

# Cabinet

## 23 September 2021



Lewes District Council

**Time and venue:**

**2.30 pm in the Ditchling and Telscombe Rooms at Southover House, Southover Road, Lewes, BN7 1AB**

**Membership:**

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

**Quorum: 4**

*Published: Wednesday, 15 September 2021*

## Agenda

**1 Minutes of the meeting held on 8 July 2021 (Pages 5 - 14)**

**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 Corporate Plan: Achievements and forward look (Pages 15 - 22)**

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

## **9 Portfolio progress and performance report quarter 1 - 2021-2022 (Pages 23 - 32)**

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

## **10 Finance update - performance quarter 1 - 2021-2022 (Pages 33 - 42)**

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

## **11 Medium Term Financial Strategy (Pages 43 - 84)**

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

## **12 Housing development update (Pages 85 - 94)**

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

(This report contains exempt appendices. Any discussion of these must take place at item 14 following exclusion of the public.)

## **13 Exclusion of the public**

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

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

## **14 Housing development update - Exempt appendices (Pages 95 - 98)**

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.

**Email:** [committees@lewes-eastbourne.gov.uk](mailto:committees@lewes-eastbourne.gov.uk)

**Telephone:** 01323 410000

**Council website:** <https://www.lewes-eastbourne.gov.uk/>

**Modern.gov app available:** View upcoming public committee documents on your device. Free modern.gov [iPad app](#) or [Android app](#) or [Microsoft app](#) .



## Cabinet

**Minutes of meeting held in Lewes Leisure Centre, Mountfield Road, Lewes, BN7 2XG on 8 July 2021 at 2.30 pm.**

**Present:**

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

**Officers in attendance:**

Tim Whelan (Director of Service Delivery), Becky Cooke (Assistant Director for Human Resources and Transformation), Andrew Clarke (Deputy Chief Finance Officer (Financial Planning)), Oliver Dixon (Head of Legal Services), Nathan Haffenden (Head of Commercial Business Development), Ola Owolabi (Deputy Chief Finance Officer (Corporate Finance)), Kate Richardson (Strategy and Partnership Lead for Sustainability), Simon Russell (Head of Democratic Services), Peter Sharp (Head of Regeneration) and Seanne Sweeney (Strategy and Commissioning Lead for Community and Partnerships).

**Also in attendance:**

Councillor Liz Boorman and Councillor Joe Miller (Chair of Policy and Performance Advisory Committee).

**11 Minutes of the meeting held on 10 June 2021**

The minutes of the meeting held on 10 June 2021 were submitted and approved and the Chair was authorised to sign them as a correct record.

**12 Apologies for absence**

Apologies for absence were reported from Councillor Carr and visiting members, Councillors Linington (Leader of the Opposition) and Peterson (Chair of Audit and Standards Committee).

**13 Declarations of interest**

Councillor O'Keeffe declared a personal interest in agenda item 13 (Community Grants Policy) as a Trustee of Lewes Citizens' Advice Bureau. She remained in the room but did not vote on the item.

**14 Order of business**

The Chair agreed to re-arrange the order of business, due to a requirement to go into exempt session to discuss the recommendation from Policy and

Performance Advisory Committee for agenda item 11 (Investing in green energy initiatives- update).

**15 Portfolio progress and performance report 2020/21 - quarter 4 and end of year summary**

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, concerning the Council's progress and performance in respect of key projects and targets for the fourth quarter of the year, as detailed at Appendix 1 to the report.

Staff were commended for their professionalism and dedicated service during the challenging periods of the Covid-19 pandemic. In many areas over the last 12 months, service levels had exceeded targets and days taken to process new claims for council tax and housing benefits and changes in circumstances had peaked at its strongest performance in 20 years.

The Policy and Performance Advisory Committee (PPAC) at its meeting on 30 June 2021, made the following recommendation to Cabinet:

To support the officer recommendations in the Cabinet report subject to the following additional recommendation being considered by the Cabinet:

**That the Cabinet request that officers look into providing more information on volumes of waste going to landfill/incineration, including historical trends and benchmarking information, and that a communication strategy/campaign on waste reduction alongside recycling be developed'.**

Councillor Miller, Chair of PPAC, was in attendance to present PPAC's discussion. The Director of Service Delivery suggested an additional resolution to Cabinet to address PPAC's recommendation. This was unanimously agreed by Cabinet and detailed below. Separate to the resolution, engagement work with the Portfolio Holder for Recycling, Waste and Open Spaces would take place on strengthening the communications around reuse and recycling.

**Resolved (Non-key decision):**

(1) To note progress and performance for Quarter 4 and 2020- 21 performance.

(2) To note the targets for 2021-22.

(3) To request that officers provide more analysis on waste and recycling in the narrative of the existing key performance indicators in the performance report and provide a waste report for a future Policy and Performance Advisory Committee, with an explanation of data, trend analysis and benchmarking against other authorities.

**Reason for decisions:**

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

**16 Provisional Revenue and Capital Outturn 2020/21**

The Cabinet considered the report of Chief Finance Officer, updating them on the provisional outturn for 2020/21.

The 2020/21 financial year saw significant challenges with the impact of Covid-19 pandemic and associated lockdown. Through the measures set out in the report, the Council was able to mitigate the unprecedented risk to its finances and key services, ending the year in a balanced position.

Policy and Performance Advisory Committee (PPAC), held on 30 June 2021, considered the report and were supportive of the officer recommendations in full. Councillor Miller, Chair of PPAC, was in attendance to present PPAC's discussion.

**Resolved (Key decision):**

(1) To endorse the provisional outturn for 2020/21.

(2) To approve the transfers from/to reserves as set out in section 3.2 of the report.

**Reason for decision:**

To enable Cabinet members to consider specific aspects of the Council's financial performance for 2020/21.

**17 Treasury management annual report 2020/21 and latest TM monitoring**

The Cabinet considered the report of the Chief Finance Officer, presenting the Annual Treasury Management Report for 2020/21 and the latest monitoring report.

Policy and Performance Advisory Committee (PPAC), held on 30 June 2021, considered the report and were supportive of the officer recommendations in full. Councillor Miller, Chair of PPAC, was in attendance to present PPAC's discussion.

**Recommend to Full Council (Budget and policy framework):**

(1) To agree the Annual Treasury Management report for 2020/21.

(2) To approve the 2020/21 Prudential and Treasury Indicators included in the report.

(3) To 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.

**Reason for decisions:**

Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.

**18 Re-imagining Newhaven**

The Cabinet considered the report of the Deputy Chief Executive and the Director of Regeneration and Planning, providing an update on the Future High Streets Fund project.

The Policy and Performance Advisory Committee (PPAC) at its meeting on 30 June 2021, made the following recommendation to Cabinet:

To support the officer recommendations in the Cabinet report subject to the following additional recommendation being considered by the Cabinet:

**That the Cabinet write a letter of thanks to the Ministry of Housing Communities and Local Government, for the Future High Streets Fund grant and thank those officers at the Council who have worked towards the Re-imagining Newhaven programme.**

Councillor Miller, Chair of PPAC, was in attendance to present PPAC's discussion. The Cabinet agreed unanimously to incorporate PPAC's recommendation into their resolution detailed below.

In response to a question from Councillor Meyer, Councillor MacCleary confirmed that the Council had put in place funding if necessary to address any shortfall for the regeneration work but would hope not to need it. The Council was structuring funds to ensure any money it spent was money it had. The Council would continue to apply for further funding and write to regional bodies for support.

**Resolved (Non-key decision):**

(1) To note the Future High Streets Fund capital grant award from MHCLG and that this represents a considerable achievement for the Council.

(2) To note the timescales to deliver the Re-imagining Newhaven programme.

(3) To delegate authority to the Director of Regeneration and Planning, in consultation with the Lead Member for Regeneration and Prosperity, to:

(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.

(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.

(5) To write a letter of thanks to the Ministry of Housing Communities and Local Government, for the Future High Streets Fund grant and thank those officers at the Council who have worked towards the Re-imagining Newhaven programme.

**Reason for decisions:**

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.

*Notes: (1) The appendix remained exempt. (2) Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

**19 Community Grants Policy**

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, asking them to adopt the new Community Grants Policy and to agree the proposed funding allocations set out in the prospectus. The proposed increase in funding would recognise the contribution of the voluntary sector across Lewes District.

Thanks were conveyed to the cross-party Grants Working Group, for their work and support as part of the process.

Policy and Performance Advisory Committee (PPAC), held on 30 June 2021, considered the report and were supportive of the officer recommendations in full. Councillor Miller, Chair of PPAC, was in attendance to present PPAC's discussion.

Visiting member and Deputy Leader of the Opposition, Councillor Boorman addressed the Cabinet and welcomed the recommendations in the report.

Councillor O’Keeffe declared a personal interest in this item as a Trustee of Lewes Citizens’ Advice Bureau. She remained in the room but did not vote on the item.

**Resolved (Key decision):**

(1) To adopt the new Community Grants policy at appendix 1 to the report.

(2) To agree the proposed funding allocations set out in the prospectus at appendix 2 to the report.

**Reason 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.

*Notes: (1) Appendix 2 remained exempt. (2) Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

**20 Housing development update**

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, updating them on the progress of new housing developments.

The Council had developed a pipeline of new affordable homes and there were currently 129 Council properties either moving through the planning process, under construction or completed with local families living in them. The Council had also undertaken a competitive procurement exercise to appoint a modular housing specialist to a framework agreement. This would speed up the process for appointing a contractor and saved significant costs by not having to repeatedly go through a lengthy tendering process. The framework would also contribute to the Community Wealth Building agenda, with a specific emphasis on skills, training and employment.

Policy and Performance Advisory Committee (PPAC), held on 30 June 2021, considered the report and were supportive of the officer recommendations in full. Councillor Miller, Chair of PPAC, was in attendance to present PPAC’s discussion.

Visiting member and Deputy Leader of the Opposition Group, Councillor Liz Boorman, addressed the Cabinet on this item. She welcomed the development of affordable homes and requested that the Cabinet look into supplying affordable homes in towns and villages not included in the proposals, such as Seaford. The Cabinet acknowledged the need of investment across the District

and confirmed that officers were continuing to explore opportunities to do so.

The Cabinet were also given an update on the Council's acquisition programme. The Housing Revenue Account (HRA) capital programme contained a budget for acquisitions and individuals who had bought properties through the Right To Buy scheme in the last 10 years were required to offer it back to the Council at the first instance.

Following the general discussion amongst Cabinet members, Cabinet resolved to exclude the public whilst clarifying a question from Councillor O'Brien on the exempt appendix, as otherwise there was a likelihood of disclosure to them of exempt information as defined in schedule 12A of the Local Government Act 1972, paragraph 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

Following discussion of the exempt appendix, the public meeting resumed.

Cabinet unanimously agreed to an amendment to resolution 6, to include consultation with the Portfolio Holder for Finance and Assets and this was detailed below.

**Resolved (Key decision):**

(1) To note the progress of the Housing Revenue Account (HRA) Capital Programme, alongside other schemes for housing delivery. This is set out at Exempt Appendix 1 to the report.

(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, Portfolio Holder for Finance and Assets 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 decisions:**

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

*Notes: (1) Appendix 1 remained exempt. (2) Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

**21 Investing in green energy initiatives- update**

The Cabinet considered the report of the Deputy Chief Executive and the Director of Regeneration and Planning, providing an update to the work initiated by the report considered at Cabinet on 25 March 2021.

