the MTFS required levels.

It is also considered prudent to create three new earmarked reserves to provide further resilience against future income losses, in areas such as commercial properties where the economic risk remains high. In addition, a capital financing support reserve will be created to mitigate against future fluctuations in financing costs associated with the capital programme. This could be as a result of reprofiling, acceleration of the programme or to help to mitigate against the anticipated increases in development costs. Both areas were highlighted in the 2021/22 budget report presented to Cabinet in February 2021, and were to be established from any additional Business Rates income. Allocations from the latter are still to be approved and would be in addition to the amounts set out below.

In addition, a Community Grant Allocation reserve will be created to enable additional grant funding to voluntary and community organisations which are providing services and support to those adversely impacted by the Covid pandemic and the resultant economic situation. The reserve is established on the basis of additional £35k allocations for the next three financial years.

- **Income Protection** – contribution in of £125k
- **Capital Financing Support** – contribution in of £500k
- **Community Grant Allocation** – contribution of £105k, to be applied £35k per annum for the next three years

4.0 **Housing Revenue Account (HRA)**

4.1 The Housing Revenue Account was underspent in last year by £691K. This is a £509K surplus against the revised budget projected underspend of £182K.

4.2 A summary of the HRA provisional outturn is included at **Appendix A**.

4.3 Discounting any notional and presentational variances, the main variances are as follows:

	Variance £000's
Dwelling Rents	(66)
Non-dwelling Rents	92
Service Charges	(56)
Repair and Maintenance	127
Supervision & Mgmt/Specialist Services/Corporate & Democratic Core Recharges	282
Depreciation	(1,124)
Revenue Contributions to Capital Expenditure	149
Total Variances	(509)

4.4 The main variance relating to depreciation results from the latest revaluation of assets and extended life expectancies.

5.0 Collection Fund

5.1 The Collection Fund deals with local taxation matters and as such, its performance has a direct bearing on General Fund services. For this reason, a high level review of its outturn is presented for Members' information.

5.2 The Collection Fund for the year is as follows:

	Council Tax	Business Rates
	£000's	£000's
Balance B/fwd 01 April 2019	(937)	(1,455)
(Deficit recovery)/Surplus distributed	550	
Debit due for year	(79,828)	
Payments to preceptors	77,710	
Allowance for cost of collection	-	
Transitional Relief	-	
Designated Areas	-	
Allowance for appeals	-	
Write offs and provision for bad debts	456	
Balance 31 March 2020	(2,049)	Tbc
Allocated to:		
MHCLG	-	
East Sussex County Council	(783)	
Lewes District Council	(170)	
Sussex Police	(110)	
East Sussex Fire & Rescue	(49)	
Total Allocation	(1,112)	Tbc

5.3 The overall Collection Fund position is still to be determined as the Business Rates outturn is currently being finalised. However, the Council Tax element has been completed and shows the opening surplus has increased by £1.112M during the year to £2.049M at 31 March 2021. Collection Fund surpluses or deficits

declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2021 forecast surplus for the Council Tax element of the fund of £391K will be distributed to precepting bodies pro rata to their Band D Council Tax during 2021/22 leaving a surplus of £721K to be distributed. This Council's share as at 31 March 2021 was £170K.

5.4 Aa part of the Government's response to the Covid-19 pandemic and the impact it is having on Local Government finances, there is a three year phasing of 2020/21 collection fund deficits. This means that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three year period (2021/22 to 2023/24) to ease immediate pressures on budgets. This was factored into the calculations to determine the Collection Fund deficit position in January.

6.0 Capital Outturn

6.1 **Appendix B** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

2020/21 Capital Programme Outturn - Summary	Original Budget	Variations	Revised Budget	Actual
	£'000	£'000	£'000	£'000
HRA Housing	15,467	1,058	16,525	9,746
General Fund Housing	1,136	(529)	607	607
Housing Investment Companies	1,250	17,042	18,292	1
Transformation Programmes	0	708	708	590
Regeneration	24,950	1,106	26,056	543
Service Delivery	329	(56)	273	232
Specialist	258	(29)	229	135
Parks and Pavilions	50	344	394	193
Indoor Leisure Facilities	50	544	594	503
Asset Management	850	388	1,238	400
Community Infrastructure Levy	0	1,408	1,408	1,408
Information Technology	185	35	220	71
Finance Transformation	50	81	131	2
TOTAL CAPITAL PROGRAMME REQUIREMENT	44,575	22,100	66,675	14,429
FUNDING AVAILABILITY				
HRA				
Borrowing	6,112	2,132	8,244	4,202
Capital Receipts	986	389	1,375	693
Capital Receipts (RTB 1-4-1)	2,956	1,166	4,122	1,765
Major Repairs Reserve	5,413	(2,629)	2,784	2,901
Other Capital Contributions	0	0	0	185
General Fund				
Borrowing	27,059	18,952	46,011	881
Capital Receipts	135	(86)	49	429
General Fund Reserves	777	728	1,505	669
Disabled Facilities Grant	1,001	(415)	586	527
Grants and Contributions	0	1,705	1,705	1,961
Capital Expenditure Financed from Revenue (GF)	136	(54)	82	67
Capital Expenditure Financed from Revenue (HRA)	0	212	212	148
Total Funding	44,575	22,100	66,675	14,429

6.2 The Council's capital programme spending in the year was £14.429M. Details of the variations against the revised budget are contained within Appendix B.

7.0 Treasury Management

7.1 In accordance with legislation and codes of practice the council is required to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2020/21. The Treasury Management Annual Report 2020/21 is being considered as a separate report on this agenda.

8.0 Conclusion

8.1 This report provides an overview of financial performance for 2020/21 against a revised budget which was set during a period of significant uncertainty. In managing its finances in a rapidly changing economic environment dominated by public health concerns, the Council undertook a number of key steps such as:

- Careful control of its expenditure
- Creation of a new "COVID 19" earmarked reserve to protect its key services
- Unwinding of its Contingency provision
- Actively campaigning for additional and realistic financial support from the government
- Providing financial support to its Leisure services

8.2 Through these measures, the Council was able to mitigate the unprecedented risk to its finances and key services ending the year in a balanced position.

8.3 The HRA delivered an overall underspending of £509K around 3% of turnover (0.54% for 2019/20). The HRA balance is in line with the expectation and is sufficiently robust to support the housing self-financing 30 year business plan.

8.4 Capital expenditure is £52.246M lower than the revised estimate.

8.5 The Collection Fund forecast for Council Tax is indicating a surplus of £2.049M whilst the Business Rates position is still being finalised. Surpluses or deficits will be allocated to or collected from preceptors between 2021/22 and 2023/24.

9.0 Financial Implications

9.1 As set out in the body of the report.

10.0 Legal implications

10.1 There are no legal implications arising directly from this report.

11.0 Risk management implications

11.1 There are no risk management implications arising directly from this report.

12.0 Equality analysis

12.1 There are no equality implication arising directly from this report.

13.0 Environmental sustainability implications

13.1 There are no environmental sustainability implications arising directly from this report.

Appendices

Appendix A – HRA Outturn

Appendix B – Capital Programme Outturn

Background Papers:

None

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Housing Revenue Account 2020/21

	Original Budget £000's	Revised Budget £000's	Actuals £000's	Variance £000's
INCOME				
Dwelling Rents	(14,669)	(14,716)	(14,782)	(66)
Non-Dwelling Rents	(456)	(456)	(364)	92
Charges for Services and Facilities	(1,203)	(1,203)	(1,259)	(56)
Contributions towards Expenditure	(183)	(183)	(157)	26
GROSS INCOME	(16,511)	(16,558)	(16,562)	(4)
EXPENDITURE				
Repairs and Maintenance	4,546	4,553	4,680	127
Supervision and Management	2,281	2,457	3,467	1,010
Special Services	1,376	1,376	1,075	(301)
Rents, Rates, Taxes and Other Charges	182	182	207	25
Increase in Impairment of Debtors	150	139	106	(33)
Depreciation of Fixed Assets	5,116	5,116	3,992	(1,124)
Amortisation of Intangible Assets	3	3	0	(3)
Debt Management Costs	46	46	6	(40)
GROSS EXPENDITURE	13,700	13,872	13,532	(340)
NET COST OF HRA SERVICES	(2,811)	(2,686)	(3,030)	(344)
HRA share of Corporate and Democratic Core	590	590	163	(427)
HRA COVID	0	0	63	63
NET OPERATING COST OF HRA	(2,221)	(2,096)	(2,804)	(708)
Capital Financing and Interest Charges				
Interest Payable	1,922	1,922	1,984	62
Interest Receivable	(36)	(8)	(20)	(12)
Revenue Contributions to Capital Expenditure	0	0	149	149
Total Capital Financing and Interest Charges	1,886	1,914	2,113	199
HRA (SURPLUS) / DEFICIT	(335)	(182)	(691)	(509)

HOUSING REVENUE ACCOUNT WORKING BALANCE	Original Budget	Revised Budget	Actuals
Working Balance at 1 April	(3,163)	(2,611)	(2,611)
(Surplus) or Deficit for the year	(335)	(182)	(691)
Working Balance at 31 March	(3,498)	(2,793)	(3,302)

Allocation of Working Balance:			
- General Working Balance	(2,953)	(2,248)	(2,757)
- Special Projects	(270)	(270)	(270)
- Self Insurance	(275)	(275)	(275)
Working Balance at 31 March	(3,498)	(2,793)	(3,302)

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Appendix B

2020/21 Capital Programme Summary	Original Programme	Variations	Revised Estimate	Programme Carried Fwd.	Actual Expenditure
	£	£	£	£	£
HRA Housing					
Buy-back of RTB Properties	200,000	(200,000)			
Acquisition of Dwellings		475,288	475,288		475,288
New Dwelling Construction (Note 1)	9,854,000	3,411,651	13,265,651	(6,761,059)	6,504,592
Improvements to Stock	4,448,000	(1,920,145)	2,527,855		2,527,855
Disabled Adaptations	415,000	(208,590)	206,410		206,410
Sustainability Initiatives Pilot	500,000	(500,000)			
Recreation & Play Areas (Note 2)	50,000		50,000	(18,460)	31,540
Total HRA Capital Programme	15,467,000	1,058,204	16,525,204	(6,779,519)	9,745,685
General Fund Housing					
Mandatory Disabled Facilities Grants	1,001,000	(414,759)	586,241		586,241
Private Sector Housing Support	135,000	(114,077)	20,923		20,923
Housing Investment Companies					
Aspiration Homes Loan Facility (Note 3)	1,250,000	14,542,293	15,792,293	(15,792,293)	
Lewes Housing Investment Company Loan Facility (Note 4)		2,499,935	2,499,935	(2,498,935)	1,000
Total General Fund Housing Capital programme	2,386,000	16,513,392	18,899,392	(18,291,228)	608,164
General Fund Non-Housing Capital Programme					
Transformation Programmes					
Joint Transformation		102,357	102,357		102,357
Reset and Recovery (Note 5)		250,000	250,000	(118,464)	131,536
Capitalisation of Redundancy Costs		355,792	355,792		355,792
Regeneration (Note 6)					
Asset Development Newhaven	1,300,000	66,578	1,366,578	(1,366,578)	
Avis Way Depot Construction, Newhaven	2,100,000	520,263	2,620,263	(2,590,797)	29,466
Blue Light Services Hub, Lewes		10,883	10,883		10,883
Caburn House, Lewes Refurbishment		191,967	191,967	(174,817)	17,150
Commercial Property Acquisition & Development	1,000,000	(18,562)	981,438	(981,438)	
North Street Quarter, Lewes	2,000,000	16,132	2,016,132	(1,933,618)	82,514
Seaford Health Hub	18,550,000	31,580	18,581,580	(18,465,471)	116,109
Springman House, Lewes		36,398	36,398		36,398
The Sidings, Railway Quay, Newhaven		234,415	234,415		234,415
UTC Building, Newhaven		15,912	15,912		15,912
Service Delivery					
Recycling Equipment	95,000	(410)	94,590		94,590
Smart Waste Management System (Note 7)	35,000		35,000	(19,120)	15,880
Vehicle & Plant Replacement Programme	97,000	(71,664)	25,336		25,336
White Space System (Note 7)	102,000	16,150	118,150	(21,921)	96,229
Specialist					
Coast Protection Block Allocation (Note 8)	100,000	(5,720)	94,280	(94,280)	
Coast Protection (Cliff Monitoring Programme)		5,720	5,720		5,720
Coast Protection (Newhaven Western Arm to Brighton Marina)		40,463	40,463		40,463
Coast Protection (South East Coastal Monitoring)		(93,848)	64,152		64,152
Flood Protection Measures	158,000	(93,848)	64,152		64,152
Newhaven Air Quality Monitoring Station		24,500	24,500		24,500
Parks and Pavilions (Note 9)	50,000	(26,157)	23,843		23,843
Denton Parks Improvement Scheme		30,543	30,543	(30,543)	
Southover Grange Capital Repairs, Lewes		44,251	44,251	(44,251)	
Newhaven Skatepark & Pumptrack		3,743	3,743		3,743
Downland Avenue, Peacehaven Children's Playground		28,014	28,014		28,014
The Big Parks Project, Peacehaven		70,806	70,806	(70,806)	
Timberyard Lane, Lewes		26,150	26,150	(1,151)	24,999
Ringmer Skate Park		45,000	45,000	(45,000)	
Cockshut Stream Diversion		27,955	27,955		27,955
Fort Road Recreation Ground, Newhaven		93,308	93,308	(9,187)	84,121
Indoor Leisure Facilities (Note 10)	50,000	31,000	81,000	(81,000)	
Seahaven Pool, Newhaven		10,000	10,000	(10,000)	
Downs Leisure Centre, Seaford		2,813	2,813		2,813
Wave Leisure Trust		500,000	500,000		500,000
Asset Management (Note 11)					
Asset Management Block Allocation	700,000	(499,678)	200,322	(200,322)	