The Policy and Performance Advisory Committee (PPAC) at its meeting on 30 June 2021, made the following recommendation to Cabinet:

To support the officer recommendations in the Cabinet report subject to the following amended recommendation (1) being considered by the Cabinet:

- (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 the loan agreement being made directly with OVESCO Ltd, and* subject to further due diligence being carried out, satisfactory loan terms and milestones being agreed**

Following presentation of the report, Cabinet resolved to exclude the public whilst discussing the exempt appendix, recommendations from PPAC and comments from visiting members, as otherwise there was a likelihood of disclosure to them of exempt information as defined in schedule 12A of the Local Government Act 1972, paragraph 3 – Information relating to the financial and business affairs of any particular person (including the authority holding that information)

Following discussion of the PPAC recommendation and exempt appendix, the public meeting resumed, and Cabinet unanimously agreed the officer recommendations as set out in the report.

**Resolved (Key decision):**

- (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

the 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.

**Reason for decisions:**

(1) 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.

(2) Supporting community energy generation could enable community investment and assist with community wealth building objectives.

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

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

(5) 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.

*Notes: (1) The appendix remained exempt. (2) Exempt information reason 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

The meeting ended at 3.46 pm

Councillor James MacCleary (Chair)

This page is intentionally left blank

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Title:</b>	<b>Corporate Plan: Achievements and forward look</b>
<b>Report of:</b>	<b>Ian Fitzpatrick, Deputy Chief Executive/ Director of Regeneration and Planning</b>
<b>Cabinet member:</b>	<b>Councillors Zoe Nicholson, Leader of the Council and Chris Collier, Cabinet member for performance and people</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To consider the Council's progress with the Corporate Plan 2020-24 aspirations</b>
<b>Decision type:</b>	<b>Non-key</b>
<b>Officer recommendation(s):</b>	<b>To note progress with the Corporate Plan aspirations and future plans</b>
<b>Reasons for recommendations:</b>	<b>To enable Cabinet members to consider specific aspects of the Council's progress and performance.</b>
<b>Contact Officer(s):</b>	<b>Name: Millie McDevitt Post title: Organisational Effectiveness and Performance Lead E-mail: Millie.McDevitt@lewes-eastbourne.gov.uk Telephone number: 01273 085637 / 01323 415637</b>

---

## **1 Introduction**

- 1.1 This report sets out the results of a review which has been undertaken of the Council's four year plan (2020 – 2024) at the end of the first year. The report notes achievements in year 1 as well as providing a forward look to future years of the plan.

## **2 Overview**

- 2.1 The Lewes District Council Corporate Plan 'Re-imagining Lewes District' focuses on building a sustainable local economy that retains wealth locally, addresses inequalities and underpins our work to become a carbon net zero authority. Soon after the adoption by Full Council of the Corporate Plan in February 2020, a global pandemic was declared. Despite the district being in lockdown for much of 2020/21, significant progress has been made towards achieving the goals and objectives of the LDC Corporate Plan.

## 2.2 Key Achievements:

The LDC Corporate Plan “Reimagining Lewes District” has three over-arching objectives, as well as making sure that we get our customer services right first time:

- 1) Providing leadership to the district on tackling climate emergency
- 2) Creating sustainable community wealth
- 3) Building homes that you can afford to live

Appendix 1 provides a fuller list of LDC’s achievements with some of those listed below. Elsewhere on this agenda is a housing report.

1. The **Council has delivered £34.1m in support to Lewes District businesses** and supported businesses during the pandemic through the fast-tracked distribution of Government grants to small businesses and launching a dedicated online portal to receive and process applications quickly using automation. The portal continues to be used as the delivery mechanism to deliver the most recent restart grant scheme.
2. Full refuse, street cleaning and recycling waste services continued despite Covid-19. In addition, there was a review of waste and recycling facilities at every block of flats in Lewes district resulting in over 100,000 litres of additional recycling capacity being created.
3. Lewes District Carbon neutral 2030- A comprehensive plan for action/ strategy was produced. Full details of this are available in previous Cabinet reports.
4. Community Wealth building: Launched an ambitious action plan to build local wealth in the Lewes district which will help transform the district into one that retains wealth locally, is more sustainable, greener and brings greater benefits for people living here. Examples of some achievements: procuring a new East Sussex-based social enterprise for the management of Newhaven Enterprise Centre earlier this year; ongoing delivery of the Local Enterprise & Apprenticeship Platform (LEAP) to provide local skills needed to start and grow a business locally and provide advice to existing businesses; creation of "Eatlocal" and "Shopslocal" websites to promote local suppliers, producers and independent retailers with a "MakeLocal" website also underway to support the local creative and manufacturing sectors.
5. Revised the council tax reduction scheme to provide more support for those on low incomes or incurring financial hardship and introduced an ethical debt collection service

- 2.3 **Performance:** Measuring and publishing the performance out-turn of service areas is done throughout the year to ensure transparency and accountability to our local community. 2020-21 has been a year of exceptional performance, despite the Covid-19 pandemic. All service areas very quickly adapted to new operating methods to ensure that residents’ needs and those of others in the Lewes District community were met through delivering services which kept our



staff safe and allowed them to work efficiently, productively and in a Covid-safe way.

### **3 Corporate plan: 2021 onwards**

3.1 The aspirations of the Corporate Plan remain as strong as ever, despite the seismic effects of the global pandemic and the commitment of Lewes District Council to achieve these is unwavering. The appendix provides some information on our plans for the upcoming years. In brief some key actions under the Corporate Plan headings include:

- Working with district residents to increase the percentage of household waste sent for reuse, recycling and composting.
- Continuing with our work around community wealth building including through the implementation of a social value charter which will have direct, visible positive effects around the district.
- Developing energy generation in the district through investing in a solar farm.
- Working in partnership with others in Sussex to decarbonise our social housing.
- New Local Plan
- Prioritising healthy homes and places.

3.2 With any multi-year plan, delivery and implementation of certain activities will need to continue to be kept under review, particularly given the ongoing effects of Covid-19. As has been reported throughout 2020-21, and in line with most local councils, Lewes District Council has suffered financially during the pandemic. Because of this, the exact details of delivery of the corporate plan and timings thereof will continue to be evaluated to ensure that it still remains appropriate and relevant to delivering the needs and requirements of the district's residents, businesses, voluntary and community organisations and other valued members of the community.

### **4 Financial appraisal**

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

### **5 Legal implications**

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

### **6 Risk management implications**

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

## **7 Equality analysis**

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

## **8 Appendices**

- Appendix 1 –Corporate Plan- Year 1 achievements



# Lewes District Council

## Corporate Plan 2020-24

*‘Re-imagining Lewes District’*


Year 1 achievements and forward look

“Welcome to the review of our plan. You need to read this alongside **our plan** as it provides a review of the progress towards our outcomes and goals to re-imagine Lewes District as a more sustainable and fairer place to live and work. Despite the impact of the pandemic on our community, we have attempted to accelerate our plans to do even better for you, our residents. Below is what is a small sample of what we are most proud of and what we commit to for the next two years. It’s not everything, but it is some of our priorities.”

## Your Services

### Getting it right first time

#### Year 1 – 2020/21

- Our annual out-turn on call handling has exceeded previous year.
-  **Average time taken to answer calls:**  
 2019/20: 1 min 40secs    2020/21: **31 secs** (target of 1 min)
- 100,000** litres additional recycling capacity at flats created following council review
- More than **£40,000** of financial support to local groups and food banks
- Revised council tax reduction scheme to provide more support for those on low incomes or incurring financial hardship.
- We got faster at dealing with your housing benefit enquiries through the pandemic, and now the average time to process your claim is 13 days – that’s the best performance for 20 years.

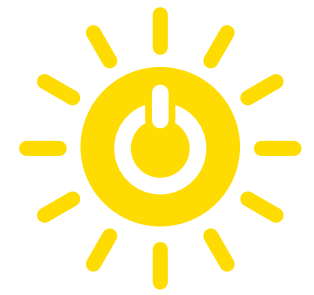
- We delivered £42 million of Covid Business grants and rate relief to business across Lewes District.

#### 2021-2023 plans

- Increase percentage of household waste sent for reuse, recycling and composting – dry, food and green to 48%
- Continuation of targeted customer contact to further improve customer satisfaction and outcomes.
- Improve our waste fleet to achieve our carbon net zero targets
- Put our housing benefit, council tax, taxi licence and business rate system online, taking as much as possible off paper.
- Resource a Green team to meet the challenges of climate change and our commitment to carbon net Zero.



# Sustainability and Climate change



## Year 1 – 2020/21

- Climate change and sustainability strategy launched  
[www.lewes-eastbourne.gov.uk/community/climate-change](http://www.lewes-eastbourne.gov.uk/community/climate-change)
- Joined the Warmer Sussex Project: 16 clients – **86.6 tonnes CO<sup>2</sup> saved**
- Biodiversity strategy launched.
- Planted 40,000 new trees and 415 miles of new hedgerow as part of Sussex Flow in the River Ouse area.
- Banned pesticides already helping wildlife.
- Developed new planning guidance on sustainability, biodiversity, local jobs, and the circular economy.
- Developing a green burial site in the district.

## 2021-23 plans

- Developing energy generation in the district through investing in a Solar farm in the Ouse valley.
- Wildflower expansion across the district.
- Working in partnership with other authorities across Sussex, local businesses and local academic institutions to provide an effective and efficient regional approach to decarbonising council housing.
- A new rain garden at Bell Lane, Lewes, to treat road water runoff from Bell Lane.
- Realign the Cockshut stream to create a new nature area, create new wildlife areas, and find a piece of land to create a new woodland forest, increase wildflower glades where possible.
- Put in place 10 new bike parklets and a zero carbon eCargo Bike delivery pilot.
  - More EV charging points in our car parks.
- Stand up for local residents and green spaces by challenging the government over proposed planning reform.
- Supporting a £2.5 million OUSE Valley CARES partnership delivering climate change projects along the Ouse Valley, Newhaven and Seaford.





# Community Wealth building



## Year 1 – 2020/21

- Ambitious action plan launched to build local wealth in the Lewes district.
- Ongoing delivery of the Local Enterprise & Apprenticeship Platform (LEAP) to provide local skills needed to start and grow a business locally and provide advice to existing businesses.
- Supported Wave Leisure to carry on delivering during the pandemic and ensuring we have excellent quality leisure services in the future.
- Helped enable the re-opening of Newhaven Fort.

## 2021-23 plans

- Implementation of a Social Value Charter to secure Social Value commitments from contracts that will benefit the economic, social and environmental well-being of the area.
- Introduction of new grants prospectus and transparent bidding process.
- Achieve Living Wage accreditation for the council.
- Implementation of Re-imagining Newhaven programme for Newhaven town centre funded by Future High Streets fund (delivery completed by March 2024).
- Begin implementation of our Town Investment Plan for Newhaven (delivery to 2026).
- Delivery of new commercial and community facilities for the former UTC building in Newhaven.
- Retrofit our council homes with other local authorities across Sussex.



# Housing and Development

## Year 1 – 2020/21

- Old Hamsey Lakes development in South Chailey.
- Cutting edge new development in Newhaven - Palmerston House. 13 one and two-bedroom apartments equipped to the highest specification, in terms of standard and desirable features, sustainability credentials and fire safety standards.
- Funding advice services provided by Citizens Advice, Brighton Housing trust and YMCA.
- Being transparent with residents in the development of our new Local Plan while challenging government over planning reform.
- Built, or have in the pipeline to complete, in excess of 140 Councils homes in Lewes, Ringmer, Newhaven and our villages.