2020/21 Capital Programme Summary	Original Programme	Variations	Revised Estimate	Programme Carried Fwd.	Actual Expenditure
	£	£	£	£	£
Flint Walls Repairs		1,330	1,330		1,330
Lewes Creative Hub		250,000	250,000	(98,048)	151,952
Newhaven Enterprise Centre		9,500	9,500	(9,500)	
Newhaven Fort Bridge		350,000	350,000	(302,415)	47,585
Newhaven Fort Refurbishment	50,000		50,000	(46,545)	3,455
Peacehaven Cliff Tops		84,147	84,147	(44,988)	39,159
Public Conveniences Refurbishment	100,000		100,000	(100,000)	
Seaford Cemetery Memorial Wall		11,927	11,927	(11,767)	160
Stanley Turner Pavilion, Lewes		68,348	68,348		68,348
Stanley Turner Recreation Ground, Lewes		89,220	89,220	(5,975)	83,245
The Maltings, Lewes		19,000	19,000	(19,000)	
The Old Turkish Baths, Lewes		4,606	4,606		4,606
Community Infrastructure Levy (Note 12)		1,407,524	1,407,524		1,407,524
Information Technology (Note 13)	185,000	34,924	219,924	(148,426)	71,498
Finance Transformation (Note 14)	50,000	81,158	131,158	(129,310)	1,848
Total General Fund Non-Housing Capital Programme	26,722,000	4,528,338	31,250,338	(27,174,738)	4,075,600
TOTAL CAPITAL PROGRAMME REQUIREMENT	44,575,000	22,099,934	66,674,934	(52,245,485)	14,429,449
FUNDING AVAILABILITY					
Borrowing	6,112,400	2,132,163	8,244,563	(4,056,635)	4,202,203
Capital Receipts	985,400	388,694	1,374,094	(676,106)	693,419
Capital Receipts (RTB 1-4-1)	2,956,200	1,166,080	4,122,280	(2,028,319)	1,764,876
Major Repairs Reserve	5,413,000	(2,628,733)	2,784,267	(18,459)	2,900,910
Grants and Contributions					184,277
Total HRA Funding	15,467,000	1,058,204	16,525,204	(6,779,519)	9,745,685
Borrowing	27,059,000	18,951,531	46,010,531	(43,712,055)	881,348
Capital Receipts	135,000	(85,877)	49,123	(28,200)	429,371
General Fund Reserves	777,000	728,152	1,505,152	(1,510,011)	668,530
Disabled Facilities Grant	1,001,000	(414,759)	586,241		526,999
Grants and Contributions		1,704,682	1,704,682	(170,245)	1,961,048
Capital Expenditure Financed from Revenue (GRA)	136,000	(54,444)	81,556	(9,916)	67,008
Capital Expenditure Financed from Revenue (HRA)		212,445	212,445	(35,539)	149,460
Total General Fund Funding	29,108,000	21,041,730	50,149,730	(45,465,966)	4,683,764
Total Funding	44,575,000	22,099,934	66,674,934	(52,245,485)	14,429,449

Notes on continuing capital project budgets which have been carried forward to 2021/22:

1. Construction and acquisition of dwellings to deliver new social housing
2. Recreation ground and play area projects within the Housing Revenue Account
3. Aspiration Homes LLP drawdowns to facilitate delivery of new social housing
4. Housing Investment Company Ltd drawdowns to facilitate delivery new social housing
5. Reset and Recovery transform the delivery of services following COVID-19
6. Regeneration projects which are in different stages of implementation
7. Implementation of the Smart Waste Management and White Space Systems in the waste service
8. A continuing programme of Coast Protection studies and major works
9. Provision, Refurbishment and improvement to Parks and Pavilions
10. Refurbishments and improvements to Indoor Leisure Facilities
11. Major works and refurbishments to Council buildings
12. Town, Parish and County Council Community Infrastructure Levy allocations
13. Replacement IT hardware
14. Financial Services transformation

Report To:	Cabinet
Date:	8 July 2021
Report Title:	Treasury management annual report 2020/21 and latest TM monitoring
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Zoe Nicholson, Deputy Leader of the Council and Cabinet Member for Finance and Assets
Ward(s):	All
Purpose of report:	To present the Annual Treasury Management Report for 2020/21 and the latest Monitoring Report
Decision type	Budget and Policy Framework
Officer Recommendations:	To recommend to Full Council:
	(1) Agree the Annual Treasury Management report for 2020/21.
	(2) Approve the 2020/21 Prudential and Treasury Indicators included in the report.
	(3) Note that the Treasury Management activities for the period starting from 1 March to 31 March 2021 has been in accordance with the approved Treasury Strategies for that period.
Reasons for recommendations:	Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.
Contact Officer(s)-	Name: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01273 485083

1 Introduction

- 1.1 The Council is required, under the Local Government Act 2003, to produce an annual review of Treasury Management activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

- 1.2 During 2020/21, the Full Council received the annual Treasury Management Strategy Statement (TMSS), whilst Cabinet were presented with the 2020/21 Treasury Management Update Report in relation to the sources and methods of borrowing and approved organisations for lending temporarily surplus funds.
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of TM policy and activities. This report is therefore important, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members. This report will be considered by the Audit and Standards Committee at their 12 July 2021 meeting.

2 Treasury Management 2020/21

- 2.1 Treasury Management is an integral part of the Council's overall finances and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium/long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in savings. Short term gains might, on occasions, be sacrificed for longer term certainty and stability.
- 2.2 The criteria for lending to Banks are derived from the list of approved counter parties provided by the Council's Treasury Management advisors, Link Asset Services. The list is amended to reduce the risk to the Council by removing the lowest rated counterparties and reducing the maximum loan duration.
- 2.3 During the year some outstanding other authorities' loans were repaid on time with the interest due. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic which caused the Monetary Policy Committee to cut Bank Rate in March 2020, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.
- 2.4 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with significant amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied significant amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 2.5 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

- 2.6 On the debt portfolio, no new loans were taken and external debt is around £56.673m. The MTFs 2020-21 capital programme includes a funding requirement of £88.9m to be funded from borrowing. However, due to the strength of the Council's balance sheet, it is expected to be possible to use internal balances to fund this on a temporary basis instead of raising new loans.
- 2.7 The loan portfolio has produced a level of performance in the period in which performance figures have been calculated. Adding significant value in a period of extremely low interest rates is very difficult. Given that interest rates are unlikely to rise for the next two years, low levels of returns are likely to continue and the cost of getting investment decisions wrong is unlikely to be significant. The overall position as at 31 March 2021 are detailed within the attached **Appendix A**.

3 Latest Treasury Management Activity

- 3.1 The timetable for reporting Treasury Management activity in 2020/21 and 2021/22 are shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
26 July 2021	2020/21 Annual Report (incl. 1 March to 31 March 2021)
14 September 2021	1 April to 30 July 2021
16 November 2021	1 August to 31 October 2021
18 January 2022	1 November to 31 December 2021
8 March 2022	1 January to 28 February 2022

3.2 Fixed Term Deposits pending maturity.

The following table shows the fixed term deposits held at 31 March 2021 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria the minimum rating required for deposits made after 1 April 2018 is long term A- (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
249231	Surrey County Council	08 Mar 21	08 Apr 21	31	5,000,000	0.05	*

*UK Government body and therefore not subject to credit rating

3.3 Fixed Term Deposits which have matured in the reporting period.

The table below shows the fixed term deposits which have matured since 1 March 2021, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £5m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
249221	Kirklees Council	17 Feb 21	26 Mar 21	37	5,000,000	0.01%	*
	Total				5,000,000		
	*UK Government body and therefore not subject to credit rating						

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 March and 31 March 2021 was 0.07%, below the average bank base rate for the period of 0.10%.

3.4 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £2.611m generating interest of approximately £0.3k.

	Balance at 31 March '21 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£5,000	4,774	0.08
Lloyds Bank Corporate Account	£1,551	2,032	0.00
Lloyds Bank Call Account	£3,010	1,026	0.01

3.5 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £10m in each fund, and at no time was this limit exceeded.

	Balance at 31 March '21 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£0,000	1,516	0.00
Deutsche Managed Sterling Fund	£0,010	1,807	0.00

3.6 Treasury Bills (T-Bills)

There were no Treasury Bills held at 31 March 2021, and there was no activity in the period.

3.7 Secured Investments

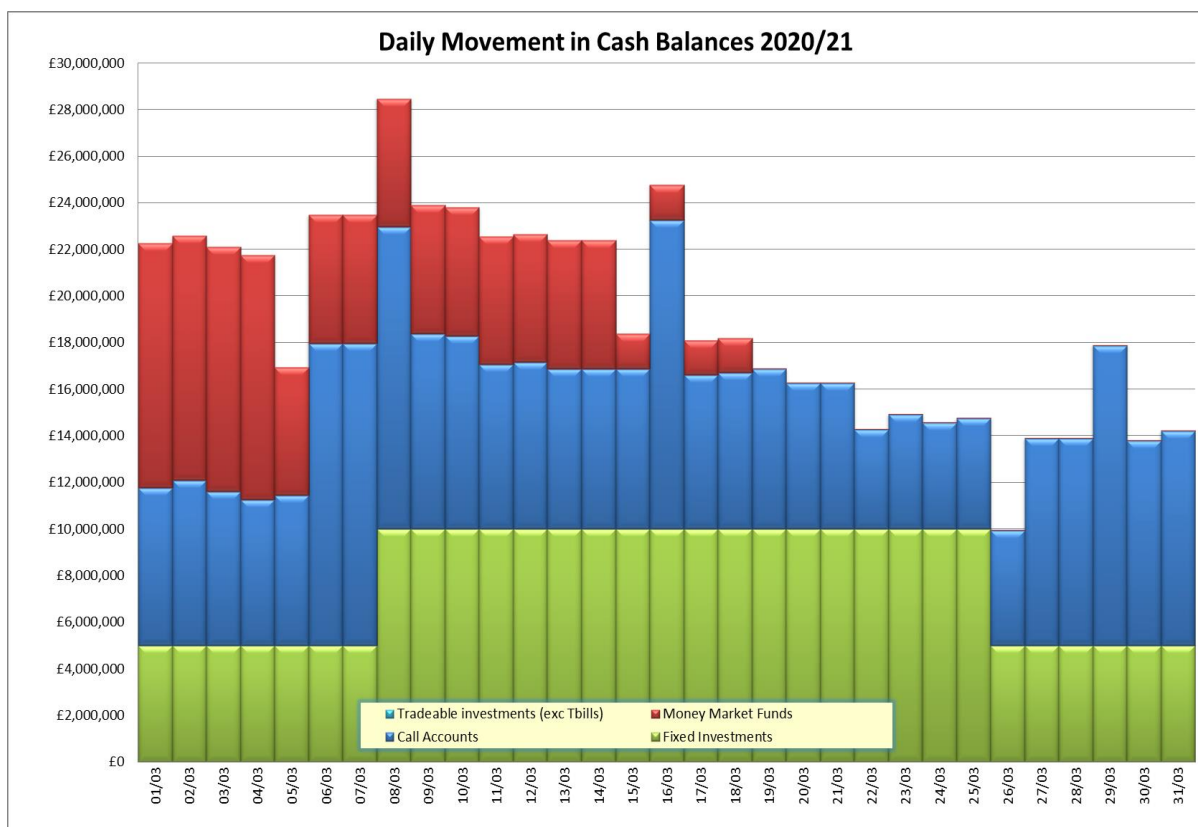
There were no Secured Investments at 31 March 2021.

3.8 Tradeable Investments

There were no Tradeable Investments at 31 March 2021, and there was no activity in the period.

3.9 Overall investment position

The chart below summarises the Council's investment position over the period 1 March to 31 March 2021. It shows the total sums invested each day as Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.












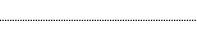




3.10 Borrowing

The current account with Lloyds Bank remained in credit throughout the period. No temporary borrowing for cash-flow management purposes took place. There has been no change in the total value of the Council's long term borrowing in the reporting period, which remains at £56.673m.

4. Compliance with Treasury and Prudential Limits

- 4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.
- 4.2 As at 31 March 2021, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Treasury Prudential Indicators	2020/21 Estimate	2020/21 Actual	RAG Status
Authorised limit for external debt (CS 4.2.4)	£132.0m	£132.0m	
Operational boundary for external debt (CS 4.2.4)	£122.0m	£122.0m	
Gross external debt (CS 4.2.2)	£88.9m	£56.7m	
Capital Financing Requirement (GF & HRA)	£113.8m	£88.9m	
Debt vs CFR under/(over) borrowing	£24.9m	£32.2m	
<i>Investments</i>			
Investment returns expectations	0.65	0.07	
Upper limit for principal sums invested for longer than 365 days			
<i>Maturity structure of fixed rate borrowing - upper limits:</i>			
Under 12 months	75%	75%	
12 months to 2 years	75%	75%	
2 years to 5 years	75%	75%	
5 years to 10 years	100%	100%	
10 years and above	100%	100%	
Capital expenditure (CS 2.1.4)	£44.6m	£14.4m	
<i>Ratio of financing costs to net revenue stream (CS 8.1.1):</i>			
Proportion of Financing Costs to Net Revenue Stream (General Fund)	3.94%	3.90%	
Proportion of Financing Costs to Net Revenue Stream (HRA)	11.03%	10.33%	

Key: CS – 2020/21 Capital Strategy Appendix 1

5. Non-treasury investments

- 5.1 At its previous meeting, the Committee requested that information should be included in this report about the Council's 'non-treasury' investment activity e.g. loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

5.2 Lewes Housing Investment Company

5.2.1 Lewes Housing Investment Company (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC was established to acquire, improve, and let residential property at market rents. A capital allocation of £2.5m was approved as potential commercial loan funding to facilitate property purchases. At 31 March 2021, a total of £1,065 has been drawn down. The balance has been rolled forward into 2021/22. There have been no transactions during the period 1 April 2021 to 30 June 2021.

5.3 Aspiration Homes LLP

5.3.1 Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH was established for the purpose of developing housing to be let at affordable rent. A capital allocation of £17.5m was approved as potential commercial loan funding to AH to facilitate property purchases. At 31 March 2021, a total of £912,910 (net of grant) has been drawn down for the purchase of Gray's School, Newhaven. There has been a further drawdown of £789,016 during the period 1 April 2021 to 30 June 2021, making a total drawdown of £1,701,926. The balance has been rolled forward into 2021/22.

5.3.2 A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2021, £20,000 of the working Capital facility loan had been drawn down. There have been no transactions during the period 1 April 2021 to 30 June 2021.

6. Annual Treasury Management Report

6.1 As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee is required to review a formal summary report after the year-end before it is considered by Council in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

6.2 The Annual Report is attached at Appendix 1. It should be noted that this report has been drafted prior to the final audit of the Council's accounts and, as a result, some minor changes may be necessary. If so, the changes will be reported verbally at the meeting.