## 2021-23 plans

- New Local Plan and associated housing planning policy.
- New Housing strategy.
- Prioritise Healthy homes and places following principles promoted by the Town and Country Planning Association.
- Lobby Government to scrap the system of housing targets allocated by algorithm.
- Monitor the conversion of shops to housing under the new permitted development rights and ensure we take action if they are damaging our high streets.
- Add at least another 60 highly sustainable council homes at social rents to our housing stock.
- Use our ground breaking modular housing framework to support the development of a pipeline of highly sustainable homes.



<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Title:</b>	<b>Portfolio progress and performance report 2021/22- quarter 1</b>
<b>Report of:</b>	<b>Ian Fitzpatrick, Deputy Chief Executive/ Director of Regeneration and Planning</b>
<b>Cabinet member:</b>	<b>Councillor Chris Collier, Cabinet member for performance and people</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To consider the Council's progress and performance in respect of service areas for the first quarter of the year (April-June 2021) as shown in Appendix 1.</b>
<b>Decision type:</b>	<b>Non-key</b>
<b>Officer recommendation(s):</b>	<b>To note progress and performance for Quarter 1</b>
<b>Reasons for recommendations:</b>	<b>To enable Cabinet members to consider specific aspects of the Council's progress and performance.</b>
<b>Contact Officer(s):</b>	<b>Name: Millie McDevitt Post title: Organisational Effectiveness and Performance Lead E-mail: <a href="mailto:Millie.McDevitt@lewes-eastbourne.gov.uk">Millie.McDevitt@lewes-eastbourne.gov.uk</a> Telephone number: 01273 085637 / 01323 415637</b>

---

## **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 Corporate plan and council policies**

- 2.1 This report sets out the Council's performance in the first quarter of 2021/22 against its aspirations as set out in the Corporate Plan 2020-24.

### **3 Financial appraisal**

- 3.1 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.

### **4 Legal implications**

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

### **5 Risk management implications**

- 5.1 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.

### **6 Equality analysis**

- 6.1 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.









### **7 Appendices**

- Appendix 1 – Portfolio Progress and Performance Report (Quarter 1 2021/22)















## Lewes District Council Portfolio Progress and Performance Report Quarter 1 2021-2022 (April to June 2021)

- **Councillor Zoe Nicholson**, Leader of the Council and Cabinet member for finance and assets
- **Councillor James MacCleary**, Deputy leader of the Council, Chair of Cabinet and Cabinet member for regeneration and prosperity
- **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	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
<b>1.(Finance)</b> Maximise amount of Council Tax collected during the year	97.00%	28.48%	96.88%	29.48%	29.20%			The collection rate is 0.28% above target which equates to £231k in financial terms. On the 27th May the first Liability Order Hearing relating mainly to the non-payment of Council Tax for this financial year was held and a total of 907 Liability Orders were issued totalling £914k. Further action is ongoing to recover the sums due if no arrangement to pay has been made or there has been no engagement from the liable person(s). This will be either invoking attachments to benefits or earnings if employment status is known or referral to an Enforcement Agent (bailiff).
<b>2.(Finance)</b> Maximise amount of Business Rates collected during the year	97.50%	27.91%	95.39%	24.05%	27.91%			The collection rate is 3.86% below target which equates to £900k. During the CV-19 pandemic the government changed the rules regarding eligibility for retail discount. In 2020/21 businesses could claim 100% discount for the entire year, however the Chancellor amended the rules in the March budget meaning businesses could only claim 100% relief until 30 June. A further 66% discount could be claimed for the remainder of the financial year capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties including businesses permitted to open at that date. So far 252 businesses have applied and been awarded 66% discount totalling £2m. This has substantially increased the net collectable debit.
<b>3.(Community and Customers)</b> Average number of days to process new claims for housing/council tax benefit	17	15.2	9.1	17.8	17			Performance is slightly behind the more challenging target that was set at 17 days for this year. The 2020/21 target was 22 days. The team are in the process of drawing up a plan to bring performance below the target.
<b>4.(Community and Customers)</b> Average days to process change of circumstances (Housing/Council Tax Benefit)	6.0	6.8	6.1	6.5	6.0			Performance is slightly behind the more challenging target that was set at 6 days for this year. The 2020/21 target was 8 days. The team are in the process of drawing up a plan to bring performance below the target.



KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021				Latest Note
		Value	Value	Value	Target	Status	Short Trend	
<b>5.(Community and Customers)</b> Increase the percentage of calls to the contact centre answered within 60 seconds	80%	88.78%	79.78%	49.81%	80%			Number of telephone calls: April- 7893 May- 7948 June-9133 # of calls to Coronavirus helpline (Joint with EBC): April- 83 May-22 June-29  Customer contact has seen an increase in demand in this quarter as our receptions, courts and business re-opened after closure through the pandemic, seeing a peak of 9133 calls compared to 7800 the previous quarter, alongside a recruitment campaign for new staff. Despite that our average times to answer calls in the quarter was 150 seconds  The demand and our recruitment campaign has highlighted a need to develop bank staff and we will be holding open days to promote positions that will be suitable to apply for as bank staff, and we are committed to quarter 2 being a much more positive outturn.
<b>6.(Housing)</b> Decrease total number of households living in emergency (nightly paid) accommodation	Data only	45	37	25	Data only			During Q1 there has been a significant reduction of households in emergency accommodation (EA), and at end-June there were 25 households in EA, down 32% compared to end-Q4 2020/21. As reflected in the data, the service has been working tirelessly to reduce the number of households in EA during Q1 and moved 30 households on from EA during this time. During the quarter, our Specialist Advisor (Landlord Liaison) has been finalising our new Landlord Incentive Scheme, which is due to go live in the coming weeks. This scheme includes an offering of a rent guarantor to homeless households, who have often found it challenging to secure rented accommodation without. We have launched a series of self-help guides to enable our customers to better help themselves. These guides are part of our project to redesign the way we deliver our housing advice and assistance service; allowing us to better focus our resources on the most vulnerable. The reshaping of Housing Needs and Standards, as part of the Councils Reshaping Services Programme, is underway and the second version of the consultation pack has been shared with staff. The proposed service structure introduces a new 'accommodation' team to bring all housing options (e.g. private rent and social housing) into a single team to support homeless households. Finally, the council's Accelerating Change Board has approved the implementation of Abtrias (a Civica product) to replace our existing Housing Options Module (Housing CX). Abtrias will provide greater self-service for our customers, automation and overall efficiencies.



## Other Performance Indicators

KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021			Latest Note	
		Value	Value	Value	Quarterly Target	Status		Short Trend
7. <b>Housing:</b> Decrease average number of days to re-let Council homes (excluding temporary lets)	20.0	8.0	37.4	33.6	20			There have been some delays in this quarter due to material supply shortages and labour shortages, these matters are being addressed and we have changed the contract management of major voids.
8. <b>Housing:</b> DFGs - Time taken from council receiving a fully complete application to the council approving the grant	14 days	4 days	5 days	4 days	14			This performance indicator measures the part of the process that the council has control over. In total, under statutory law DFGs must be processed with 6 months and LDC is currently processing them well within this.
9. <b>Housing:</b> Rent arrears of current tenants (expressed as a percentage of rent debit) (L)	3.5%	5.02%	3.82%	3.98%	3.5%			Rent arrears were at 5.02% in Q1 in 2020 and the team have worked hard to reduce them through the pandemic. Given their successful outcomes, the target was reduced from 4% to 3.5%, despite the economic challenges presented by Covid. There was a slight increase in arrears in Q1 of 0.17% compared to the last quarter and we recognise demand is likely to grow through the year so have an on-going recruitment and training program for this team.
10. <b>People and performance:</b> Number of new sign-ups to the Councils' social media channels	600	403	236	168	150			Q1 has seen slower than average growth in the rate of new followers on twitter and Facebook. Work has been underway in recent months to grow number the LinkedIn and Instagram followers the council has - these will be reflected in future reporting periods.
11. <b>People and performance:</b> Number of people registering for our email service	3000	2,706	5,406	3,318	750			The number of new users registering for our email alert service remains good, as a result of people opting-in to receive our email alerts when registering for a My Account.

KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021			Latest Note	
		Value	Value	Value	Quarterly Target	Status		Short Trend
<b>12. People and performance:</b> Average days lost per FTE employee due to sickness (J)	<b>8.0 days</b>	1.63 days	<b>1.72 days</b>	1.82 days	2 days			<p>This is the first quarter of reporting average days lost due to sickness for our entire staff group for the period 2021/22. During the period there has been some easing of national Covid restrictions and the roll out of the vaccination programme has been much more accessible to many of our staff, however the majority of staff who are able, continue to work from home. Sickness levels are within target for Q1 with 1.82 days being recorded, this is a slight increase from Q4 which was 1.72 days in Q4.</p> <p>If we remove LDC Waste Services, the Q1 figure reduces to 1.28 days (reduction from Q4) and Waste Services on its own is 5.12 days, which is an increase from 4.25 days in Q4. 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 2 (those staff reporting symptoms) which was a decrease from 11 in Q4. 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 17 staff absent due to a reaction to drugs which we believe is related to those staff receiving a vaccination. If we remove these types of absence from our Q1 figure that number reduces to 1.76 days.</p> <p>Although sickness levels remain low, HR Business Partners continue to support managers and staff in managing any attendance issues that arise.</p>
<b>13.Planning:</b> % of appeals allowed against the authority's decision not to grant planning permission (2 year rolling government figures)	<b>10.0% (annual and quarterly data)</b>	100.0%	Major- 3.2% Minor- 1.3%	<b>Major- 3.2%</b> <b>Minor- 1.1%</b>	<b>10.0%</b>			For the Government survey period (24months ending Sept 2019)

KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021			Latest Note	
		Value	Value	Value	Quarterly Target	Status		Short Trend
								31 decisions on major planning applications taken 1 appeal overturned = 3.2%  1025 decisions made on minor planning applications with 11 appeal overturned = 1.1%
14. <b>Planning:</b> Exceed government targets for the % of major applications determined within 13 weeks - LDC	60%	75%	83.33%	100%	60%			2 applications in this period.
15. <b>Planning:</b> Exceed government targets for the % of minor applications determined within 8 weeks- LDC	70%	83.5%	50.81%	56.31%	70%			Planning departments in councils are experiencing similar pressures to Lewes District council.  There is an improvement over the previous quarter and with the team's efforts in reducing the time taken to validate applications, this percentage should further increase in the coming quarters.
16. <b>Recycling &amp; Waste:</b> KG waste collected per household	Data only	112.9	111.6	115	Data only	Data only		<ul style="list-style-type: none"> <li>• April = 41kgs</li> <li>• May = 38kgs</li> <li>• June= 36kgs</li> <li>• Q1 average: 38.33kgs per HH</li> <li>• Q1 total: 115kgs</li> </ul> <p>This quarter's data suggests that residual waste per household has remained stable compared to the end of the previous year's Q4 for 2020/21 of 115.50kgs.</p> <p><i>N.B. ESCC (as the waste disposal authority) provide the closing data for this calculation which is not yet available. In the meantime, raw data taken from vehicle weighbridge tickets has been used (d-n ÷ number of dwellings).</i></p>

KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021			Latest Note	
		Value	Value	Value	Quarterly Target	Status		Short Trend
17. <b>Recycling &amp; Waste:</b> Percentage of household waste sent for reuse, recycling and composting	48.00%	43.25%	40.98%	TBC	48%			We await confirmed data for this.  <i>N.B. ESCC (as the waste disposal authority) provide the closing data for this calculation which is not yet available.</i>
18. <b>Recycling &amp; Waste:</b> Total number of reported fly-tipping incidents	180	65	55	64	5			Total number of fly tipping fines in Q1 = 64.  We have successfully installed a camera in the Hollow that has reduced flytipping in this area and we will be installing a second in Ousedale. No evidence was found in any fly tips that have allowed further investigation and potential prosecution.  Full details of fly tipping this quarter are below.  <b>April</b> Between the 1st of April 2021 and the 30th April 2021 there were a total of 26 confirmed fly tipping reports compared with 17 for the same period the previous year. This shows an increase of 9 for the month.  Hotspots <ul style="list-style-type: none"><li>Ouse Valley and Ringmer Ward Ditchling &amp; Westmeston</li></ul> <b>May</b> Between the 1st of May and the 31st of May 2021 there were a total of 16 confirmed fly tipping reports compared with 24 for the same period

KPI Description	Annual Target 2021/22	Q1 2020	Q4 2020	Q1 2021			Latest Note	
		Value	Value	Value	Quarterly Target	Status		Short Trend
								<p>the previous year. This shows a decrease of 8 for the month.</p> <p>Hotspots: Ditchling and Westmeston Ward</p> <p><b>June</b></p> <p>Between the 1st of June 2021 and the 30th of June 2021 there were a total of 22 confirmed fly tipping reports compared with 25 for the same period the previous year. This shows a decrease of 3 for the month.</p> <p>Hotspots: East Saltdean and Telscombe Cliffs Ward</p>
<p><b>19. Sustainability:</b> Air Quality: Number of times nitrogen dioxide levels exceed national air quality objectives (200 µg/m3 hourly mean ave.)</p>	18	0	0	0	0			Non ratified data.



<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Subject:</b>	<b>Finance update – Performance Quarter 1 2021/22</b>
<b>Report of:</b>	<b>Homira Javadi, Chief Finance Officer</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson, Leader of the Council, Cabinet Member for Finance and Assets</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of the report:</b>	<b>To update members on the Council’s financial performance in Quarter 1 2021/22</b>
<b>Decision type:</b>	<b>Non Key</b>
<b>Recommendation:</b>	<b>Cabinet is recommended to</b> <ol style="list-style-type: none"><li><b>1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended June 2021.</b></li><li><b>2. Agree the amended capital programme as set out in Appendix 2.</b></li></ol>
<b>Reasons for recommendations:</b>	<b>To enable Cabinet members to consider specific aspects of the Council’s financial performance.</b>
<b>Contact:</b>	<b>Homira Javadi, Chief Finance Officer Tel: 01323 415512 or email Homira.Javadi@lewes-eastbourne.gov.uk</b>

## **1.0 Introduction**

- 1.1 It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.
- 1.2 A report on the financial performance following the end of each quarter is made to Cabinet to ensure that the financial health of the General Fund, Housing Revenue Account and Capital Programme activities are kept under continual review.

## 2.0 General Fund

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

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30th June £'000	Variance to date £'000
<b>SUMMARY</b>				
Corporate Services	3,272	731	707	(24)
Service Delivery	7,431	1,430	1,416	(14)
Regeneration, Planning & Assets	595	285	414	129
Tourism & Enterprise Services	445	112	112	0
<b>Total Service Expenditure</b>	<b>11,743</b>	<b>2,558</b>	<b>2,649</b>	<b>91</b>
Contingencies	350	0	0	0
Capital Financing and Interest	1,050	(102)	(102)	0
Income Recovery	(300)	0	0	0
Contributions to/(from) Reserves (Year end transactions)	1,181	0	0	0
<b>Net Expenditure</b>	<b>14,024</b>	<b>2,456</b>	<b>2,547</b>	<b>91</b>
<b>Financing</b>				
Council Tax	(7,998)	(1,999)	(1,999)	0
Business Rates	(4,951)	(1,238)	(1,238)	0
Government Grants	(1,075)	(338)	(436)	(98)
<b>Total Financing</b>	<b>(14,024)</b>	<b>(3,575)</b>	<b>(3,673)</b>	<b>(98)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>(1,119)</b>	<b>(1,126)</b>	<b>(7)</b>

2.2 The position at the end of June shows a net underspend of £7k. Variances as at 30 June included:

	£000's	£000's
<b>Corporate Services</b>		
IT – operational savings	(24)	(24)
<b>Service Delivery</b>		
Summons cost/liability order – income shortfall	43	
Licensing income shortfall	9	
Green Waste – additional income	(66)	(14)
<b>Regeneration &amp; Planning</b>		
Car parks – reduced income	172	
Investment properties – net reduced income	20	
Development Control – increased income	(34)	
Reduced salary costs	(29)	129
<b>Financing</b>		
Emergency Covid Grant – amount unallocated at Q1	(98)	(98)
<b>Net Variance</b>		<b>(7)</b>

- 2.3 The impact of the pandemic and associated lockdown continues to have an impact on the Council's financial position, in particular on income which is down some £144k at the end of June.
- 2.4 It is still anticipated that the majority of the income losses (mainly relating to car parking) will be recovered through the Government's income recovery scheme. However, the guidance for 2021/22 is still to be issued by MHCLG but is expected soon, therefore a more up to date position will be available for the Q2 monitoring report.
- 2.5 The other main variance relates to the Government's Emergency Covid grant of £494k. At the end of June there has only been direct spend of £26k against the profiled allocation of £124k resulting in a balance of £98k. The grant is unringfenced and not subject to clawback and is provided to cover the direct and indirect financial impact of the Covid-19 pandemic.
- 2.6 The updated Medium Term Financial Strategy report, elsewhere on this agenda, provides the latest full year forecast. This is after allowing for additional Government support and delivery of the Recovery and Reset savings of c.£1m.

The position is primarily dependent upon two key drivers of:

- the R&R savings being achieved; and
- the assumed income recovery.

- 2.7 The position is being monitored closely and updates will continue to be reported to Cabinet.

### 3.0 Housing Revenue Account

- 3.1 HRA performance for the quarter is as follows:

<b>Housing Revenue Account Summary</b>	<b>Current Budget £'000</b>	<b>Profiled Budget £'000</b>	<b>Actual to 30th June £'000</b>	<b>Variance to date £'000</b>
Income	(17,039)	(4,214)	(4,214)	0
Expenditure	14,676	2,190	2,027	(163)
Capital Financing & Interest	2,066	0	0	0
<b>Total HRA</b>	<b>(297)</b>	<b>(2,024)</b>	<b>(2,187)</b>	<b>(163)</b>

A further breakdown is shown at **Appendix 1**.

- 3.2 The position at the end of June shows an underspend of £163K. The main areas of underspend relate to repairs and maintenance (£21k) Supervision & Management and Special Services (£93k), and general running costs (£49k).
- 3.3 A full review of the 30 year Business Plan is due to commence soon and will provide a more comprehensive assessment of the overall position for the current and future years. This will be reported to Members as part of the budget setting process for 2022/23.

#### 4.0 Capital Expenditure

- 4.1 The detailed capital programme at **Appendix 2**, provides a summary of spend for quarter 1 compared to the allocation for 2021/22.
- 4.2 The Capital Programme (GF) for 2021/22 totals £51m compared to the original Capital Programme approved by Council 22 February 2021 of £23m. The changes to the Capital Programme are shown in the following table.

<b>Capital Programme Summary (GF)</b>	<b>2021/22 £'000</b>
Original Approved Budget	23,400
Brought forward 2020/21 schemes	27,174
<b>Variations requiring approval</b>	
Parks & Pavilions – funded from S106 income	516
Regeneration – UTC Building, Newhaven (2020/21 spend)	(16)
<b>Current Programme</b>	<b>51,074</b>

#### 5.0 Collection Fund

- 5.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.
- 5.2 The Collection fund for the year is as follows:

	<b>Council Tax £'000</b>
<b>Surplus Brought Forward 01 April 2021</b>	<b>(2,049)</b>
Total Collectable Income for year*	(82,690)
Payments to Preceptors	81,166
Write offs, provisions for bad debts and appeals	262
<b>Estimated Balance 31 March 2022 – (Surplus)</b>	<b>(3,311)</b>
Allocated to:	
Government	-
East Sussex County Council	(2,336)
Lewes District Council	(503)
Sussex Police	(325)
East Sussex Fire & Rescue	(147)
	<b>(3,311)</b>

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

- 5.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different bases under regulations. The distributions for the estimated balance calculated at quarter 3 will be made in 2022/23.
- 5.4 Council Tax is showing a surplus of £3.311m for the quarter. The Council's share of which is £503k. The position continues to be monitored on a monthly basis and the final surplus or deficit will be formally set in January 2022.
- 5.5 The Business Rates position is still awaiting completion of the final outturn for 2020/21, therefore it will not possible to provide an update until Q2. The exact surplus or deficit position will again be determined in January 2022.

## **6.0 Financial implications**

As set out in the report.

## **7.0 Legal implications**

None associated with the report.

## **8.0 Risk management implications**

Continued monitoring of the Council's financial position is essential to ensure it remains within budget, and can take necessary action if and when required.

## **9.0 Equality analysis**

This Finance update is a routine report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

## **10.0 Environmental sustainability implications**

None associated with the report.

## **Appendices**

- Appendix 1 – Housing Revenue Account
- Appendix 2 – Capital Programme

## **Background papers**

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

- Budget monitoring 21/22 working papers

This page is intentionally left blank

## Housing Revenue Account 2021/22

	Original Budget £000's	Q1 Budget £000's	Q1 Actual £000's	Variance £000's
<b>INCOME</b>				
Dwelling Rents	(15,177)	(3,794)	(3,794)	0
Non-Dwelling Rents	(461)	(115)	(115)	0
Charges for Services and Facilities	(1,216)	(304)	(304)	0
Contributions towards Expenditure	(185)	0	0	0
<b>GROSS INCOME</b>	<b>(17,039)</b>	<b>(4,214)</b>	<b>(4,214)</b>	<b>0</b>
<b>EXPENDITURE</b>				
Repairs and Maintenance	4,553	1,216	1,195	(21)
Supervision and Management	2,546	637	590	(47)
Special Services	1,389	284	238	(46)
Rents, Rates, Taxes and Other Charges	214	54	4	(49)
Increase in Impairment of Debtors	141	0	0	0
Depreciation of Fixed Assets	5,182	0	0	0
Amortisation of Intangible Assets	3	0	0	0
Debt Management Costs	52	0	0	0
<b>GROSS EXPENDITURE</b>	<b>14,080</b>	<b>2,190</b>	<b>2,027</b>	<b>(163)</b>
<b>NET COST OF HRA SERVICES</b>	<b>(2,959)</b>	<b>(2,023)</b>	<b>(2,186)</b>	<b>(163)</b>
HRA share of Corporate and Democratic Core	596	0	0	0
<b>NET OPERATING COST OF HRA</b>	<b>(2,363)</b>	<b>(2,023)</b>	<b>(2,186)</b>	<b>(163)</b>
<b>Capital Financing and Interest Charges</b>				
Interest Payable	2,070	0	0	0
Interest Receivable	(4)	0	0	0
Revenue Contributions to Capital Expenditure	0	0	0	0
<b>Total Capital Financing and Interest Charges</b>	<b>2,066</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>HRA (SURPLUS) / DEFICIT</b>	<b>(297)</b>	<b>(2,023)</b>	<b>(2,186)</b>	<b>(163)</b>

This page is intentionally left blank



**THE CAPITAL PROGRAMME 2021/2022**

**Appendix 2**

Line	SUMMARY	Original Programme 2021/22	Brought Forward 2020/21	Variations Awaiting Approval	Proposed Programme 2021/22	Q1 Expenditure 2021/22	Q1 Variance 2021/22
	<b>GENERAL FUND NON HOUSING CAPITAL PROGRAMME</b>						
1	Recovery and Reset						
2	Recovery and Reset	555,000	118,464	-	673,464	-	(673,464)
3	<b>TOTAL Recovery and Reset</b>	<b>555,000</b>	<b>118,464</b>	<b>-</b>	<b>673,464</b>	<b>-</b>	<b>(673,464)</b>
4	<b>Regeneration</b>						
5	Commercial Property Acquisition and Development	1,500,000	981,438	-	2,481,438	-	(2,481,438)
6	North Street Quarter, Lewes	3,500,000	1,933,618	-	5,433,618	55,381	(5,378,237)
7	Springman House, Lewes	300,000	-	-	300,000	-	(300,000)
34	Construction of Avis Way Depot, Newhaven	2,327,000	2,590,797	-	4,917,797	158,655	(4,759,142)
35	Seaford Health Hub	-	18,465,471	-	18,465,471	-	(18,465,471)
36	Newhaven Square Co-Op (Demolition)	500,000	-	-	500,000	-	(500,000)
37	Town Centre & Public Realm Improvements	250,000	-	-	250,000	-	(250,000)
38	Newhaven High Street	4,000,000	-	-	4,000,000	-	(4,000,000)
39	The Sidings, Railway Quay, Newhaven	520,000	-	-	520,000	614,424	94,424
40	UTC Building, Newhaven	1,800,000	-	(15,912)	1,784,088	-	(1,784,088)
41	Caburn House, Lewes	270,000	174,817	-	444,817	672	(444,145)
42	Asset Development Newhaven	1,000,000	1,366,578	-	2,366,578	-	(2,366,578)
43	<b>TOTAL REGENERATION</b>	<b>15,967,000</b>	<b>25,512,719</b>	<b>(15,912)</b>	<b>41,463,807</b>	<b>829,132</b>	<b>(40,634,675)</b>
44	<b>Asset Management</b>	400,000	200,322	(50,000)	550,322	-	(550,322)
45	Asset Management Aggregated	180,000	638,238	50,000	868,238	277,007	(591,231)
46	<b>TOTAL ASSET MANAGEMENT</b>	<b>580,000</b>	<b>838,560</b>	<b>-</b>	<b>1,418,560</b>	<b>277,007</b>	<b>(1,141,553)</b>
47	<b>INDOOR LEISURE FACILITES</b>						
48	Indoor Leisure Facilities (Major Repairs and Improvements)	1,095,000	91,000	(24,000)	1,162,000	68,996	(1,093,004)
49	Downs Leisure Centre (Fire Alarm)			24,000	24,000	-	(24,000)
50	<b>TOTAL INDOOR LEISURE FACILITES</b>	<b>1,095,000</b>	<b>91,000</b>	<b>-</b>	<b>1,186,000</b>	<b>68,996</b>	<b>(1,093,004)</b>
51	<b>Energy Schemes</b>						
52	Local Energy Schemes	3,000,000	-	-	3,000,000	-	(3,000,000)
53	<b>Total Energy Schemes</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>(3,000,000)</b>
54	<b>Community Infrastructure</b>	889,600	-	-	889,600	37,261	(852,339)
55	<b>TOTAL COMMUNITY INFRASTRUCTURE</b>	<b>889,600</b>	<b>-</b>	<b>-</b>	<b>889,600</b>	<b>37,261</b>	<b>(852,339)</b>
56	<b>Service Delivery</b>	227,000	41,041	-	268,041	57,400	(210,641)
57	<b>TOTAL SERVICE DELIVERY</b>	<b>227,000</b>	<b>41,041</b>	<b>-</b>	<b>268,041</b>	<b>57,400</b>	<b>(210,641)</b>
58	<b>Specialist</b>	136,000	-	-	136,000	32,174	(103,826)
59	<b>TOTAL SPECIALIST</b>	<b>136,000</b>	<b>-</b>	<b>-</b>	<b>136,000</b>	<b>32,174</b>	<b>(103,826)</b>
60	<b>Coastal Defence Works</b>	300,000	94,280	-	394,280	-	(394,280)
61	<b>TOTAL COASTAL DEFENCE WORKS</b>	<b>300,000</b>	<b>94,280</b>	<b>-</b>	<b>394,280</b>	<b>-</b>	<b>(394,280)</b>
62	<b>Parks, Pavilions etc. - Remedial works</b>	150,000	200,938	515,860	866,798	5,563	(861,235)
63	<b>TOTAL PARKS, PAVILIONS, ETC. - REMEDIAL WORKS</b>	<b>150,000</b>	<b>200,938</b>	<b>515,860</b>	<b>866,798</b>	<b>5,563</b>	<b>(861,235)</b>
64	<b>Open Spaces</b>	300,000	-	-	300,000	-	(300,000)
65	<b>Information Technology (IT)</b>	150,000	148,426	-	298,426	44,811	(253,615)
66	<b>TOTAL INFORMATION TECHNOLOGY (IT)</b>	<b>150,000</b>	<b>148,426</b>	<b>-</b>	<b>298,426</b>	<b>44,811</b>	<b>(253,615)</b>
67	<b>Finance Transformation</b>	50,000	129,310	-	179,310	1,700	(177,610)
68	<b>TOTAL FINANCE TRANSFORMATION</b>	<b>50,000</b>	<b>129,310</b>	<b>-</b>	<b>179,310</b>	<b>1,700</b>	<b>(177,610)</b>
69	<b>TOTAL GENERAL FUND NON HOUSING CAPITAL PROGRAMME</b>	<b>23,399,600</b>	<b>27,174,738</b>	<b>499,948</b>	<b>51,074,286</b>	<b>1,354,044</b>	<b>(49,396,242)</b>
70	<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>	<b>23,399,600</b>	<b>27,174,738</b>	<b>499,948</b>	<b>51,074,286</b>	<b>1,354,044</b>	<b>(49,396,242)</b>

This page is intentionally left blank

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Subject:</b>	<b>Medium term financial strategy</b>
<b>Report Of:</b>	<b>Homira Javadi, Chief Finance Officer</b>
<b>Cabinet member</b>	<b>Councillor Zoe Nicholson, Leader of the Council, Cabinet Member for Finance and Assets</b>
<b>Ward(s)</b>	<b>All</b>
<b>Purpose</b>	<b>To provide an update on the process and approach to the Council's Medium Term Financial Strategy for the period 2021/22 to 2024/25.</b>
<b>Decision Type:</b>	<b>Key Decision</b>
<b>Officer Recommendation(s):</b>	<b>To note the background to the Medium Term Financial Strategy for 2022/23 and approve the approach outlined in this report.</b>
<b>Reason for recommendations:</b>	<b>To progress the Medium Term Financial Strategy process and update Cabinet on the background to this.</b>
<b>Contact:</b>	<b>Homira Javadi, Chief Finance Officer E-mail address: Homira.Javadi@lewes-eastbourne.gov.uk</b>

## **1.0 Introduction**

- 1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. This report outlines the proposed process for the MTFS for the period 2021/22 to 2024/25, which ultimately leads to the setting of the Council's budget in February 2022.
- 1.2 The Council approved its Medium Term Financial Strategy (MTFS) in September 2020 and the Cabinet recommended a resulting draft 2021/22 budget proposal in February 2021 following the service and financial planning process. The Council's updated MTFS is included in Appendix A of this report.
- 1.3 To ensure Members have a sound basis for planning and decision making, the MTFS this year will be reviewed and updated at the following key points in the year:

- Midyear (this report) – as a series of principles and as a framework for initial detailed budget discussions for the forthcoming financial year:
- December/January – an update to include additional information received at a national level and identified corporate issues, and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.4 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Corporate Plan, over the medium term.

1.5 The vision of the Lewes business plan is to be “*committed to providing value for money for our residents and keeping Council tax levels as low as possible, despite the challenging financial climate.*”

1.6 The key underlying principles of the MTFS are:

- securing a balanced budget and setting modest increases in Council tax when appropriate;
- delivering service efficiencies and generating additional income where there are opportunities to do so;
- ensuring that the council maintains sufficient reserves and contingencies to be resilient to manage the increased level of risks associated with a more commercial agenda.

## **2.0 MTFS Review Areas – Economic Picture, Public Finances, and Core Funding**

2.1 The Council’s MTFS is shaped by the national economic background, affecting the costs the Council incurs, the funding it receives, and demand for services. The following external factors will be analysed in undertaking the mid-year review of the MTFS:

- National and local economic outlook, including the impact of Covid-19 and Brexit
- Inflation
- Interest rates
- Public Sector Pay
- Factors affecting demand-led services

2.2 The national Public Finances position directly affects the Council’s Core Funding – consisting of Government Grants, Business Rates, Council Tax and New Homes Bonus (NHB).

- 2.3 The four-year period covered by this MTFS represents one of continuing uncertainty over the on-going impact of Covid-19 on the Council's financial position, in addition to the overall Local Government financing position.
- 2.4 The Government's plans to devolve more responsibilities through the localisation of business rates has been delayed (date to be confirmed), however the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities.
- 2.5 Regardless of shorter term uncertainties, the trend is undoubtedly likely to be that the Council will continue to become ever more reliant on internally generated resources and local taxation. This has a positive benefit in that the council is more locally focussed and responds directly to local needs. However, current events have demonstrated how exposed the council can be when it is dependent upon locally generated income. This necessitates the need to have healthy reserves and a strong balance sheet, and to deliver on efficiency savings and income generation.
- 2.6 The draft MTFS at Appendix A provides an initial assessment of the current financial position. It reflects the impact the pandemic is continuing to have on the Council's financial position, in terms of lost income from fees and charges, additional direct costs and the financial support being given by Government.
- 2.7 Projecting the continuing impact is still extremely difficult, however the 2020/21 outturn has enabled a more positive outlook in terms achieving a balanced position and at the same time increasing reserves. In addition, the savings being identified through the Recovery and Reset Programme are exceeding the initial targets. However, savings must be delivered to ensure current projections are achieved.

### **3.0 MTFS Review Areas – Internal Process**

- 3.1 The internal MTFS review process is underway, starting with a root and branch review, challenging current budgets directorate by directorate. 2020/21 outturn data will be reviewed against current 2021/22 budgets, with a view to ascertaining what in-year adjustments and savings could be achieved. In addition, the planned Recovery and Reset savings are being scrutinised to ensure they are going to be delivered in the current and future years.
- 3.2 This review will in particular include consideration of:
- Realistic income projections
  - Fee and charging levels tolerable to the market
  - Service pressures and changes
  - The delivery of existing savings targets
  - Additional achievable savings
- 3.3 In addition, the Capital Programme and its implications and interactions with the budget will be carefully reviewed. Finally, reserve levels will be reviewed and the MTFS and Budget comprehensively risk assessed.

## **4.0 Implications**

### **4.1 Financial**

None arising directly from this report.

### **4.2 Legal**

None arising directly from this report.

### **4.3 Risk Management implications**

None arising directly from this report.

A full risk assessment will be provided as part of the mid-year MTFS to be reported to Cabinet later in the year.