7. Coronavirus Impact

7.1 The full extent of the impact from Coronavirus continue to be assessed and analysed. However, the immediate risk to the financial markets coupled with additional burdens on Council spending and uncertainty over funding have increased the need to manage larger cash balances. The projection of gradual rises in interest rates that formed the Bank of England Monetary Policy Committee's guidance at the start of the period eased through the year.

7.2 As the Council's borrowing rates are directly linked to market expectations this gives rise to the potential that our borrowing rates will remain close to all-time lows for some time. With the Council's Capital Programme and re-financing commitments over the next few years, our ability to secure good value in our borrowing has significant implications for the spending plans of Council as a whole.

8. Climate change and environmental implications

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

- Prioritises Security, Liquidity and Yield.
- Recognises that as large global institutions, our high-quality counterparties operate across the full range of marketplaces in which they are legally able to, and as a result climate change considerations are an increasingly important and heavily-scrutinised part of their overall business.
- Excluding any one counterparty will likely mean others will similarly have to be avoided and thus impact the Council's capacity to mitigate risk through diversification.

2021/22 Environmental, Social and Governance (ESG) – updates.

8.2 The Cabinet at its meeting on 4 February 2021 approved the 2021/22 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria. Following this meeting, the Council external treasury management advisors (Link Asset Services) has been requested to conduct a review looking into what potential investment options would be available to the Council that would fulfil the Council's objective of supporting climate related activities including investing with regard to Environmental, Social and Governance concerns (ESG).

8.3 In terms of typical local authority investments, there is not a wide range of products in this area at the moment, although we expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent the council will continue to monitor it and make best use of ESG opportunities when they become available within the parameters of the Council's counterparty criteria and the requirement of the MHCLG Investment Guidance to prioritise security, liquidity before yield in that order of importance.

9 Financial Implications

9.1 All relevant implications are referred to in the above paragraphs.

10. Risk Management Implications

- 10.1 The risk management implication associated with this activity is explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

11 Equality Screening

- 11.1 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

12 Legal Implications

- 12.1 None arising from this report.

13 Appendices

- 13.1 Appendix A: Annual Treasury Management Report 2020/21

14. Background Papers

- 14.1 Treasury Management Strategy Statements 2020/21

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Lewes District Council

Annual Treasury Management Report 2020/21

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1. Background

- 1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management report. The report must review treasury management activities and set out the final position of the Council's Treasury Prudential Indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 1.2 The Council defines its Treasury Management activities as:
- “the management of the Council’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.”*
- 1.3 The Council agreed its Treasury Management Strategy Statement and Investment Strategy 2020/21 to 2022/23 at its meeting in February 2020. The Council has substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remain central to the Council's treasury management strategy.
- 1.4 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.

2. Overall Summary of Activity 2020/21

- 2.1 The table below lists the key elements of the 2020/21 Strategy and records actual performance against each one of them.

Key Element	Target in Strategy	Actual Performance	
Borrowing			
Underlying need to borrow (CFR) at year end	£88.300 million	£89.931 million	-
Internal borrowing at year end	£31.627 million	£33.258 million	-
New external long-term borrowing in year	None anticipated	None undertaken	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken	✓
Interest payments on external borrowing	£1.7 million	£1.78 million	✓
Investments			
Minimum counterparty credit ratings for unsecured investments	Long-term BBB+- (does not apply to Government and other local authorities which have the highest ratings)	At least Long-term A	✓
Interest receipts from external investments	£0.100m	£0.012 m	✓

Key Element	Target in Strategy	Actual Performance	
Appointment of Investment Consultants			
Independent Treasury Adviser to be retained	Link Treasury Services Limited retained as Treasury Adviser	Link Treasury Services Limited retained as Treasury Adviser	✓
Reporting and Training			
Reports to be made to Audit and Standards Committee and Cabinet	Every regular meeting	Every regular meeting.	✓
Briefing sessions for Councillors and Staff	Treasury Adviser to provide	Staff training 21 October 2020	✓

2.2 The remainder of this report explores each of the key elements in more depth. Appendix A gives details of the final position on each of the Prudential Indicators, and Appendix B explores the Economic Background to the year's activity. A glossary appears at the end of the document to explain technical terms which could not be avoided when writing this report.

3. Detailed Analysis – Borrowing

3.1 During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

3.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

3.3 The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

3.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Finance Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been 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 would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, 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 would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

- 3.5 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while usable reserves and working capital are the underlying resources available for investment.
- 3.6 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. 'External borrowing' is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively, it is possible to 'internally borrow' the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other counterparties.
- 3.7 As noted above, the level of CFR increases each year by the amount of unfinanced capital expenditure and is reduced by the amount that the Council sets aside for the repayment of borrowing. The original CFR projection for 2020/21, the revised position reported at the time of producing the Treasury Strategy 2021/22 (February 2021) and the final position for the year are shown in the table below. The variation between the revised and final position reflects the changing profile of capital spend across financial years, particularly allocations in the capital programme in respect of facilitating loans to Lewes Housing investment Company, and Aspiration Homes LLP.

	2020/21 Original £m	2020/21 Revised £m	2020/21 Outturn £m
Opening CFR	87.000	84.600	85.423
Capital expenditure in year	44.600	22.700	14.429
Less financed	(17.500)	(18.500)	(9.345)
Less amount set aside for debt repayment	(0.300)	(0.500)	(0.576)
Closing CFR	113.800	88.300	89.931

- 3.8 The overall CFR can be split between the General Fund and the Housing Revenue Account as follows:

CFR Component	2020/21 Revised £m	2020/21 Outturn £m
General Fund	21.000	18.382
Housing Revenue Account	67.300	71.549
Total	88.300	89.931

3.9 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held, pending their use).

3.10 The Council's long-term loan portfolio at 31 March 2021 was:

Lender	Interest	Amount £m	Rate %	Maturity
PWLB	Fixed	4.000	2.70	01-03-2024
PWLB	Fixed	5.000	3.30	01-03-2032
PWLB	Fixed	2.000	3.05	01-09-2027
PWLB	Fixed	2.000	2.76	01-09-2024
PWLB	Fixed	4.000	2.97	01-09-2026
PWLB	Fixed	5.000	3.28	01-09-2031
PWLB	Fixed	4.000	2.63	01-09-2023
PWLB	Fixed	5.000	3.44	01-03-2037
PWLB	Fixed	6.673	3.50	01-03-2042
PWLB	Fixed	5.000	3.43	01-09-2036
PWLB	Variable	5.000	0.23	28-03-2022
PWLB	Fixed	4.000	3.01	01-03-2027
	Sub-total	51.673		
Barclays	Fixed	5.000	4.50	06-04-2054
	Sub-total	5.000		
	Total	56.673		

3.11 The Council's objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.

3.12 In the table above the Barclays loan was taken out in April 2004 with a term of 50 years. In June 2016, the bank decided to permanently waive its contractual right to vary the interest rate on this loan, which was effectively fixed at the rate of interest applicable at that time, 4.5%.

3.13 Total interest paid on external long-term borrowing in the year was £1.78m, which was consistent with the revised budget for the year. No new long-term borrowing was undertaken. The Council remained eligible to access the Government's 'Certainty Rate' allowing the Council to borrow, had it been appropriate to do so, at a reduction of 0.2% on the Standard Rate.

3.14 Through the year, officers, supported by Link Treasury Services Limited, monitored opportunities for the rescheduling of external loans and the possibility of repayment utilising cash balances that would otherwise be invested. No beneficial rescheduling opportunities were identified, and the loan portfolio remained unchanged through the year.

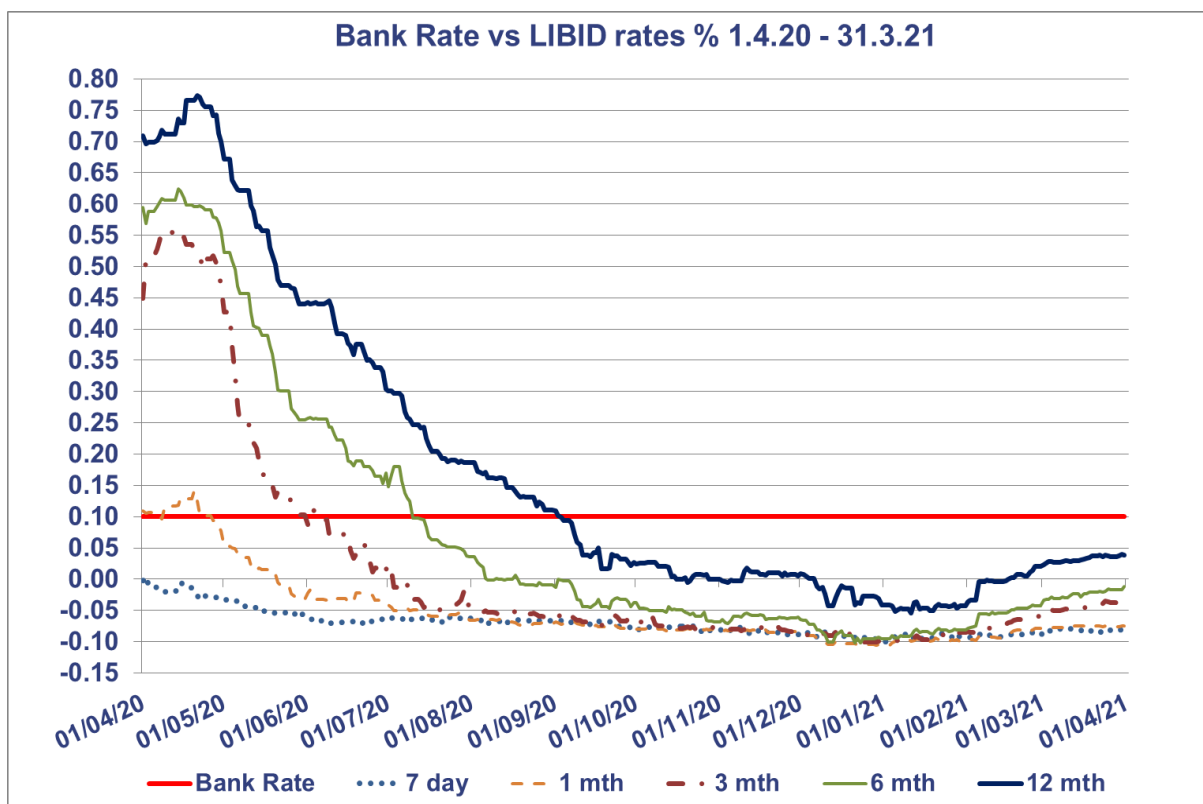
3.15 As determined by the Council, two separate Loans Pools operated in 2020/21, for the General Fund and HRA, respectively. At 31 March 2021 the balance on internal loans from the General Fund to the Housing Revenue Account (HRA) was £14.876m, an increase of £4.202m compared with the previous year, which comprised new lending as funding for the construction of new homes. Interest was charged on internal borrowing at 2.09% (equivalent to a one-year maturity loan from the PWLB at the start of the financial year).

3.16 No temporary borrowing was undertaken during the course of the financial year and consequently, there were no temporary loans outstanding at 31 March 2021.

4. Detailed Analysis - Investments

4.1 In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses, and individuals.

4.2 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

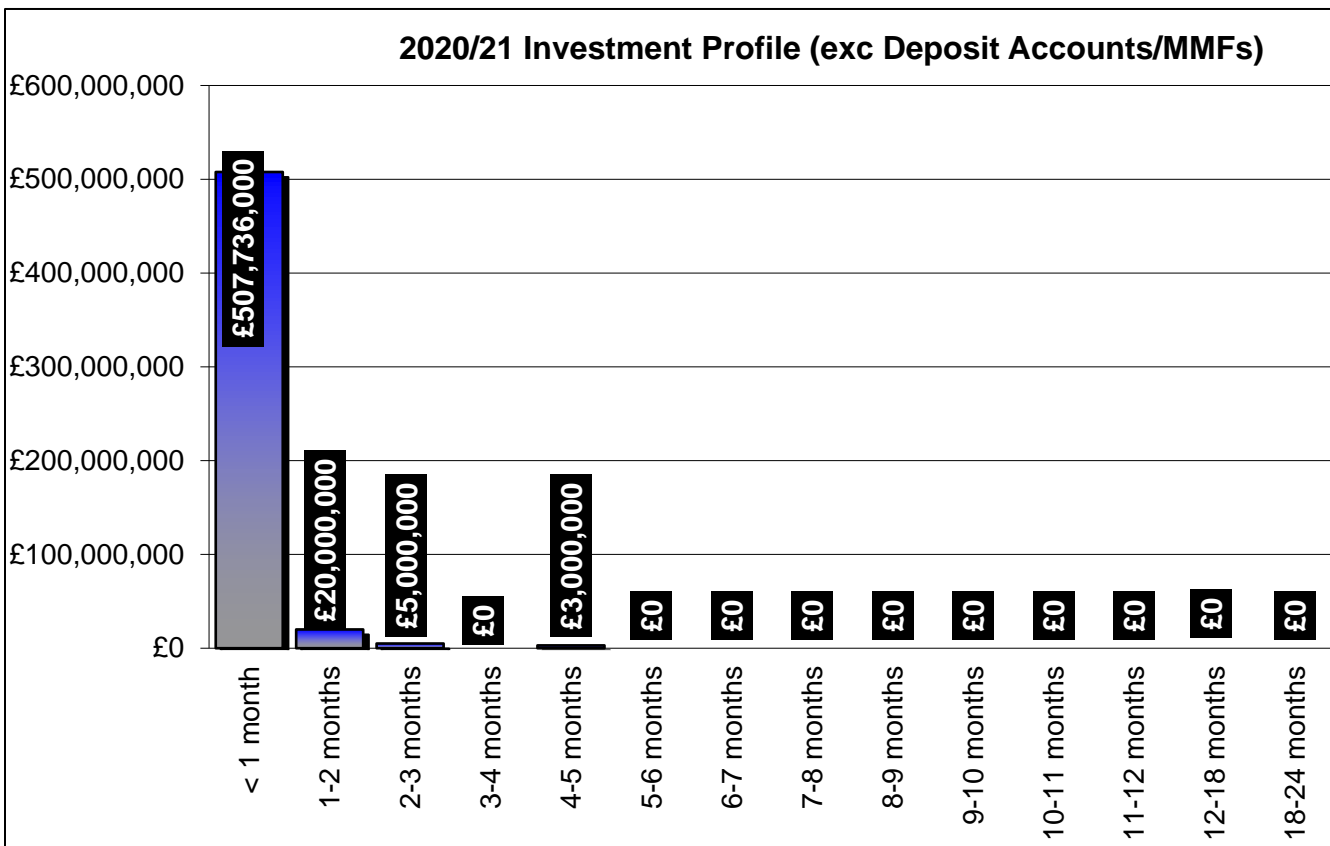
- 4.3 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.
- 4.4 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 4.5 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.
- 4.6 The Council held an average of £27.2m as cash during the year. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending their use.
- 4.7 The Council's general policy objective is to invest its surplus funds prudently. Throughout 2020/21, the Council's investment priorities continued to be:
- Highest priority** - Security of the invested capital;
Followed by - Liquidity of the invested capital;
Finally - An optimum yield commensurate with security and liquidity.
- 4.8 All of the Council's investments were managed in-house. Security of capital was maintained by following the counterparty policy set out in the Investment Strategy for 2020/21. Investments made during the year included:
- Fixed Term Deposits with the Debt Management Office (DMO) (a total of £507.7 million – 36 occasions);
 - Fixed Term Deposits with other Local Authorities (a total of £28 million – 6 occasions);
 - Fixed Term Deposits with UK Banks and Building Societies (none);
 - Investments in Money Market Funds (MMFs) (average daily balance held in year £8.38 million);
 - United Kingdom Treasury Bills (none);
 - Tradable Investments - Floating Rate Notes, Certificates of Deposit, Bonds (none);
 - Deposit accounts with UK Banks (average daily balance held in year £6.68 million);

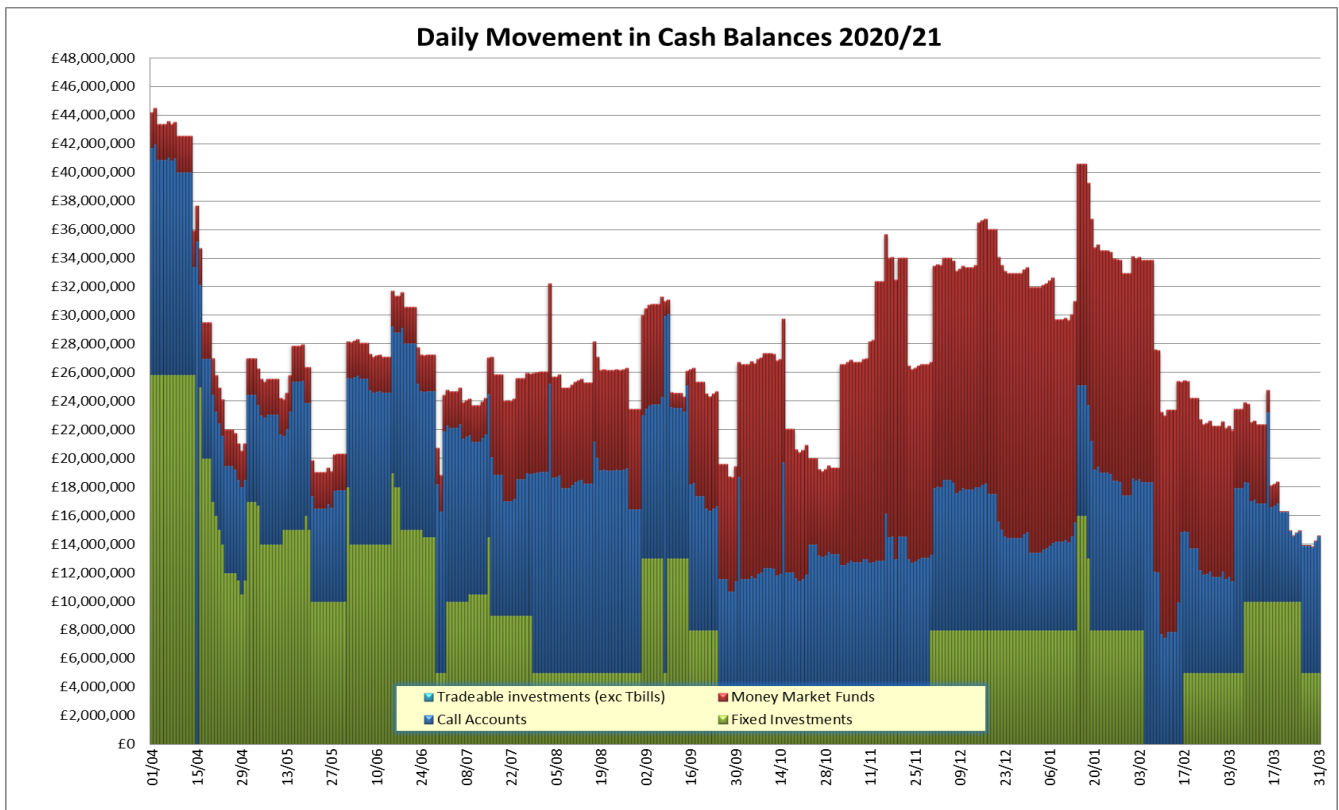
- Deposit accounts with UK Building Societies (none);
- Overnight deposits with the Council's banker, Lloyds Bank (average daily balance held in year £3.41 million).

4.9 Counterparty credit quality was assessed and monitored with reference to credit ratings (a minimum long-term counterparty rating of BBB+ across all three rating agencies Fitch, Standard and Poor's, and Moody's applied); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

4.10 In keeping with Government guidance on investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds (MMF), overnight deposits and deposit accounts, the average daily balance held being £18.47 million.

4.11 A full list of investments (excluding deposit account or MMF transactions) made or maturing in the year is given at Appendix C. All investments were made with UK institutions, and no new deposits were made for periods in excess of one year. The first chart below gives an analysis of aggregate fixed term deposits by duration. The second chart shows how the total amount invested varied from day to day over the course of the year, from a low of £13.79m to a high of £44.49m. The movement largely reflects the cycle of grant, council tax and business rate receipts and precept payments made.





4.12 The income return generated from investments in the year was £0.012 million, below the total budget for investment income of £0.100 million. This position arose as a result of the requirement to re-profile major projects within the approved capital programme, ensuring an increase in the short-term availability of additional cash for investment.

4.13 The average rate of return from investments at the end of each quarter in 2020/21 is shown in the table below, along with comparative benchmark information, the 7-day LIBID rate.

Average rate of investments in:	Lewes District Council	7-day LIBID
Quarter 1 ending 30 June 2020	0.19%	-0.04%
Quarter 2 ending 30 September 2020	0.10%	-0.07%
Quarter 3 ending 31 December 2020	0.08%	-0.08%
Quarter 4 ending 31 March 2021	0.02%	-0.09%
Whole year 2020/21	0.10%	-0.07%

5. Compliance with Prudential Indicators

5.1 The Council can confirm that it has complied with its Prudential Indicators for 2020/21. A detailed review of each of the Prudential Indicators is at Appendix A.

6. Investment Consultants

6.1 The Council has recently appointed Link Treasury Services Limited as its Treasury Adviser for an initial two-year term expiring on 30 May 2023, with the Council having the option to extend, if required. The Link Treasury Services has been appointed to support both the Lewes District Council and Eastbourne Borough Council, given that a shared finance team (with treasury management responsibility) has been established.

7. Reporting and Training

- 7.1 The Chief Finance Officer reported the details of treasury management activity to each regular meeting of the Audit and Standards Committee and Cabinet held in 2020/21. A mid-term summary report was issued in November 2020.
- 7.2 The training needs of the Council's treasury management staff were reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. Members of staff attended, where appropriate, Links workshops alongside colleagues from other local authorities during 2020/21. In 2020/21, Link Asset Services continue to meet with Council officers to explain developments within the sector, as well as review the Council's own investment and debt portfolios.
- 7.3 The Treasury Strategy had anticipated that Link's would hold a local briefing session for all councillors tasked with treasury management responsibility, including scrutiny of the treasury management function. The TM briefing session took place in 21st October 2020.

8. Other

- 8.1 CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.
- 8.2 In the Prudential Code the key area being addressed is the statement that "local 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". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e., recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.
- 8.3 Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.
- 8.4 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

Appendix A – Prudential Indicators 2020/21

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Some of the Prudential Indicators relate directly to the Council's Capital Programme. These Indicators are also included below for completeness of reporting.

2. Net Borrowing and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 The Chief Finance Officer reports that the Council has had no difficulty meeting this requirement in 2020/21, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans, and the proposals in the budget for 2021/22.

3. Estimates of Capital Expenditure (direct link to Capital Programme)

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

No.	Capital Expenditure	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
1a	Non-HRA	15.467	16.525	9.746
1b	HRA	29.108	50.150	4.683
	Total	44.575	66.675	14.429

4. Ratio of Financing Costs to Net Revenue Stream (direct link to Capital Programme)

- 4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.
- 4.2 The ratio is based on costs net of investment income. Where investment income exceeds interest payments, the indicator is negative.

No.	Ratio of Financing Costs to Net Revenue Stream	2020/21 Original %	2020/21 Revised %	2020/21 Actual %
2a	Non-HRA	2.2	3.94	3.90
2b	HRA	11.1	11.03	10.33

5. Capital Financing Requirement

- 5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. The amounts shown are as at 31 March.

No	Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
3a	Non-HRA	45.500	21.000	18.382
3b	HRA	68.300	67.300	71.549
	Total CFR	113.800	88.300	89.931

- 5.2 The year-on-year change in the CFR is set out below.

Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
Balance B/F	87.000	84.600	85.423
Capital expenditure financed from borrowing	27.100	4.200	5.084
Revenue provision for Debt Redemption.	(0.300)	(0.500)	(0.576)
Balance C/F	113.800	88.300	89.931

6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. The Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (see 8 below).

No.	Actual External Debt as at 31/03/21	Revised £m	Actual £m
4a	Borrowing	61.673	56.673
4b	Other Long-term Liabilities	0.600	0.600
4c	Total	62.273	57.273

7. Incremental Impact of Capital Investment Decisions Stream (direct link to Capital Programme)

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved Capital Programme with an equivalent calculation of the revenue budget requirement arising from the proposed Capital Programme.

No.	Incremental Impact of Capital Investment Decisions	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
5a	Increase in Band D Council Tax	64.74	45.10	20.40
5b	Increase in Average Weekly Housing Rents	0.78	0.17	1.98

The increase in Band D council tax/average weekly rents reflects the funding of the capital programme: for example, new borrowing increases interest payable, and funding from reserves utilises resources which could have otherwise been used to fund revenue expenditure. The actual indicators are less than the revised as a result of significant capital projects being deferred from 2020/21 into 2021/22.

8. Authorised Limit and Operational Boundary for External Debt

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases.
- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The 2020/21 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Authorised Limit for External Debt	2020/21 Original £m	2020/21 Actual £m
6a	Borrowing	131.600	56.673
6b	Other Long-term Liabilities	0.400	0.600
6c	Total	132.000	57.273

- 8.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

- 8.6 The Chief Finance Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet. The 2020/21 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Operational Boundary for External Debt	2020/21 Original £m	2020/21 Actual £m
7a	Borrowing	121.300	56.673
7b	Other Long-term Liabilities	0.400	0.600
7c	Total	121.700	57.273

9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted best practice.

No.	Adoption of the CIPFA Code of Practice in Treasury Management
8	The Council approved the adoption of the CIPFA Treasury Management Code in 2002. Following revisions to the Code published in December 2009, reconfirmed its adoption of the Code in February 2010.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

- 10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums i.e. fixed rate debt net of fixed rate investments.
- 10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
9	Upper Limit for Fixed Interest Rate Exposure	100.0	100.0	100.0
10	Upper Limit for Variable Interest Rate Exposure	(25)	(25.0)	(25.0)

- 10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.
- 10.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

11. Maturity Structure of Fixed Rate borrowing

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual %
11a	under 12 months	0	75	8
11b	12 months and within 24 months	0	75	0
11c	24 months and within 5 years	0	75	18
11d	5 years and within 10 years	0	75	18
11e	10 years and above	0	75	56

12. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No investments of more than 364 days were made during 2020/21.

No.	Upper Limit for total principal sums invested over 364 days	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
12	Upper limit	2	2	2

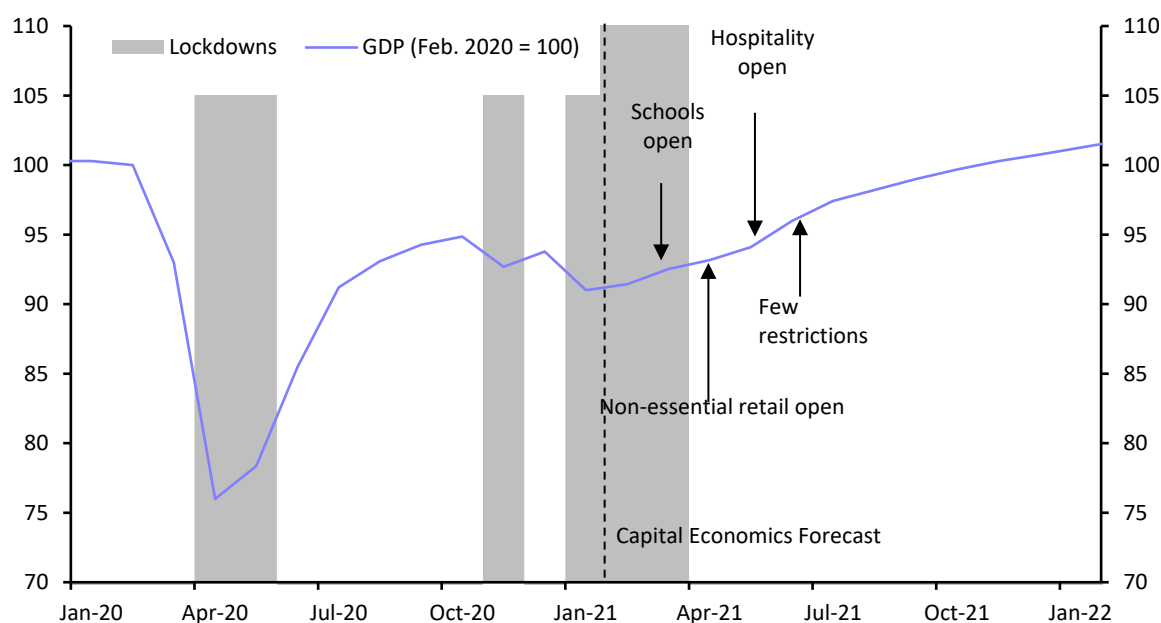
13. HRA Limit on Indebtedness

The indicator is associated with self-financing for housing. It indicates the residual capacity to borrow for housing purposes, while remaining within the overall HRA 'Debt Cap' specified by the Government. The Government has removed the 'debt cap' and the Council has retained the indicator 2020/21 for reporting to show the position if the 'debt cap' had remained in place.