### **4.4 Equality Analysis**

The equality implication of any individual decisions relating to the projects/services reviewed as part of the MTFS will be in other relevant Council reports.

## **5.0 Conclusion**

The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment. The MTFS process briefly outlined in this report is intended to support in meeting these challenges and moving to a long-term sustainable position.

## **6.0 Appendices**

### **6.1 Appendix A – Medium Term Financial Strategy 2021/22 – 2024/25**



# Lewes District Council

**Medium Term Financial Strategy  
And  
Budget Setting Strategy**

## 1. Introduction

This Medium-Term Financial Strategy (MTFS) is a summary of the Council's key financial information, including the budget challenges over the period 2022/23 to 2024/25 and our approach to addressing them.

It sets out the approach to establishing a sustainable and resilient financial base to support delivery of Council policies and priorities. It also highlights the financial risks and issues which have to be tackled, including ongoing reductions in Government funding.

In September 2020 Cabinet approved the previous version of the MTFS which was based on the objectives of the Corporate Plan. It set out the latest resource projections and estimates of expenditure. This document refreshes and updates MTFS forecasts in anticipation of service & financial planning for 2022/23.

Key changes since the February 2021 budget report include:

- Updated forecast for the assumptions for Recovery and Reset Programme of Savings and additional Income
- Updated forecast for pay, cost inflation and to reflect the outturn position for 2020/21;
- Updated forecasts for council tax and business rates income following confirmation of the measures announced by the Government to mitigate COVID-19 impacts on the collection fund;
- Updated forecast for borrowing costs to reflect the Capital Programme outturn; and
- Updated assumptions on continuation of the additional Government grants awarded in the 2020/21 settlement.

The draft budget report later this year will set out the detailed actions required to deliver a balanced budget for 2022/23 onwards that is consistent with the direction and objectives set out in this MTFS.

## 2. Medium Term Financial Strategy Objectives

The objectives of this MTFS are to help us:

- Provide a robust financial framework to assist decision-making processes;
- Manage council finances within the context of a forward-looking service & financial planning framework;
- Prioritise resources to align spending plans with our vision and strategic objectives and resident priorities;
- Recognise the ongoing funding challenges that will need to be addressed through changes to how services are delivered, realising new sources of income and delivery of cashable budget savings, or a combination of all three;
- Maintain council tax resource levels;
- Maintain a balanced budget and continue to strengthen that position;
- Maintain the General Fund reserve at a minimum of between £3m - £5m to cover significant unforeseen expenditure;
- Maintain Earmarked Revenue Reserves for specific purposes, consistent with achieving our priorities and managing risks. The use of Earmarked Revenue Reserves will be in line with the Reserves Policy at Appendix 1 and will be reviewed annually;



- Help confirm the affordable level of capital investment required to support our strategic and financial priorities while remaining within prudential borrowing and affordability limits;
- Ensure that fees and charges are set at an appropriate level and that they take into account comparative levels of charge and ability to pay, in line with the Policy at Appendix 2;
- Demonstrate probity, prudence and strong financial control;
- Manage financial risks;
- Continually review budgets to ensure resources are targeted on key objectives;
- Continue to improve our approach to commissioning and procurement to ensure value for money for local taxpayers;
- Support new ways to ensure financial sustainability and maximise income to deliver our priorities ;
- Pursue opportunities for securing external funding; and
- Support opportunities for working in collaboration with partners where this will support our priorities and improve service value for money.

### 3. Medium Term Financial Strategy Priorities

In considering future budget projections, it is recognised that there are unknowns which could impact upon forecasts. The MTFs is not a static document but rather one that is constantly evolving as the environment around it changes. Some of the key risks and sensitivities which need to be monitored are set out below.

- **Economic conditions.** The impact of the economic cycle will need to be considered particularly in relation to business growth, inflationary pressures and interest rate movements. The impact of changes and any impact on public finances will need to be fully evaluated on the financial model;
- **Impact of the COVID-19 Pandemic.** The latest assessment of the potential financial impacts for this Council is set out below;
- **Government Finance Legislation.** There are key pieces of Government legislation which will impact upon the future financial position of the Council. In particular the impact of the localisation of business rates and any additional responsibilities will need to be fully evaluated as well as the Governments current Fair Funding Review of local Government finance which has been delayed but it is still due to be introduced at some point in the future;
- **Other Government Legislation.** There are a significant number of political initiatives particularly in relation to localisation and the role of local Government. These will need to be assessed for their relevance to Lewes and the impact on future finances;
- **Buoyancy of Income Streams.** These will be sensitive to changes in consumer confidence and the economy so will need to be closely monitored;
- **Strategic Investments:** The Council is looking to continue to optimise financial returns while at the same time supporting the delivery of housing and regeneration priorities;
- **Commercial Ventures:** The Council will seek to take advantage of commercial opportunities wherever possible to cover costs and to review our fees and charges in order to maximise income in line with corporate objectives.
- **Using Reserves in a sustainable and prudent manner** to support the Council's strategies and priorities. This will be supported by the Reserves Policy which is set out at Appendix 1. It is recognised that reserves can only be used on a 'one off'

basis. However, they can play an important part in supporting initiatives or investments which can deliver future benefits;

- **To maintain the Council's financial standing** it is important that it continues its proactive approach to Service & Financial Planning and ensures that budget plans are deliverable and that investments are focussed on securing our financial health; and
- **To continue to monitor any potential financial impacts of Brexit** following approval of the Withdrawal Agreement Act in January 2020.

#### 4. Medium Term Financial Strategy

##### Context

Service & financial planning takes place within the context of the national economic and public expenditure plans; this MTFs has been formulated within the context of the current UK economic position, continued reductions on local government funding and political uncertainty surrounding the shape of Brexit and the impacts of the COVID-19 pandemic on council finances and the wider economy.

In response to this financial challenge, local government has innovated, streamlined services and increased productivity. The Government's plans to devolve more responsibilities through the localisation of business rates has been delayed (date to be confirmed), however the detail as to whether councils will be required to take on additional responsibilities remains unclear. The devolution of business rates is intended to be fiscally neutral but how this will work in practice is currently being developed alongside the Fair Funding Review. These changes will bring both risks and opportunities.

##### The Economy and Public Spending

There is now considerable uncertainty in financial and economic forecasts. In June 2021 the Office for National Statistics (ONS) reported

- The UK economy, measured by gross domestic product (GDP), is estimated to have contracted by 1.6% in Quarter 1 (Jan to Mar) 2021. The level of GDP in the UK is 8.8% below pre-pandemic levels at the end of 2019.
- Output, the total value of goods and services produced, fell by 2.1% in the services sector in Quarter 1 2021, compared with Quarter 4 (Oct to Dec) 2019. The largest contributors to this fall were from the education, wholesale and retail trade, and accommodation and food services industries, especially at the beginning of the quarter, in response to the tightening of coronavirus (COVID-19) restrictions.
- The national lockdown in January 2021 meant schools switched to remote learning while pubs and restaurants had to offer takeaway only. This resulted in the 14.7% fall in education output and 18.6% fall in accommodation and food services output in Quarter 1 2021.
- In contrast, the health industry experienced an increase in output in Quarter 1 2021, reflecting the inclusion of the impact of the NHS Test and Trace service and coronavirus vaccination programme.
- In May 2021, the public sector spent more than it received in taxes and other income requiring it to borrow £24.3 billion, the second-highest May borrowing on record.
- The public sector is still borrowing a substantial amount to support the economy. While May's borrowing was only around a half of that in May last year, it was still more than four times that of May 2019.
- Central government receipts were estimated to have increased by £7.5 billion in May 2021 compared with May 2020, reaching £56.9 billion. Of these receipts, taxes were

£41.4 billion, £6.0 billion more than in May last year and broadly in line with those of May 2019.

- Central government bodies were estimated to have spent £75.6 billion on day-to-day activities (referred to as current expenditure) in May 2021, £10.6 billion less than a year earlier but £17.3 billion more than in May 2019. Of this, the cost of the government's coronavirus job support schemes in May, scheduled to close in September 2021, was £5.2 billion, £11.7 billion less than a year earlier.
- In the financial year ending (FYE) March 2021 (April 2020 to March 2021), the UK public sector borrowed £299.2 billion, reduced by £4.0 billion from April's first provisional estimate but still the highest annual borrowing since records began in FYE March 1946. Official forecasts suggest that borrowing could reach £233.9 billion in FYE March 2022.
- Expressed as a ratio of gross domestic product (GDP), public sector net borrowing in FYE March 2021 was 14.3%, the highest such ratio since the end of World War Two, when it was 15.2% in FYE March 1946.
- The recent substantial increase in borrowing has led to a sharp increase in public sector net debt, which currently stands at 99.2% of GDP, the highest ratio since the 99.5% recorded in March 1962. In July 2021 the Office for Budget Responsibility (OBR) reported:
  - After the second 'once in a century' shock in just two decades, our third Fiscal risks report focuses on three large, and potentially catastrophic, sources of fiscal risks.
  - The pandemic could leave £10 billion per year in spending pressures and long-term economic scars.
  - While unmitigated climate change would spell disaster, the net fiscal costs of moving to net zero emissions by 2050 could be comparatively modest.
  - While interest rates touched historical lows during the pandemic, the public finances are increasingly exposed to future rate rises due to a higher debt stock and a shortening of its effective maturity. In summary they concluded that:
    - Catastrophic risks are real and may have become more frequent;
    - While it is difficult to predict when catastrophic risks will materialise, it is possible to anticipate their effects;
    - There are advantages in preventing or halting a process that involves rapidly escalating costs early;
    - When investing in risk prevention, governments have a tendency to 'fight the last war'; and
    - In the absence of perfect foresight, fiscal space may be the single most valuable risk management tool.

Office for Budget Responsibility, Fiscal Risks Report, July 2021.

### Interest Rates

Bank Rate has remained at 0.1% (July 2021) since it was cut in March 2020. In their June meeting the Monetary Policy Committee voted unanimously to keep interest rates on hold at 0.1% and the stock of sterling non-financial investment-grade corporate bond purchases at £20bn. However, they voted by a majority of 8-1 to maintain the existing programme of UK government bond purchases at £875bn. The Committee does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% inflation target sustainably.

**TABLE 1:**

FORECAST INTEREST RATES	June 2021	Dec 2021	June 2022	Dec 2022
Forecast Bank Rate	0.10	0.10	0.10	0.10

Source: Link Asset Management June 2021

## Inflation

The annual inflation rate rose to 2.1% in the 12 months to May 2021, up from 1.5% to April and above market forecasts of 1.7%, with the main upwards contributor being clothing, motor fuels, recreational goods and meals & drinks consumed out. This is the first time that the measure has been above the Bank of England's 2% target since July 2019 and the highest figure since that same period. In a recent press release, the Bank of England noted 'financial market measures of inflation expectations suggest that the near-term strength in inflation is expected to be transitory.'

**Table 2: FORECAST INFLATION (CPI)**

FORECAST INFLATION (CPI)	2021/22 %	2022/23 %	2023/24 %	2024/25 %	2025/26 %
Forecast CPI	1.7	2.3	2.0	1.9	2.0

Source: Link Asset Management June 2021

## Economic Growth

UK GDP grew by 1.5% in the three months April 2021, ending a three-period streak of contractions and in line with market expectations, a preliminary estimate showed. This is the first expansion since the three months to December 2020. The y/y figure rose to 27.6% for April 2021 compared to the 1.4% y/y growth in March 2021.

In the May Monetary Policy Report, the Bank of England revised its GDP growth forecasts upwards for Q2 2021 to 21.5% y/y from 17.6% y/y, but was likewise revised downwards to 7.1% y/y for Q2 2022 from 8.9% y/y.

Impact of COVID-19 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.

Source: Link Asset Management June 2021

## Potential ongoing implications of the COVID-19 pandemic for local government

- It may be harder to collect sums due, for example for council tax and business rates. Despite these increasing pressures, to date our performance on income collection remains relatively strong for council tax, but is behind target for business rates
- Increased demand for services to assist residents falling into hardship;
- Suppliers and contractors being at risk of liquidation, potentially affecting delivery of services;
- Cost inflation pressures may be greater than assumed; and
- Impacts on the Council's supply chain e.g. price increases, impacts on operational delivery of capital schemes, supplier workforce impacts. Local Government Funding The local government sector has been one of the areas hardest hit by the Government's deficit reduction plan.

For Lewes, Government Revenue Support Grant reduced from £2.1m in 2014/15 to nil by 2018/19. Over recent years the framework for local government funding has been subject to a sustained period of change and uncertainty:

- April 2011 – New Homes Bonus introduced
- April 2013 - Business Rates Retention introduced
- October 2015 – 100% BRR and Funding Review announced
- April 2016 – Government and LGA working groups set up and start meeting
- Early 2017 - Call for evidence on Fair Funding and Business Rates Retention consultation
- April 2017 – New Homes Bonus scheme changes
- May 2017 election – Business Rates Retention primary legislation falls; Fair Funding Review to continue
- Summer 2017 – announcement of move to 75% Business Rates Retention; confirmation of new Business Rates Baseline and continuation of Fair Funding Review – all for 2022/23
- July 2018 – new simplified Business Rates Reset first suggested
- December 2018 – no figures beyond 2021/22 available; indications that 'Negative Revenue Support Grant' will result in further funding reductions for councils
- December 2018 – new consultations on Fair Funding Review, Business Rates Retention and confirmation of a full Reset of Business Rates growth
- Spending Round19 – one-year settlement for 2021/22 only
- Spending Review20 (SR20) – delayed to autumn 2020 due to the Government's COVID-19 pandemic response - focussed on prioritising funding to support the ongoing response to the pandemic to:
  - control and suppress the virus;
  - increase support to public services; and
  - support jobs and businesses.
- Provisional Local Government Finance Settlement 2021/22 - published in December 2020. Covers one year only; based on Spending Review20 (SR20) funding levels.

There remains a commitment from the Government to return to multi-year settlements at some point but that is likely to depend on whether COVID-19 continues to have significant impacts on local government finances during 2021/22. The main points are set out below:

- **Council Tax** – the council tax referendum limit is 2% for lower tier authorities; it was confirmed that districts would be allowed to apply the higher of the referendum limit or £5;
- **Business Rates Retention** – the business rates multiplier was frozen for 2021/22 instead of increasing in line with inflation. In light of this, business rates is only assumed to increase by 1% per annum.

However, the Under-Indexing Multiplier Grant has been increased to ensure that local authorities' shares of NNDR income is not impacted;

- **Top Up/Tariff Adjustments** ('Negative RSG') – as in previous years, the Government eliminated the negative RSG impacts;
- **Lower Tier Services Grant** – a new un-ringfenced lower tier services grant of £111m was announced in the Provisional Settlement. The purpose is to ensure that no authority has a total Core Spending Power less than in 2020/21. It is assumed that this will only apply for 2021/22;
- **New Homes Bonus - 2021/22** allocations to be paid with the legacy payments due from previous years (2018/19 and 2019/20 with no legacy payments for the new 2021/22 in-year allocations and no legacy payment was paid for 2020/21. The 'deadweight' of 0.4% was maintained;
- **Rough Sleepers** - £750m, a 60% increase on the previous spending review;
- **Troubled Families Programme** - £165m;
- **£4bn 'levelling up' fund** (UK Shared Prosperity Fund) - local areas can apply directly with the focus on town centre regeneration and culture;
- **Redmond Review of external audit** - £15m allocated to implement the review recommendations (audit fee increases);
- **COVID-19 Funding** – £2.2bn of funding was announced in SR20 to support local government in 2021/22. To include:
  - Hardship Grant – Tranche 5 (£1.55bn) 11 o Local Council Tax Support Grant (£670m) to help fund the expected increase in demand for local council tax support in 2021/22
  - Sales, Fees and Charges compensation scheme (Q1 2021/22 only);
  - Tax Income Guarantee Scheme (£790m estimated) to fund 75% of irrecoverable losses in council tax and business rates (in addition to the 3-year collection fund spreading arrangements).

Recent funding announcements include:

- a further £400 million through the Contain Outbreak Management Fund (COMF) which is now being paid direct to lower tier councils (previously distributed via East Sussex Country Council. This funding is to help local authorities contain local outbreaks, reduce transmission and protect the vulnerable; and
- Restart Grants worth up to £18,000, further Additional Restrictions Grant funding and extension of rates reliefs for businesses.
- Local Government Funding Reform – no papers were published relating to the Review of Relative Needs & Resources (Fair Funding), the Business Rates Reset and the Business Rates fundamental review. The Provisional Settlement confirmed that it remains the Government's intention to implement these reforms in 2022/23 but it remains uncertain whether they will be able to do so under the current circumstances. Consultations and announcements over recent months have covered the following aspects of local government funding:

#### **Fair Funding Review**

- Intended to be introduced in 2021/22, but delayed once more as a consequence of the COVID-19 pandemic. The Review will set new funding baselines and confirm any transitional arrangements:

#### **Business Rates Growth: Reset and 'Alternative' System**

- The Government's stated aim is to balance risk and reward through a system of Resets, Safety Nets, Levies, Tier Splits and Pooling. Also, to simplify the system by

looking again at appeals, while addressing income volatility and introducing more simplification. This too has been put back (new date to be confirmed):

#### **Business Rates Revaluation**

- Delayed by an additional year to 2023 as a consequence of the COVID-19 pandemic:
- In June 2021 the Government launched a consultation on revaluations taking take place every three years instead of the current system of every five years:

#### **New Homes Bonus:**

- Alongside the latest single-year allocation for 2021/22 the Government confirmed its intention to make further changes to the system, for example further changes to the methodology based on a reduced funding allocation and/or the allocation of higher amounts to fewer authorities (or lower amounts to many). Further information on the future of New Homes Bonus may be announced as part of Spending Review2:

#### **Specific Grants:**

- There is still an expectation that these will be rolled into the funding system when 75% business rates retention is introduced (date to be confirmed)
- The Tax Income Guarantee and Lower Tier Services Grant were introduced in 2021/22; for the purposes of this report these are assumed to cease in 2022/23:

#### **Negative RSG Grant**

- It has also not yet been confirmed when this will cease. Further information may be announced as part of Spending Review21; for the purposes of this report it is assumed to cease by 2024/25; and

#### **Council Tax:**

- There is a possibility of increased freedoms (primarily for social care precepting authorities). Further information may be announced as part of Spending Review21.

#### **Local Government Funding – Current Position**

The last three-year Spending Review was in 2015, covering the financial years 2016/17, 2017/18 and 2018/9. The anticipated 2018 Spending Review never took place and departmental budgets were instead 'rolled over' into 2019/20, while the Spending Review in 2019 was also cancelled and replaced by an interim Spending Round that set out current spending by departments for one financial year (2021/22) and capital investment plans for two financial years (2021/22 and 2022/23).

Spending Review20 was then delayed from July to November 2020 to enable the Government to remain focused on responding to the COVID-19 pandemic. Spending Review21 is expected in autumn 2021 and there is some speculation that this may be a multi-year settlement, however that is to be confirmed.

In June 2021 the Government launched a consultation which could see business rates revaluations take place every three years instead of the current five. The consultation is part of the fundamental review of business rates which the Treasury now indicated will not conclude in 2021 as previously planned, instead publishing 'preliminary conclusions in the autumn ahead of 'final conclusions' next spring. Between 1990 and 2010, business rates revaluations took place every five years. The 2015 revaluation was postponed until 2017 and in May 2021, the 2021 revaluation was postponed until 2023 to reduce uncertainty for businesses affected by COVID-19. The Treasury argues that making revaluations more frequent would ensure they better reflect changing economic conditions.

#### **Service & Financial Planning:**

Government Funding Assumptions For the purposes of preparing this MTFs and the draft 2022/23 budget the following has been assumed:

- No changes to total local government funding as a result of Spending Review21;
- The most far-reaching funding changes will be delayed until at least 2023/24;
- Council taxbase growth of up to 0.5% per annum and council tax increases continue to be capped at a maximum of 1.99% or £5; and a taxbase reduction of 0.5% as a result of increased Council Tax Reduction Scheme cases; and
- Funding from New Homes Bonus to cease after 2022/23 (no new allocations).

## **5. Corporate Plan Priorities - To Be Updated**

The Council's Corporate Plan 2020-2025 sets out our priorities for the five year period, and explains how the Council will focus its resources and deliver services to those living, working and spending time in Lewes. This MTFs has been developed to align with the Plan vision and priorities.

### **Budget - Service and Financial Planning Process**

The priorities that will be taken into account when preparing the draft Budget for 2022/23 are set out below:

- To ensure resources are aligned with the Corporate Plan priorities:
- To address the longer-term financial challenges forecast as a consequence of the COVID-19 pandemic.
- To maintain a balanced budget such that expenditure matches income from council tax, fees and charges, and government and other grants and to maintain that position:
- To set a rate for council tax which maximises income necessary to deliver our strategic objectives while ensuring that Government referendum limits are not exceeded. The percentage increase will be reviewed annually and be approved by Full Council:
- To maximise other income by setting fees and charges, where we have the discretion and need to do so, at a level to ensure at least full cost recovery, promptly raising all monies due and minimising the levels of arrears and debt write-offs:
- To ensure a long-term sustainable view is taken of our investments and that appropriate risk analyses are used when considering new investments:
- To consider and take advantage of commercial opportunities as they arise to deliver new income streams; and
- To maintain an adequate and prudent level of reserves and regularly review their planned use and allocation to support delivery of our priorities.

### **Value for Money**

The Council will assess and challenge the value for money (economy, efficiency and effectiveness) provided by each service through the service & financial planning process. Information about our performance compared to other councils across a range of published measures is published on the LGA website at <https://lginform.local.gov.uk>.

### **The Revenue Budget**

The Revenue Budget comprises five 'building blocks' as follows:

- Net Cost of Services: These are the direct costs incurred in delivering services through the four Directorates, net of specific income generated by them:
- Central Budgets: These are costs incurred and income received that are not service-specific, e.g. capital financing costs:



- Sources of Funding: These income budgets are general, non-service specific income sources. They include other grant funding from Central Government and our share of Non-Domestic Rate income which includes the continued impact (benefit) of the one-off elimination of 'Negative Revenue Support Grant' that was announced by the Government in September 2019 and has continued in subsequent years pending the outcome of local government funding reforms:
- Council Tax: After the budget requirement has been established for the other blocks then the amount required by this Council from council tax can be calculated; known as the 'Demand on the Collection Fund'; and
- Contributions (to)/from Reserves: This relates to use of Earmarked Revenue Reserves, which have been allocated to fund specific purposes. The impact of the use of Reserves is a reduction in the total income demand on council taxpayers. It also refers to the use of funds from the General Fund Balance to support the annual revenue budget (nil in 2021/22).