No	Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
13a	HRA CFR	68.300	67.300	71.549
13b	HRA Debt Cap	75.248	75.248	75.248
	Difference	6.948	7.948	3.699

Appendix B – The Economy and Interest Rates by Link Treasury Services Limited

UK. Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The Monetary Policy Committee cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation was well under 2% during 2020/21. The ECB did not cut its main rate of -0.5% further into negative territory during 2020/21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, unlikely to be a euro crisis while the ECB is able to maintain this level of support.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Appendix C – List of Investments made and/or maturing in 2020/21

Counterparty	Principal £	From / To		Interest/Return £
Term Deposits				
Debt Management Office	25,884,000	01/04/2020	02/04/2020	42.55
Debt Management Office	25,884,000	02/04/2020	09/04/2020	496.41
Debt Management Office	25,884,000	09/04/2020	14/04/2020	212.75
Debt Management Office	25,884,000	14/04/2020	15/04/2020	42.55
Debt Management Office	25,000,000	16/04/2020	17/04/2020	27.40
Debt Management Office	20,000,000	17/04/2020	20/04/2020	65.75
Debt Management Office	17,000,000	20/04/2020	21/04/2020	18.63
Debt Management Office	16,000,000	21/04/2020	22/04/2020	17.53
Debt Management Office	15,000,000	22/04/2020	23/04/2020	16.44
Debt Management Office	14,000,000	23/04/2020	24/04/2020	15.34
Debt Management Office	12,000,000	24/04/2020	27/04/2020	39.45
Debt Management Office	12,000,000	27/04/2020	28/04/2020	13.15
Debt Management Office	11,500,000	28/04/2020	29/04/2020	12.60
Debt Management Office	10,500,000	29/04/2020	30/04/2020	11.51
Debt Management Office	11,500,000	30/04/2020	01/05/2020	12.60
Debt Management Office	17,000,000	01/05/2020	04/05/2020	55.89
Debt Management Office	16,700,000	04/05/2020	05/05/2020	18.30
Debt Management Office	14,000,000	05/05/2020	12/05/2020	107.40
Debt Management Office	15,000,000	12/05/2020	19/05/2020	115.07
Debt Management Office	16,000,000	19/05/2020	20/05/2020	17.53
Debt Management Office	15,000,000	20/05/2020	21/05/2020	16.44
Debt Management Office	10,000,000	21/05/2020	28/05/2020	76.71
Debt Management Office	10,000,000	28/05/2020	02/06/2020	27.40
Debt Management Office	8,000,000	01/06/2020	02/06/2020	8.77
Debt Management Office	14,000,000	02/06/2020	16/06/2020	107.40
Debt Management Office	5,000,000	15/06/2020	16/06/2020	2.74
Debt Management Office	18,000,000	16/06/2020	17/06/2020	4.93
Debt Management Office	18,000,000	17/06/2020	18/06/2020	4.93
Debt Management Office	15,000,000	18/06/2020	25/06/2020	28.77
Merthyr Tydfil	5,000,000	25/06/2020	25/08/2020	1,420.55
Debt Management Office	9,500,000	25/06/2020	29/06/2020	10.41
Debt Management Office	5,000,000	02/07/2020	09/07/2020	9.59
Debt Management Office	5,500,000	09/07/2020	16/07/2020	10.55
Debt Management Office	4,000,000	15/07/2020	29/07/2020	15.34
Merthyr Tydfil	5,000,000	25/08/2020	25/09/2020	339.73
Debt Management Office	8,000,000	01/09/2020	08/09/2020	15.34
Debt Management Office	8,000,000	09/09/2020	16/09/2020	£15.34
Telford and Wrekin Council	3,000,000	16/09/2020	18/01/2021	815.34
RB Maidenhead & Windsor	5,000,000	30/11/2020	19/01/2021	205.48
Debt Management Office	8,000,000	15/01/2021	05/02/2021	46.03
Kirklees Council	5,000,000	17/02/2021	26/03/2021	50.68
Surrey County Council	5,000,000	08/03/2021	08/04/2021	212.33

Glossary of Terms

<i>Affordable Borrowing Limit</i>	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
<i>Base Rate</i>	The main interest rate in the economy set by the Bank of England, upon which other rates are based.
<i>Bonds</i>	Debt instruments issued by government, multinational companies, banks, and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also set at the outset.
<i>Capital Expenditure</i>	Spending on the purchase, major repair, or improvement of assets e.g. buildings and vehicles.
<i>Capital Financing Requirement (CFR)</i>	Calculated in accordance with government regulations, the CFR represents the amount of Capital Expenditure that it has incurred over the years and which has not yet been funded from capital receipts, grants, or other forms of income. It represents the Council's underlying need to borrow.
<i>Chartered Institute of Public Finance and Accountancy (CIPFA)</i>	CIPFA is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.
<i>Counterparty</i>	Organisation with which the Council makes an investment.
<i>Credit Default Swaps</i>	CDS are a financial instrument for swapping the risk of debt default and are effectively an insurance premium. Local authorities do not trade in CDS but trends in CDS prices can be monitored as an indicator of relative confidence about the credit risk of counterparties.
<i>Credit Rating</i>	A credit rating is an independent assessment of the credit quality of an institution made by an organisation known as a rating agency. The rating agencies take many factors into consideration when forming their view of the likelihood that an institution will default on their obligations, including the institution's willingness and ability to repay. The ratings awarded typically cover the short-term outlook, the long-term outlook, as well as an assessment of the extent to which the parent company or the state will honour any obligations. At present the three main agencies providing credit rating services are Fitch Ratings, Moody's and Standard and Poor's
<i>Fixed Deposits</i>	Loans to institutions which are for a fixed period at a fixed rate of interest.
<i>Gilts</i>	These are issued by the UK government in order to finance public expenditure. Gilts are generally issued for set periods and pay a fixed rate of interest. During the life of the gilt it will be traded at price decided in the market.

<i>Housing Revenue Account (HRA)</i>	There is a statutory requirement for local authorities to account separately for expenditure incurred and income received in respect of the dwellings that they own and manage.
<i>Lenders' Option Borrower's Option (LOBO)</i>	A long-term loan with a fixed interest rate. On pre-determined dates (e.g. every five years) the lender can propose or impose a new fixed rate for the remaining term of the loan and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan.
<i>LIBID</i>	The rate of interest at which first-class banks in London will bid for deposit funds.
<i>Minimum Revenue Provision (MRP)</i>	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for the repayment of debt.
<i>Operational boundary</i>	This is the most likely, prudent view of the level of gross external indebtedness. A temporary breach of the operational boundary is not significant.
<i>Prudential Code/Prudential Indicators</i>	The level of capital expenditure by local authorities is not rationed by central government. Instead the level is set by local authorities, providing it is within the limits of affordability and prudence they set themselves. The Prudential Code sets out the indicators to be used and the factors to be taken into account when setting these limits.
<i>Public Works Loan Board (PWLb)</i>	A central government agency which provides long-term and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.
<i>Treasury Management Strategy Statement (TMSS)</i>	Approved each year, this document sets out the strategy that the Council will follow in respect of investments and financing both in the forthcoming financial year and the following two years.
<i>Treasury Bills (T-Bills)</i>	These are issued by the UK Government as part of the Debt Management Office's cash management operations. They do not pay interest but are issued at a discount and are redeemed at par. T-Bills have up to 12 months maturity when first issued.

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Report to:	Cabinet
Date:	8 July 2021
Title:	Investment in green energy initiatives- update
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Planning and Regeneration
Cabinet member:	Cllr Zoe Nicholson, Cabinet member for finance & assets and Cllr Matthew Bird, Cabinet member for sustainability
Ward(s):	All
Purpose of report:	To provide an update to the work initiated by the report considered at Cabinet on 25th March 2021. To provide further allocation of revenue funding to: facilitate delivery of the Ouse Valley Solar Farm project to planning application stage; to reduce risk to the project failing; and associated due-diligence work and business case development.
Decision type:	Key
Officer recommendation(s):	(1) To delegate authority to the Deputy Chief Executive, in consultation with the Chief Finance Officer and Cabinet member for finance and assets, to increase the loan provision to OVESCO up to a maximum of £155,000 for development funding to take the solar farm proposal set out in section 2 and Appendix 1 of this report to planning submission, subject to further due diligence being carried out, satisfactory loan terms and milestones being agreed. (2) To request that the Climate Change Scrutiny Panel provide oversight to the project
Reasons for recommendations:	Investigating the opportunities to develop and enable solar energy production directly supports the aims of the Council detailed within the Corporate Plan 2020-2024 to lead the community to net zero carbon and engage with the community energy sector. Supporting community energy generation could enable community investment and assist with community wealth building objectives.

Development finance is the most difficult finance to gain for a community energy company when delivering a project of this scale.

Maintaining Council input into the development of the project financially de-risks it and enables project oversight to hopefully ensure delivery.

Developing solar generation within the district will help meet goals and targets detailed within the Climate Change & Sustainability Strategy including the overarching net zero carbon by 2030 targets.

**Contact Officer(s): Name: Kate Richardson
 Post title: Strategy & Partnership Lead- Sustainability
 E-mail: kate.richardson@lewes-eastbourne.gov.uk
 Telephone number: 01323 415202**

1 Introduction

1.1 As discussed in the previous report brought to Cabinet in March 2021, the Council has a publicised interest in pursuing investment in local solar energy for the following interlinked reasons:

- Climate Emergency Declaration made in 2019
- Net zero by 2030 targets for the council and the district
- Target to reduce Council carbon emissions by 60% by 2025
- Target to increase solar generation in the district by 12MW by 2025
- Desire to encourage community owned renewable energy generation
- Desire to generate community wealth through community investment opportunities and increasing the Council's local spend.
- Encouragement and support for a local, green economic recovery.

1.2 Consultants Local Partnerships were commissioned by the Council to examine the options available with regards to provision of development finance for the Ouse Valley community solar farm scheme proposed by local community energy company OVESCO. Local Partnerships have reviewed the conditions under which the initial £100,000 of monies could be issued and officers have reviewed the legal and financial implications for the loan agreement.

Local Partnerships have analysed the 'critical success factors' and confirmed that both parties are largely aligned, agreeing that:

- The main aim of the project is to increase the amount of locally produced solar energy in the district
- both parties are seeking to increase community wealth and ownership of power generation
- the council is actively seeking to assist not for profit community ventures such as this

Local Partnerships have taken these critical success factors and developed conclusions on a variety of options to enable the council to consider how it should best get involved in this project to deliver both parties main aims. These are detailed in section 3.

- 1.3 This paper is seeking approval for:
- An increase in the prior approved £100k development finance to a maximum of £155k
 - Using the Climate Change Strategic Panel for project oversight to take updates and provide scrutiny of the project management.

2 Work completed to date

- 2.1 After the cabinet decision in March 2021 officers initiated an options appraisal to be carried out by its consultants Local Partnerships. This has involved carrying out 3 workshops with OVESCO and council officers to determine the best possible form of working to progress development of the Ouse Valley Community Solar Farm and to meet the aims of both parties in developing a community owned renewable energy facility.

The report was completed 11 June 2021 and can be found in exempt appendix 1 and is summarised in section 3 below.

- 2.2 OVESCO have completed the following main tasks since March 2021:
- Made the grid application
 - Submitted a bid for £100k to Rural Communities Energy Fund (RCEF)
 - Completed the agricultural land grade assessment – result = 3b
 - Site visit with Local Partnerships Strategic Director
 - Gained quotes for surveys and begun this work

- 2.3 Concurrently with the options appraisal, officers have been investigating and determining the best way of issuing the initial development funds to OVESCO.

Work is in progress to develop suitable loan terms complete with required milestones. These will need to be shared and agreed with OVESCO once finalised internally.

It is anticipated that the conditions of the loan will include an initial payment of £10,000 to cover milestones already met. Further payments will be conditional on achieving future milestones set out or approved by the council under the agreement.

Milestones will be reported to and monitored through the Climate Change Strategic Panel.

3 Options Appraisal summary

- 3.1 The report in Exempt Appendix 1 considers both project and wider risks and how these can be managed and navigated to provide a compliant package of measures which support the development of the project.

The Ouse Valley Solar Farm provides a good fit with council strategic objectives in particular:

- Climate emergency declaration made in 2019
- net zero by 2030 targets for the council in the district
- target to reduce council carbon emissions by 60% by 2025
- target to increase solar generation in the district by 12 megawatts by 2025
- desire to encourage community owned renewable energy generation
- desire to generate community wealth through community investment
- opportunities and increasing the councils local spend
- encouragement and support for a local green economic recovery

3.2 The success factors for the council and OVESCO have a high degree of alignment in relation to two key areas:

- Delivery of significant renewable energy capacity located within Lewes
- Requirements to be transparent and adhere to the highest standards of compliance and scrutiny

Whilst there was general alignment with many of the other success factors the extent to which they were prioritised varied between the council and OVESCO although many common themes were evident, of note were the following:

- Creation of new green jobs and additional capacity within the sector. OVESCO are keen to grow but are risk averse and this would provide a strong rationale for the Council to want to support OVESCO through the development of the solar farm.
- Maximising biodiversity net gain is important to both the Council and OVESCO
- Long term Council involvement in the scheme is not a key driver for either party.

3.3 Development finance is inherently risky and in advancing the development funding the council needs to consider the following impacts

1. compliance with local government powers
2. compliance with procurement legislation
3. compliance with subsidy control regime
4. compliance with PWLB lending requirements

3.4 Key recommendations:

- A project oversight group be set up
- Loan funds should be provided in tranches and have milestones agreed and monitored
- The Council should consider retaining an independent expert to ensure the successful delivery of the project
- The Council needs to decide if the risk of providing additional capital is worth the reward of simplifying the finance process for OVESCO to prevent a third party funder being sought.

4 Next steps

4.1 Based on the report in Appendix 1 and internal discussions Officers consider the next steps to be:

1. Increase to the financial support available to OVESCO in order to take the project to planning application stage later this year subject to successful gaining of the RCEF grant and securing the grid connection.
2. To agree to use the existing Climate Change Scrutiny Panel for project oversight.
3. To retain an independent expert for approximately one day per month until further notice to provide project support to OVESCO, council officers and the Climate Change Strategic Panel. Revenue funding that can be used for this purpose was provided in the March Cabinet paper.
4. For the Climate Change Scrutiny Panel to consider options available to the council for future involvement as the project progresses.

4.2 Increasing financial support

Back in March it was uncertain as to what size of project would actually be taken forward, which had an impact on estimated costs, it is now looking likely that a larger scheme (16MW) will be taken forward and as such quotes for pre-planning submission work and the completion of the RCEF bid mean the capital requirement for the scheme is now more certain and the £55k increase to the council loan is requested to cover these costs, to remove the need for another third party funder to be sought by OVESCO which could potentially affect timescales and project viability.

The Deputy Chief Executive, in exercising the authority granted him under recommendation 1, will issue the loan in tranches, but in consultation with the Chief Finance Officer and the Cabinet Member for finance and assets.

Increasing support at this stage is discussed further in the 'Risk Implications' section 8 below.

4.3 Project oversight

Officers recommend using the Climate Change Strategic Panel for project oversight as this is a pre-existing cross-party group set up to provide scrutiny of climate change and sustainability projects, of which this is one.

The Panel has the following remit:

- To scrutinise both the progress of work being undertaken by the council in tackling climate change, and the effectiveness of the outcomes of that work.
- To receive progress reports on the strategy, policy and actions enacted by the council to address the climate emergency, including measurements and data to evidence progress.
- To monitor the implementation of recommendations made by the Climate Action Group, agreed by Cabinet on 1 July 2019

- To undertake policy development activities assisting in the formulation of climate change mitigation and adaptation proposals.
- To invite appropriate experts to provide advice and information to help inform policy development work in relation to climate change.
- To promote the council's work in this area, engaging with and building partnerships, alongside the Cabinet Member for Sustainability.

4.4 The existing purpose of the Panel fits well with the need for the oversight required to help this project through to completion.

It can provide critical analysis of the progress by OVESCO with regards to the development loan provided, review milestones for future loan tranches and monitor progress, consulting with the Lead Member for finance and assets if needed.

The Panel can also review project progress generally and provide opinion to Cabinet and PPAC regarding future involvement on the project if and when this is required.

Panel members who also sit on Planning Committee will need to consider whether it is appropriate to take part in that Committee's consideration of any planning application relating to the proposed solar farm, given their prior involvement, and should seek the advice of Democratic Services and Legal Services officers in advance.

4.5 Officer support to be provided by:
Ian Fitzpatrick, Deputy Chief Executive & Director of Planning & Regeneration (as required);
Kate Richardson, Strategy & Partnership Lead Sustainability;
Planning Officer TBC

Plus:
Independent Expert

5 Financial appraisal

5.1 Developing solar generation within the District will help in meeting goals and targets detailed within the Council's Climate Change & Sustainability Strategy. This initiative will require an initial maximum loan provision of £155,000 (i.e. an additional £55,000 in addition to the £100,000 previously agreed) from the Council to fund feasibility and initial project development work. This in addition to the grants/contributions from other partners including the Government's Rural Community Energy Fund (RCEF).

5.2 The loan provision to OVESCO will be funded from the Council's Local Energy Schemes projects allocation within the capital programme, and various construction stages within the project delivery programme will have financial implications for the Council. Therefore, as work develops and further funding is required, projects and activities will be subject to individual business cases as appropriate, due diligent and financial scrutiny will be carried out to assess the

construction costs, subject to management review before recommendations are made to the Cabinet.

- 5.3 OVESCO is not currently offering either loan security or guarantee in relation to any loan funds released and it is therefore for the Council to satisfy itself that, in the event of project failure the Council exposure to abortive costs will be mitigated through securing access to project rights in the event that OVESCO decide to shelve or abandon the project, and/or releasing funds in a series of tranches as key project risks are closed.

6 Legal implications

- 6.1 This report uses the term “OVESCO”. There are a number of related entities that are collectively referred to under that term including OVESCO Limited (a registered society) and OVESCO CIC (a community interest company). The council will, as part of the due diligence process, need to be satisfied as to the identity of the legal entity that is to enter the loan agreement before payments are made.

- 6.2 As set out in the previous March cabinet paper the council has a number of powers available to facilitate the loan agreement.

The Council could use the general power of competence (GPOC) in section 1 of the Localism Act 2011 for the proposals in this report to provide either a grant or a loan. However, the exercise of that power would be subject to any limitations and restrictions of existing legislation, including those under section 12 of the Local Government Act 2003 (concerning the Council’s powers to invest).

Section 12 of the 2003 Act permits the Council to invest for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs. In exercising that power, the Council must have regard to statutory guidance on local government investments, the most recent edition having effect from 1 April 2018. This guidance advises that an “investment” includes loans made by a local authority to third parties.

- 6.3 The subsidy control regime relevant to the provision of a loan was set out in the previous March cabinet paper. The council will continue to keep under review the question of whether there is any subsidy in the arrangements as the proposals are progressed and take appropriate steps to ensure that any funding given is lawful.

Economic transactions carried out by the council do not confer an advantage, and therefore do not constitute a subsidy, if they are carried out in line with normal market conditions. It is the intention of the council that the loan will be provided on terms which, in similar circumstances, a private investor of comparable size operating in normal conditions of a market economy could have been prompted to offer and that therefore there will be no subsidy.

The Chief Finance Officer has undertaken a review of potential loan terms and interest rates and in particular with reference to the EU reference rates communication to calculate the rate to be used.

- 6.4 The council's primary purpose is acting as an investor in these arrangements and it is not acting as a purchaser of works, services or supplies as defined in the Public Contract Regulations 2015. In any event the PCR2015 specifically exclude from its scope services contracts for loans.

[010097-LDC-CJEC 16 June 2021]

7 Risk management implications

- 7.1 Risks regarding this project are detailed in the report in appendix 1 section 5.2 and those detailed in the March cabinet paper remain true.

At this stage of the project the major risk is the need for a third provider of development finance in addition to the RCEF (if successful) and council funds. This introduces the following risks:

1. Any new source of development finance is likely to require first call on step in rights meaning the council is less likely to be able to proceed with the project if OVESCO withdraw for any reason
2. OVESCO are unable to secure additional development finance and the project cannot proceed

These risks can be mitigated by the council providing additional development finance so a third party is not required.

Funding after the initial £10k should only be provided if the RCEF bid is successful and the grid application secured. This should be known in July

The Council is also meeting PWLB loan requirements by providing enabling finance to allow the project to proceed and to be more financially viable as it progresses towards construction.

8 Equality analysis

- 8.1 No direct implications for equality have been identified at this stage, although improved responses to the impacts of climate change and reducing carbon emissions will generate co-benefits for people living and working in the district and potentially improve the environmental legacy passed on to young people.

9 Environmental sustainability implications

- 9.1 There are potentially positive environmental and sustainability implications around the production of local solar electricity as discussed above. Any site specific negative implications will be considered through the planning application and reports that are due to be produced. The land is currently agricultural.

Successful development of the project will assist both the Council and the district meet its net zero carbon by 2030 targets.

10 Contribution to Community Wealth Building

- 10.1 Key to the project is OVESCO's commitment to a £50,000 minimum contribution to a community benefit fund. The fund would support local projects and enable the recruitment of a part-time Community Energy Officer for the benefit of the local community. The overall objective is that the energy savings achieved will be significantly greater than the cost of delivering the programme. The Energy Officer would complement OVESCO's other activities that relate to education through its school and STEM activities, energy saving advice and support of the District in transitioning to net zero by 2030. Being a community project, all the surplus income from the Ouse Valley Solar Farm will be returned to the community.

The project hopes to make use of local skills to build the development and so provision of development funding by the Council will enable this to occur.

11 Exempt Appendices

The appendix contains exempt information as defined in Schedule 12A of the Local Government Act 1972.

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

The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

- Appendix 1 – Report of Local Partnerships- Renewable Energy Investment for Lewes District Council

12 Background papers

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

- [‘Investing in green initiatives’](#) paper to Cabinet 25th March 2021

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Report to:	Cabinet
Date:	8 July 2021
Title:	Re-imagining Newhaven
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Cllr James MacCleary, Leader of the Council, Chair of Cabinet and Cabinet member for regeneration and prosperity
Ward(s):	All Newhaven Wards
Purpose of report:	Update on the Future High Streets Fund project
Decision type:	Non-key decision
Officer recommendation(s):	<p>(1) To note the Future High Streets Fund capital grant award from MHCLG and that this represents a considerable achievement for the Council.</p> <p>(2) To note the timescales to deliver the Re-imagining Newhaven programme.</p> <p>(3) To delegate authority to the Director of Regeneration and Planning, in consultation with the Lead Member for Regeneration and Prosperity, to:</p> <ul style="list-style-type: none">(a) enter, or authorise entry into, all necessary documentation with MHCLG to receive the Future High Street Fund grant;(b) carry out all necessary actions to deliver the Re-imagining Newhaven programme including undertaking feasibility work, procurement and appointment of the professional team, development and determining the terms of, and authorising the execution of, all necessary documentation, including the procurement and appointment of an operator. <p>(4) To delegate authority to the Director of Regeneration and Planning, in consultation with the Lead Member for Finance and Chief Finance Officer, to make an allocation within the General Fund Capital Programme for the co-funding part of the Re-imagining Newhaven programme, subject to further finance and legal advice, also subject to a sound business case.</p>

Reasons for recommendations: (1) A grant offer letter has been received from MHCLG on 03/06/21 confirming the funding award.

(2) Newhaven remains a regeneration priority for the Council, building upon Enterprise Zone designation and investment from a range of partners, and the formation of the Newhaven Town Deal.

(3) The Re-imagining Newhaven programme strongly aligns with the Council's Community Wealth Building Pillars.

Contact Officer(s): Name: Peter Sharp
Post title: Head of Regeneration
E-mail: peter.sharp@lewes-eastbourne.gov.uk
Telephone number: 07826 903742

Name: Nathan Haffenden
Post title: Head of Commercial Business and Development
E-mail: nathan.haffenden@lewes-eastbourne.gov.uk
Telephone number: 01323 436422

1 Introduction

- 1.1 The Future High Streets Fund (FHSF) is Government funding with a core objective to renew and reshape town centres and high streets in a way that improves experience, drives growth, and ensures future sustainability.
- 1.2 The FHSF operates as a two-stage application process, with an Expression of Interest submitted to MHCLG in 2019, followed by a detailed business case submitted in June 2020. Further clarification exercises were completed in October 2020, February 2021 and March 2021.
- 1.3 LDC received the FHSF grant offer letter on 03/06/21 confirming the £5,004,938 capital award for the Re-imagining Newhaven programme. Bidding for the Future High Streets Fund was a highly competitive process for the oversubscribed fund. Securing the capital funding represents a considerable achievement for the Council.
- 1.4 The FHSF grant is paid over the lifespan of the fund, meaning that LDC will receive payments in the financial years 21/22, 22/23 and 23/24 in accordance with the business plan provided to Government. All payments are less a 5% contingency, which is withheld by Government and must be claimed in the relevant financial year.
- 1.5 MHCLG require all grant funded interventions within the programme to be delivered by 31 March 2024.

1.6 FHSF requires a commitment of co-funding to support the delivery of town centre transformation programmes. Therefore, the Re-imagining Newhaven programme is a package of interventions funded by the FHSF capital grant as well as co-funding.

2 Proposal

2.1 The Re-imagining Newhaven programme is a package of interventions to transform underutilised and vacant commercial properties in the heart of Newhaven town centre. The programme will create a place-led, integrated and strengthened Town Centre that brings new and diversified uses to serve resident, business and visitor communities, with an expanded range of services to generate and maintain a sustainable footfall. It strongly aligns with principles of retaining wealth locally and providing opportunities for local entrepreneurs, micro-businesses and SME's.

2.2 The Re-imagining Newhaven programme has five main elements:

- **Creative & Wellbeing Hub** - providing a mixture of co-working and public spaces, studios, meetings spaces, café and retail area primarily targeted at creative industries and wellbeing providers on the ground floor of the disused supermarket.
- **Urban Living Room** - transforming the upper levels of the underutilised Dacre Road car park into a multi-purpose community and entertainment facility.
- **Community Healthy Living & Sustainability Hub** - creating a community supermarket and community kitchen on the lower ground floor of the disused supermarket.
- **Connectivity & Access** – connecting the town centre with key residential and business areas to increase footfall and dwell time.
- **Town Centre Events Programme** – a coordinated programme of events and activities to attract footfall and increase dwell time in the high street.

All of these elements are subject to final Due Diligence to ensure their long-term viability and sustainability.

2.3 Indicative timescales for the Re-imagining Newhaven programme are as follow:

Activity	Estimated completion
Extended feasibility	July 2021
Operator procurement	October 2021
Appoint professional team	August 2021
Planning process	February 2022
Contractor specification and procurement	June 2022
Contractor appointment	July 2022
Construction phase	March 2023
Handover	April 2023
Operational phase	May 2023+

3 Outcome expected and performance management

3.1 Re-imagining Newhaven objectives:

- Job creation.
- To help make Newhaven Town Centre an attractive place to live, work and visit - daytime and evening.
- To transform disused and underutilised commercial properties in the heart of the Town Centre into financially and commercially sustainable destinations.
- To provide new commercial space for start-up businesses and local entrepreneurs.
- To increase footfall and dwell time in the Town Centre.
- To deliver a scheme that will act as a catalyst and support for the planned regeneration both within the Town Centre and widespread across Newhaven.
- To improve connectivity and accessibility in Newhaven resulting in positive impact on quality of life and footfall.
- To improve the sightlines into the Town Centre.

3.2 To support project delivery, a Programme Board will be set up to oversee progress and manage the successful delivery throughout the programme. The project team will be responsible for fulfilling the robust monitoring and evaluation reporting requirements of central Government, and a new post has been recruited within the Regeneration service to assist with maintaining the Programme's Monitoring and Evaluation Plan.

4 Consultation

4.1 Briefings have been provided via updates to Newhaven Ward Councillors, Informal Cabinet, the Enterprise Zone Strategic Board and the Newhaven Town Deal Board. Ongoing regular stakeholder consultation is governed by the programme's engagement and communication plan which involves a wide range of stakeholders.

5 Corporate plan and council policies

5.1 The Council's Corporate Plan 'Re-imagining Lewes District Corporate Plan 2020-2024' sets out the following areas that will be addressed by the Re-imagining Newhaven programme.

5.2 Building Community Wealth

The Re-imagining Newhaven programme will contribute to reducing employment inequality through provision of new opportunities, help the Council to prioritise investment into the local economy and increase opportunities for start-up businesses and local entrepreneurs through provision of new affordable workspace. This will help to retain more wealth locally.

5.3 Sustainability and Climate Change

Providing new connectivity and active travel routes to encourage more walking and cycling fits strongly with this theme of the Corporate Plan and will also support visitors to access key locations in Newhaven by foot and bicycle. Equally, by re-purposing existing buildings, the programme aims to help reduce the Council's carbon footprint.

6 **Business case and alternative option(s) considered**

6.1 A number of options were considered and appraised for the FHSF business case submission and were assessed on the basis of their impact on the 5-case model used by Government assessors. This is based on information provided by Government on the key assessment criteria.

7 **Financial appraisal**

7.1 LDC has been awarded a Future High Streets Fund capital grant of £5,004,938 to support the viability and diversity of Newhaven town centre. This grant will be paid over three years in line with the business case submitted and the Grant Offer Letter received. There is a FHSF requirement that projects be co-funded. The details of the overall programme cost are provided in the Exempt Appendix 1 as contractor procurement has not yet commenced.

7.2 The Future High Streets Fund (FHSF) is subject to compliance with the MHCLG funding agreement and associated conditions. The funding is principally capital and is predicated on match funding secured through public sector and private-sector sources. Any funding matched to the programme will be through an allocation within the General Fund Capital Programme.

7.3 The allocation will be facilitated through review, and prioritisation of the Capital Programme. Spending will be drawn down on an individual business case basis – requiring demonstration of the value of the investment either in terms of outcomes, through regenerating high streets, and/or financial benefits achievable. Where appropriate, staffing costs relating to capital project delivery will be included in project costs at a rate which is proportionate and permissible within the funding terms.

8 **Legal implications**

8.1 The Council has not yet received the final funding documents, but has been provided with outline drafts of the funding letter and Memorandum of Understanding under which the grant will be awarded. MHCLG are awarding this grant under Section 31 of the Local Government Act 2003 and it will be subject to its standard local authority grant conditions. The MOU sets out the principles and practices that will apply to the working relationship between MHCLG and the Council.

As part of the extended feasibility process, additional legal due diligence will be undertaken in relation to the project and specific assets within the project scope

which will include ensuring compliance with the UK subsidy control regime where applicable.

All professional appointments, the appointment of the operator and other contracts will be made in accordance with the Council's Contract Procedure Rules (CPR) and subject to prior legal advice.

[0100196-LDC-CJEC 1 June 2021]

9 Risk management implications

9.1 The full risk register has been submitted to MHCLG and will be maintained as part of the Council's project management procedures.

Key risks:

Risk	Impact	Likelihood	Mitigation
Failure to deliver projects within the Re-imagining Newhaven programme timeframe	4	2	Deliverability is one of the key criteria that has been assessed for all proposals submitted in the business case, although Government delays has reduced the delivery timeframe.
Funding does not meet the needs of Newhaven's residents, businesses, and visitors	4	1	The Re-imagining Newhaven programme has been informed by engagement with the local community and businesses to ensure needs are met.
Construction costs exceed the tolerance that is built into the estimated capital cost proposal	3	2	Some condition surveys have already been carried out on 10 Newhaven Square. The cost proposal has been verified by a QS, but additional studies have now been commissioned by Commercial Business to ensure deliverability within the stated cost parameters.

10 Equality analysis

10.1 An Equality and Fairness Analysis for Re-imagining Newhaven has been undertaken.

The following potentially positive Impacts include:

- Street level access to the Creative Hub and Community Healthy Living & Sustainability Hub, meaning better accessibility for disabled people, people with mobility issues, their carers and also people with pushchairs.
- New improved floor surface and additional lighting in the Dacre Road car park.
- Installation of new lift to enable access to the Urban Living Room.
- Accessible new wayfinding routes and signage.
- Community Kitchen and other activities that may help tackle social isolation and promote cohesive communities.

A copy of the full analysis is available on request from equalitiesemail@lewes-eastbourne.gov.uk.

11 Environmental sustainability implications

- 11.1 This report contains proposals that are focused on supporting regeneration and sustainable economic growth that benefits our local communities.
- 11.2 The Re-imagining Newhaven programme seeks to re-use existing assets to provide additional local economic value from Council interventions. The programme will also deliver improved access and connectivity into the town centre from surrounding residential and employment areas. This will support modal shift through increasing the attractiveness of the walking and cycling environment.

12 Contribution to Community Wealth Building

- 12.1 The Re-imagining Newhaven programme will actively contribute to the Council's 5 Pillars of Community Wealth Building.
- 12.2 Anchor commissioning and procurement – LDC led procurement for professional appointments, contractors and operators will support local businesses and local jobs.
- 12.3 Socially productive use of land and property – supporting local jobs and enterprise to generate local wealth. The Programme will ensure maximum wealth is produced through construction. Place-making is at the heart of Re-imagining Newhaven programme, enabling the town centre to adapt and thrive. The Programme aims to boost town centre activity by increasing footfall and dwell time throughout the town centre and high street,
- 12.4 Fair employment and just labour markets – the Re-imagining Newhaven programme will generate local jobs and create new opportunities for local entrepreneurs. The Programme will also provide local supplier opportunities within the construction and operational stages and beyond.
- 12.5 Making financial power work for local places – the Programme aims to act as a catalyst and support for planned regeneration both within the town centre and widespread across Newhaven.
- 12.6 Grow local and community ownership of the economy – the interventions being delivered by the Programme will provide opportunities for local enterprises to thrive and grow and retain wealth within the local area. The creation of new community and creative spaces and the community supermarket & community kitchen will have a fundamental focus on local suppliers.

13 Appendices

- Exempt Appendix 1 – Re-imagining Newhaven Programme Spend Profile

14 **Background papers**

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

- None

Report to:	Cabinet
Date:	8 July 2021
Title:	Community Grants Policy
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Councillor Johnny Denis, Cabinet member for communities and customers
Ward(s):	All
Purpose of report:	For Cabinet to adopt the new Community Grants Policy and agree the proposed funding allocations set out in the prospectus.
Decision type:	Key
Officer recommendation(s):	(1) Adopt the new Community Grants policy at appendix 1. (2) Agree the proposed funding allocations set out in the prospectus at appendix 2.
Reasons for recommendations:	The new Community Grants policy will enable the council to be more transparent and flexible in how local voluntary organisations are supported, with the 2022/23 programme ensuring a focus on local areas of need.
Contact Officer(s):	Name: Seanne Sweeney Post title: Strategy & Corporate Projects Officer, Thriving Communities E-mail: Seanne.Sweeney@lewes-eastbourne.gov.uk Telephone number: 01273 085 630

1 Introduction

- 1.1 At its meeting in February 2021 and following a consultation exercise, Cabinet agreed the move to award all community grants through a bidding process with effect from April 2022. It was also agreed that a Grants Working Group of three members be formed to consider the new policy and process, subsequently reporting to Cabinet for approval.
- 1.2 The Council currently allocates £228,800 for grants to the voluntary sector each year.

- 1.3 A new Community Grants Policy, setting out the way in which the council will award grants from 22/23 onwards can be found at appendix 1, along with a draft Community Grants Prospectus which will form part of an application pack to be launched in August of this year, subject to Cabinet's agreement.

2 Proposal for 2022/23 awards

- 2.1 An additional 35k pa has been allocated to the Community Grants Programme with effect from April 2022. This is in recognition of the additional challenges faced by communities across the district due to the pandemic, and the capacity needed within the voluntary sector to support this increased need.
- 2.2 With careful consideration, the Grants Working Group has developed proposals for the allocation of awards in 22/23, as set out in the prospectus at appendix 2. These allocations (summarised below) are broadly in line with current funding policy, with the addition of an allocation to support mental health and/or sustainability projects.

- 2.3 It is proposed by the Grants Working Group that the community grants budget of £263k be allocated as follows

Advice services – £190k

Including general, benefits (Universal Credit), debt/money and housing advice.

Infrastructure services – £31k

Services which help support the development of the third sector in using volunteers, seeking funding, ensuring best practice and supporting the start-up of new groups.

Environment and wellbeing – £20k

Services which support mental health and/ or contribute to sustainability and the environment.

Equalities – £10k

Services which support specific groups which may experience discrimination or disadvantage (as defined by the Equality Act 2010), by promoting fairness and inclusion.

Homeless prevention/ Sustainable accommodation – £12k

Supporting households into sustainable accommodation through, for example, the provision of security deposits (including those nominated by the council).

- 2.4 A timeline for the 2022/23 Community Grants Programme has been developed in consultation with the Grants Working Group. The prospectus will be published on 2nd August 2021 at which point the applications process will open and then close on 1st October 2021. This gives a reasonable amount of time for groups and organisations to compile their applications. The Grants Working Group will then consider eligible applications and make recommendations for awards to Cabinet in February 2022. Approved grants will then be paid from April 2022.

3 Consultation

- 3.1 Views have been sought from current grant recipients and Tenants of Lewes District, and the views expressed have been taken account of in the development of the prospectus, policy and timeline of the 2022/23 programme.

4 Corporate plan and council policies

- 4.1 Making changes to the voluntary sector grants policy may help support the council's pledge around open and transparent decision making, as outlined in the Corporate Plan.
- 4.2 A change to policy may aid alignment with the Corporate Plan pledge to respect and promote principals of equality and support the council's equality and fairness policy.

5 Financial appraisal

- 5.1 The allocations proposed by the Grants Working Group are in line with the 2021/22 budget allocations and the proposed community grants reserve established for voluntary sector grants. However, it will not be possible to formally confirm the allocations until the 2022/23 budget is approved by Full Council in February 2022.

6 Legal implications

- 6.1 Cabinet must pay due regard to the proposals of the Grants Working Group, and the views of consultees referred to in paragraph 3.1 above, before deciding the basis on which the 2022/23 Community Grants Programme is to be allocated, including the categories of organisations to receive the grants and the weightings to be attached.

Lawyer consulted 08.06.21

Legal ref: 010205-LDC-OD

7 Risk management implications

- 7.1 If Cabinet does not allocate the funding it has budgeted for grants there are risks both to the council's reputation in relation to this high-profile activity and to the council's own services. Supporting the local voluntary sector can, in some instances, reduce demand for council services and prevent residents reaching a situation where council or other support would be required.

Reviewing the council's policies and performance on a regular basis provides an assurance that the council is fulfilling its functions in a way that complies with current legislation.

8 Equality analysis

- 8.1 These proposals would provide support for people in need of advice and information, including protected groups.

The new wellbeing and sustainability category within the grants prospectus would support the mental and physical health of residents in the district, and has the potential to improve some of the impacts felt by residents due to the pandemic.

The equalities category within the grants prospectus could potentially generate applications from projects supporting one or a combination of protected characteristics, and would seek to promote equality of opportunity.

9 Environmental sustainability implications

- 9.1 The introduction of a funding category within the grants prospectus around wellbeing and sustainability will promote the nurturing and enjoyment of green and open spaces across the district, helping people to value the natural environment and recognise the link between nature and good health.

10 Contribution to Community Wealth Building

- 10.1 One of the key principles of community wealth building is plural ownership of the economy. The community and voluntary sector, including not for profit organisations such as cooperatives and community interest companies all contribute to this plurality. By supporting the sector through a grants programme, the council aims to help stimulate plural ownership and social entrepreneurship.

11 Appendices

- Appendix 1 – Community Grants Policy
- Exempt Appendix 2 – Community Grants Prospectus 2022/23

12 Background papers

None.



Lewes District Council

Document name:	Community Grants Policy
Document type:	Policy

Authority(ies) covered:	LDC
Responsible (Executive Lead):	Ian Fitzpatrick
Accountable (Operational Lead):	Seanne Sweeney
Version	Final
Approved by:	Cabinet
Date of publication:	July 2021

Lewes District Council Community Grants Policy

Under section 137 of the Local Government Act 1972 and section 1 of the Localism Act 2011, the Council has power to make community grants to the voluntary sector.

The council recognises the immense contribution that voluntary organisations and community groups make to the district, and has set aside an annual budget to support such activities in line with council priorities, providing a local response to local need.

Every three years a fresh Community Grants Programme will be launched in the summer with awards made the following April, at the start of the financial year. This tri-annual grants programme is designed to offer some security to services which complement the council's functions and priorities.

A Grants Working Group consisting of three members (reflecting political balance and chaired by the Lead Cabinet member), will set the priorities and budget allocations for the grants programme. Priorities will be chosen to reflect the needs of local communities across the district.

Grants will be awarded in three-year cycles to charities or constituted groups which successfully demonstrate how they will deliver vital services that fulfil the application criteria. There are, however, some fundamental criteria which will consistently apply across all priorities, these being:

- Projects or services must benefit residents of Lewes District, with funds awarded by LDC used for this purpose only.
- Sound Governance.
- Funded projects or services must be sustainable, remaining effective for three years at least (in line with the grants cycle) with sound financial plans in place.
- Applications must evidence a clear commitment to principles of equality and safeguarding.
- A commitment to Community Wealth Building.¹
- The use of secure data systems that are GDPR compliant.
- Funding will only be given where there is a demonstrable need, i.e. the service is unlikely to be delivered without a grant. Evidence around match funding or additional contributions to the project/ service should be included in the application.

¹ The principles of CWB are to use the combined power of institutions, businesses and communities in order to retain as much wealth as possible in the local economy; creating opportunity locally, creating new local jobs and new locally owned enterprises.

The Grants Working Group will consider eligible applications and make recommendations to Cabinet. Successful applicants will be notified individually, and a list of awards will be published on the council website.

Awardees must be prepared to engage regularly with the Community Grants Officer throughout the life of the grant, signing annual acceptance award documents outlining expectations and outcomes, and providing quarterly updates across the year. Clear data relating to service levels and take up will be required on a quarterly basis, and the grants officer will work with projects to support the success and sustainability of the grant where necessary. The council may also wish to nominate a councillor to act as a 'representative' for a specific project or group, and who may attend meetings such as boards or AGMs occasionally.

The Community Grants budget is subject to the availability of funds. In the event that the total budget is not utilised, the council will use its discretion regarding any remaining funds. Where there is an underspend within the funded project, for example if the projects ceases prematurely or is not functioning in an appropriate way, funds must be returned to the council at the earliest opportunity.

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Report to:	Cabinet
Date:	8 July 2021
Title:	Housing development update
Report of:	Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning
Cabinet member:	Councillor William Meyer, Lead Cabinet Member for Housing
Ward(s):	All
Purpose of report:	Update on the progress of new housing developments
Decision type:	Key Decision
Officer recommendation(s):	<ol style="list-style-type: none">(1) To note the progress of the Housing Revenue Account (HRA) Capital Programme, alongside other schemes for housing delivery. Appendix 1 (Exempt).(2) To authorise the acquisition of a single garage unit adjacent to land already owned by LDC, the subsequent development of land, and disposal of the garage site at Mill Road, Ringmer including to allocate a budget within the capacity of the HRA Capital Programme.(3) To approve the new projects as detailed in Appendix 1 (Exempt) through to the planning and tender stage, subject to further Cabinet approval prior to the award of a contract and the commencement of any works.(4) To authorise entering into a land agreement to facilitate the development of a Neighbourhood Plan identified site at Long Park Corner, Ditchling, subject to further legal, finance, and market advice.(5) To authorise entering into a framework for a contractor offering an off-site manufactured house building solution, through an advertised open competition, to aid in the delivery of the Capital Programme alongside other procurement routes.(6) To authorise the Director of Regeneration and Planning, in consultation with the Portfolio Holder for Housing and Chief Finance Officer, to carry out all necessary actions to facilitate these proposals including feasibility, development and determining the terms of, and authorising the execution of, all necessary documentation.

Reasons for recommendations: To provide progress updates and secure the necessary approvals to bring forward ongoing key housing development projects within the district.

Contact Officer(s): Name: Leighton Rowe
Post title: Specialist Project Manager
E-mail: leighton.rowe@lewes-eastbourne.gov.uk
Telephone number: 01323 410000

Name: Nathan Haffenden
Post title: Head of Commercial Business & Development
E-mail: nathan.haffenden@lewes-eastbourne.gov.uk
Telephone number: 01323 436422

1 Introduction

1.1 This paper provides an update on the progress of the Housing Revenue Account (HRA) Capital Programme for housing delivery. The projects outlined in Appendix 1 (Exempt) are at varying stages from concept to completion.

The evolving housing pipeline, including procurement methodologies, contributes towards the Council's Corporate Plan, sustainability objectives, and the Community Wealth Building (CWB) agenda.

The pipeline aspires to deliver highly sustainable homes at social rent levels, meeting both the objectives for affordability and sustainability.

2 Housing Development Pipeline

2.1 The approved capital programme includes a budget allocation within the HRA for new Council housing supply, rented and limited shared ownership, as set out in Table 1 below.

The pipeline brings forward a mix of newly acquired sites and land already owned by Lewes District Council (LDC), contributing to the Corporate Plan target. The pipeline is also supported by the activities of Aspiration Homes LLP (AHLLP), the joint venture partnership with Eastbourne Borough Council (EBC), as well as community-led housing schemes being developed by the local Community Land Trusts (CLT).

For ease of reference, the schemes in Table 1 are categorised by their progress in accordance with the Royal Institute of British Architects (RIBA) project stages:

- Stages 1-3 - Feasibility and planning
- Stage 4 - Technical design
- Stage 5 - Construction
- Stage 6 - Handover

All total units showing at stages 1-3 are subject to planning.

TABLE 1	Residential Units	Project Stage (1-6)
HRA Capital Programme		
Fire Station (Newhaven)	7	1-3
Police Station (Newhaven)	21	1-3
Ringmer Infills (Ringmer)	7	1-3
Acquisitions (Indicative)	24	1-3
Saxonbury (Lewes)	12	5
Oakfield House (Plumpton)	8	5
Old Hamsey Lakes (Chailey)	12	6
20 Fort Road (Newhaven)	13	6
Total	104	

Aspiration Homes LLP		
Anchor Field (Ringmer)	11	5
Western Road (Newhaven)	5	6
Total	16	

Community Land Trusts		
The Lynchets (Lewes)	5	1-3
Neave's Paddock (Ringmer)	4	1-3
Total	9	

Total Homes	129	
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2.2 In addition, the following sites being presented for consideration will also add to the overall number of new Council homes delivered within the district towards the Corporate Plan target:

Mill Road, Ringmer

The garage site at Mill Road was highlighted previously as having potential for the development of housing in an October 2019 Cabinet report. The site was subsequently identified as being appropriate for a specific development, to meet a particular defined housing need, with planning consent granted in March 2021.

Further details included in Appendix 1 (Exempt).

Long Park Corner, Ditchling

The assembly of land at Long Park Corner, Ditchling, which includes the Council's garage site, has been identified as having potential for a small development to include new Council housing.

The private neighbouring site has been allocated for housing in the Ditchling, Streat, and Westmeston Neighbourhood Plan 2018 and the opportunity to release more Council homes was previously considered by Cabinet on 23rd April 2018.

For consistency and efficiency, it is recommended that the two sites are developed jointly and brought forward via a single planning application. However, a legal land agreement is required to ensure that the Council's interests are sufficiently protected. Subject to securing planning approval, the scheme shall be brought back to Cabinet and supported by a full business case.

2.3 **Strategic Estate & Land Review**

2.4 A review of the Council's asset and land holdings within the HRA is also in progress to identify any further areas of opportunity that could help to bring forward more Council homes to meet the growing local demand. This forms part of the stock condition assessment process when determining current asset condition, quality, and future maintenance costs.

2.5 In this early stage of the review process, three sites have already been identified as having good prospects for delivering additional Council housing. Due to commercial sensitivity, the individual sites are detailed in Appendix 1 (Exempt).

Following a period of feasibility, due diligence, and consultation, the sites will be brought back to Cabinet for approval, prior to the appointment of a contractor and the commencement of any works.

2.6 **Modular Housing Framework**

2.7 The Council has recently advertised a procurement process to appoint a contractor via a framework agreement to support with housing delivery using modular construction. The procurement is being undertaken jointly with Eastbourne Borough Council (EBC), with LDC acting as the lead authority.

2.8 The framework will provide the Council with an additional tool when bringing forward new sustainable housing projects. It will certainly not be the only method of procuring contractors to drive the housing pipeline, which will in fact still include traditional methods of construction but increases options and diversifies delivery.

In procuring using the Council's new social value charter, the framework will contribute to the Community Wealth Building agenda, with a specific emphasis on skills, training, and employment. The companies who apply will, among other things, be assessed not only on cost but also on the sustainability of their processes, final product, and their ability to employ and train local people.

2.9 The successful-tenderer will have the ability to be awarded contracts, for appropriate development projects, over a 4-year period. This will help to provide additional pipeline and business certainty for a part of the sector that is hugely important to the sustainability agenda but typically suffers from inconsistent work. This is in-line with the governments national agenda to support and scale-up the delivery of homes using modern methods of construction (MMC).

The framework has also been made optional to other local authorities across Sussex and Greater Brighton, which will determine the overall value and scope of the framework agreement. This supports a strategy for One Public Estate (OPE),

working collaboratively with other public sector partners to collectively bring forward new Council homes but to operate more efficiently whilst doing so in practices around procurement, resource, and skill sharing.

3 Outcome expected and performance management

- 3.1 The overall outcomes of the recommendations will be the continued delivery of the Council's HRA Capital Programme to meet corporate objectives in order to bring forward more Council homes that meets local housing need. The pipeline continues to grow to meet the Corporate Plan target and the outcomes of the Strategic Estate & Land Review are expected to support with that process.
- 3.2 It is also anticipated that the Strategic Estate & Land Review could identify potential opportunities for the Council to pilot a self/custom build project as part of the community-led housing ambitions and in accordance with the Community Wealth Building agenda. A report will follow to Cabinet in the future.
- 3.3 The financial performance will be monitored through a series of financial reporting processes that will assess each project as well as the Capital Programme as a whole. Reports will be presented to Cabinet on a regular basis to provide an update on programme progress and the capacity of the HRA Business Plan.
- 3.4 Subject to approval, the Modular Housing Framework could be in place by the end of July 2021, with the first projects from the pipeline submitted for costing and delivery immediately. The framework will be managed using ten Key Performance Indicators (KPI), monitored on an annual basis over the 4-year period.

4 Consultation

- 4.1 Consultation has been undertaken on the sites that have been through the planning process, either prior to submission or during the statutory consultation process. Additional consultation has also been carried out with Ward Councillors as individual projects have progressed, and most recently leaflet deliveries to residents have been supplemented giving all stakeholders the opportunity to view the plans online.

5 Corporate plan and council policies

- 5.1 The combined housing programme, including both direct delivery via the HRA and the supporting activities of AHLLP, will contribute to the housing targets as set-out in the Corporate Plan 2020-2024 – Reimagining Lewes District.

The programme will increase the number of rented homes directly accessible to the Council across the district (including in rural locations), provide some additional low-cost homeownership options, improve the quality of HRA homes, enable community-led housing, and utilise a range of procurement techniques to aid delivery and reduce risk, underpinned by social value.

- 5.2 The Modular Housing Framework will specifically:
 - Increase sustainable house building using modular construction and innovating the more challenging infill sites.

- Use our power as a public sector body to buy and procure locally, and create local supply chains and ecosystems of enterprises, through use of circular economy principles.
- Develop local skills, supply chains, and employment through partnership working including East Sussex College Group (ESCG), other public sector organisations, social enterprises, cooperative businesses, as well as other forms of business, particularly focussing on clean, green technologies.
- Focus spending within the district, directly benefitting residents, communities, and local companies.
- Improve the energy efficiency of homes including supporting low-carbon heating technologies in our own council houses as part of the decarbonisation agenda.
- Enable more sustainable and energy efficient homes across the district, that are more cost-effective to run and cheaper to live in.
- Improve our understanding of council carbon emissions and how those are best measured, as well as reducing greenhouse gas emissions to net zero.
- Reduce waste, increasing re-use and recycling to top quartile performance.

6 Next Steps

- 6.1 The Capital Programme will progress with planning applications due shortly on the various sites at the Newhaven Police and Fire Stations, Ringmer Infills, and the CLT project at The Lynchets. Further work will continue on the pipeline over the next 12 months, tendering for contractors or progressed via the framework, with new opportunities explored and to be reported back to Cabinet in the future.
- 6.2 The Modular Housing Framework selection process commenced on 6 April 2021 and the procurement process is progressing. The framework agreement is expected to commence in July 2021.

7 Financial implications

- 7.1 The proposals outlined within this report are in accordance with the HRA Business Plan and Capital Programme for 2021/22.
- 7.2 The capital costs associated with the development of the scheme at Mill Road, Ringmer will be subject to a full business case to be approved as set out in recommendations 2 and 6. An allocation of Disabled Facilities Grant has been made for 2021-22 to cover the amount specified in Appendix 1 (Exempt).
- 7.3 Entering into a land agreement in relation to Long Park Corner, Ditchling does not commit the Council to the development if it is not viable or any costs. Subject to planning, a report will be presented to Cabinet in the future to enter a construction contract and supported by a full business case.
- 7.4 The Modular Housing Framework agreement does not commit the Council to any capital expenditure. Each individual scheme will require Cabinet approval.

8 Legal implications

8.1 Development of housing

The Council can rely on section 9 of the Housing Act 1985 (HA 1985) to undertake housing development.

8.2 Disposal of housing

The Council may rely on the March 2013 General Consent (the 2013 General Consent) to permit the disposal of unoccupied dwellings to individuals for use as their only or principal home.

8.3 Land acquisition

In relation to any land acquisition the Council has the power under Section 17 of the HA 1985 to acquire land for housing.

8.4 Development considerations

The Council will take full advice on any title issues associated with the developments and in respect of appropriate ways to address any issues revealed.

8.5 Single provider framework agreement

The Council has issued a contract notice in “Find a Tender” to commence a procurement process using the open procedure under the Public Contracts Regulations 2015 to set up a single provider framework agreement. Submissions from interested contractors were received by 7 June 2021 and the evaluation process to select the winning tender is now being carried out with the expectation that the contract can be entered into by the end of July 2021.

[009498-JOINT-CJEC 29 April 2021 010079-LDC-KS 4 May 2021]

9 Risk management implications

9.1 The key risks and mitigations are set out in the following table:

Ref	Risk	Mitigations
1	Costs for developing small sites may prove too high to be viable	By selecting small local firms to deliver sites, overheads can be kept to a minimum. Some sites can be delivered as part of a wider agreement by a modular house builder. Consideration is also being given to available Homes England grant funding.
2	Increasing construction costs due to COVID-19 and BREXIT	The market continues to be monitored closely and the viability of each scheme in the pipeline will be

	impacting on development viability	assessed on their own merits, with reference to the HRA Business Plan. Specialist / external advice will also be taken from independent agencies and the Council will look to enter into fixed price contracts wherever possible.
3	Planning may be refused on some sites	Extensive pre-application discussions are taking place on all sites prior to submission.
4	By selecting a single supplier for the modular framework there may be a limit on the number of homes that can be deliver at one time.	The successful company will have had to submit provisional plans to expand supply where necessary. The Council will continue to also utilise other procurement means to deliver the pipeline, including both MMC and traditional builds.

10 Equality analysis

- 10.1 An equality impact assessment has been undertaken and has not identified any equality impacts.

11 Environmental impact analysis

- 11.1 The design of the proposals will undergo a full review of the sustainability features (both for the construction and usage of future residents) in accordance with Council corporate priorities and in consideration of the financial viability.

The programme is being predominantly developed on brownfield sites and, where appropriate, full ecology and environmental impact surveys are being carried out. Individual impact analyses will be undertaken on any new sites identified in the future or as part of the Strategic Estate & Land Review.

12 Contribution to Community Wealth Building

- 12.1 The Modular Housing Framework selection has been undertaken using the social value charter and designed around the Corporate Plan objectives, including those focused on Community Wealth Building.

13 Appendices

- 13.1
- Appendix 1 – Housing Delivery Programme (Exempt)

14 Background papers

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

- Cabinet Report: Housing Revenue Account (HRA) and Rent Setting 2021/22 and HRA Capital Programme 2020-24 - February 2021

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