## 6. Revenue Budget Outturn 2020/21

In February 2020 the Council set a net Revenue Budget for 2020/21 of £13.996m.

### Service Budgets

The 2020/21 Original Budget for Services approved by Council in February 2020 was £12.076m. At 31 March 2021 the full year outturn was £13.871m against a revised net revenue budget of £13.746m resulting in an overspend of £0.125m (26%). However, this was offset by additional grants of £0.125m resulting in a balanced outturn overall.

The table below summarises the 2020/21 provision outturn reported to Cabinet in July 2021.

**TABLE 3: REVENUE BUDGET OUTTURN AT 31 MARCH 2021**

<b>General Fund</b>	<b>Original Budget</b>	<b>Current Budget</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
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
<b>Service Total</b>	<b>16,111</b>	<b>16,413</b>	<b>16,733</b>	<b>320</b>
HRA Services	(4,035)	(4,177)	(4,195)	(18)
<b>Total Net Cost of Services</b>	<b>12,076</b>	<b>12,236</b>	<b>12,538</b>	<b>302</b>
Corporate Efficiency Savings	(1,144)	0	0	0
Cost of Financing & Interest income	1,050	1,050	268	(782)
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
<b>Budget Requirement</b>	<b>13,996</b>	<b>13,746</b>	<b>13,871</b>	<b>125</b>
<b>Financing</b>				
Council Tax	(7,796)	(7,796)	(7,796)	0
Business Rates	(5,417)	(5,167)	(5,191)	(24)
Government Grants	(783)	(783)	(884)	(101)
<b>Total Funding</b>	<b>(13,996)</b>	<b>(13,746)</b>	<b>(13,871)</b>	<b>(125)</b>
<b>Overall Net Position</b>				<b>-</b>

The most significant Service Budget variances for the year are summarised below:

**TABLE 4: MAJOR VARIANCES**

<b>Analysis of Major Variances</b>	<b>Variance £000's</b>
<b>Corporate Services</b>	
Increased pension liability	113
<b>Service Delivery</b>	
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/homelessness)	(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)
<b>Regeneration &amp; Planning</b>	
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)
<b>Tourism &amp; Enterprise</b>	
Newhaven Fort – dangerous structure works	124
Arts Development – additional contributions	20
Leisure Trust – survey fees	25
<b>Capital Financing &amp; Interest</b>	
Increased Interest Income	(222)
Reduced cost of financing	(560)
<b>Reserves</b>	
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
<b>Financing</b>	
Government Grants/Business Rates Income	(51)
<b>Other Net Variances</b>	39
<b>Overall Net Position</b>	-

The service & financial planning process for 2022/23 will include an assessment of whether any Service budgets require realignment to reflect historic outturn trends.

## 7. COVID-19 Expenditure and Funding

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. The most significant cost increase related to housing services in terms of benefits and temporary accommodation (£1.077m). However, this was offset to a large degree (£821k) by the emergency Covid-19 government grant.

**TABLE 5: COVID-19 Specific Government Grants**

	<b>£m</b>
Local Authority Compliance and Enforcement	0.061
Hardship Funding – to support council tax benefit claimants	0.816
Local Restrictions Support Grant	0.557
Homelessness Support Grants	0.112
New Burdens Funding – for additional admin costs	0.170
Winter Grant Funding	0.009
Reopening the High Street Safely Grant	0.092
Clinically Extremely Vulnerable Funding	0.021
<b>TOTAL</b>	<b>1.838</b>

The majority of this funding was received direct from the Government, but some came via East Sussex County Council.

The general funding support from Government has comprised:

**TABLE 6: COVID-19 General Government Funding Support**

	<b>£m</b>
Sales, Fees and Charges Compensation Grant – representing c.65% of all losses incurred	0.726
Emergency Grant for general Covid expenditure	1.449
<b>TOTAL</b>	<b>2.175</b>

Overall, the additional demand from housing needs was met from the emergency government grant. The net impact of income losses was minimised as a result of additional income and further reduced expenditure. There were also savings due to the reduced cost of financing the capital programme and additional interest income.

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

Additional Government COVID-19 funding for 2021/22 includes a confirmed £0.494m grant for general COVID expenditure, and further contribution towards Sales, Fees & Charges losses in quarter one (assumed to be circa £300k).

Looking forward beyond 2021/22 there is still expected to be on-going pressure on housing needs and reduced income generally. Further Government funding is not expected. These factors create a funding gap over the medium term that will need to be met from the Recovery and Reset (R&R) savings.

## 8. Council Tax 2021/22

The referendum cap was confirmed with the Provisional Local Government Funding Settlement Announcement in December 2020, being the higher of 1.99% or £5.00 for district councils. £5 is to this Council's advantage as it yields a higher level of income. This was the approved recommended increase.

The Council Tax increase of £5 increased a Band D charge from £209.53 to £214.53, an increase of less than 10 pence per week. The total income from council tax for this council therefore increased from £7.713m to £7.876m.

As reported to Cabinet in December 2020, the impacts of the forecast increase in the taxbase and reduction in collection performance for 2021/22 was -99.84 Band D equivalent properties, a reduction of 0.27% compared to 2020/21.

### COVID-19 Impacts

As forecast, overall collection rates were lower in 20/21 due to the disruption caused by the pandemic; recovery action through the courts was not possible and Revenues team capacity was reduced due to the competing demands of processing business grants. Nevertheless, recovery performance in comparison to other councils remained strong.

During the year the Government introduced measures to help councils manage disrupted cashflows and to spread the Collection Fund deficit over three years to help offset the financial impacts of reduced income compared to the original budget.

**TABLE 7: ANALYSIS OF COUNCIL TAX BY PRECEPTOR**

Authority	Precept/Demand		2021/22 Band D Council Tax	Change over 2020/21	
	£	%	£	£	%
<b>Lewes District Council:</b>					
Council Tax Requirement (incl Special Expenses*)	7,875,697	9.80%	<b>214.53</b>	5.00	2.39%
Town and Parish Councils	4,343,466	5.40%	<b>118.31</b>	4.27	3.75%
<b>Total Lewes District Council</b>	<b>12,219,163</b>	<b>15.20%</b>	<b>332.84</b>	<b>9.27</b>	<b>6.13%</b>
East Sussex County Council	56,683,870	70.53%	<b>1,544.04</b>	52.02	3.49%
The Police and Crime Commissioner for Sussex	7,889,647	9.82%	<b>214.91</b>	15.00	7.50%
East Sussex Fire Authority	3,576,792	4.45%	<b>97.43</b>	1.90	1.99%
<b>Total</b>	<b>80,369,472</b>	<b>100.00%</b>	<b>2,189.22</b>	<b>78.19</b>	<b>3.70%</b>

*Special Expenses					
LDC Council Tax Requirement	7,875,697	-	214.53	5.00	2.39%
Less Total amount to be charged as Special Expenses	(640,614)	-	(17.45)	-	0.00%
<b>Council Tax to be levied on all LDC taxpayers</b>	<b>7,235,083</b>	<b>-</b>	<b>197.08</b>	<b>5.00</b>	<b>2.60%</b>

### **Local Council Tax Support Scheme**

The Council currently funds c20% of council tax for eligible claimants. This reduction in income is taken into account when the taxbase is calculated as part of budget-setting. No general Government funding is provided; the costs fall on the General Fund.

The Council's Scheme is currently being reviewed and the proposal will be to increase the scheme to 100%. The annual impact of the increase will be approximately £113k. At present, this has not been incorporated into the MTFS projections as it is still subject to the outcome of consultation and approval by Full Council. If approved, in order to maintain a balanced budget, it would require a reduction in the planned contribution to the General Fund Balance currently forecast from 2022/23 onwards.

During 2021/22 the Government provided a one-off grant of £0.816m to help fund the potential additional costs of the scheme due to increased applicants following the pandemic. This is not expected to continue in 2022/23.

### **Council Tax Collection Performance 2020/21**

This Council's collection performance for council tax in 2020/21 was 96.88% (97.34% in 2019/20); Each 1% increase in Council Tax generates £0.079m additional income for this borough. A £5 increase in 2022/23 would yield £0.184m additional income.

## **9. Business Rates (National Non-Domestic Rates)**

In 2013, the Government introduced a scheme through which local authorities retain a proportion of any business rates growth above a set 'baseline'. The purpose was to give authorities a financial incentive to encourage and foster economic growth within their area and to work collaboratively with other authorities and business organisations to achieve that growth.

While this scheme was broadly welcomed by the sector, there remain concerns over the potential volatility of this income stream due to the level of appeals; even a small variation in the overall revenue generated can result in a significant financial impact. Over recent years the Government has been undertaking a review of how business rates will operate going forward and has stated its intentions to achieve 75% localisation of business rates.

The full impact of this cannot be assessed until the details of these changes are released by the Government.

### **Appeals**

Business rate forecasts include an assessment of the likelihood of successful appeals.

### **Business Rates Collection Performance 2020/21**

Collection performance for business rates in 2020/21 was 95.42% (96.51% in 2019/20).

These forecasts take into account the impacts of spreading 2021/22 collection fund losses over three years and the removal of one-off support measures after 2021/22.

### **COVID-19 Impacts**

From the onset of the pandemic local businesses in the retail, hospitality, leisure and nursery sectors were awarded £11.093m in additional business rate relief as part of the Government's support to those parts of the economy that experienced the most significant impacts during lockdown.

As forecast, overall collection rates were lower in 20/21 due to the disruption caused by the pandemic; recovery action through the courts was not possible for several months and

Revenues team capacity was reduced due to the competing demands of processing business grants. Nevertheless, recovery performance in comparison to other councils remained strong.

Spending Review 20 in November 2020 confirmed that the Government planned to fund 75% of business rate and council tax losses for 2020/21. However, it was not until June 2021 that the methodology for the Tax Income Guarantee Scheme to be applied to business rates losses was finally confirmed. This significantly reduced compensation from the scheme for the majority of authorities compared with projections based on the Settlement announcement.

## **10. New Homes Bonus**

The New Homes Bonus was introduced in 2011/12. Authorities are rewarded with a financial bonus, equal to the national average council tax on each additional property built which is paid for a number of years as a non-ring-fenced Government grant. 80% of the Bonus is paid to the district council and 20% to the county council. here is an enhanced payment for new affordable homes.

New Homes Bonus was revised for the 2017/18 financial year with the length of time it is paid reducing from six to five years (for the 2017/18 award) and to four years from 2021/22 onwards. A new 'baseline' of +0.4% growth was also introduced before any Bonus is paid. The retained funds were used by the Government to support authorities with adult social care responsibilities.

The Government originally set out its intention to end New Homes Bonus as part of the Fair Funding Review. The objective is to replace this mechanism with a different means of incentivising and rewarding housing growth. The detail and timing remain unclear due to the delay in the Fair Funding review.

## **11. Revenue Reserves**

The Council holds Reserves to provide protection against financial risks. Our current level of reserves provides a relatively secure financial base; it is important to ensure an appropriate balance between securing the financial position of the Council and investing in delivery of services.

Reserves can be held for four reasons:

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;
- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments

There is an opportunity cost of holding reserves in terms of restricting capacity to invest in current service delivery but this is offset by the additional flexibility that reserves provide when manage budget risks and adverse variations.

Our Reserves Policy is set out at Appendix 1 with details of revenue reserve balances held at 31 March 2021 in the following table.

**TABLE 8: REVENUE RESERVES AS AT 31 MARCH 2021**

<b>Reserves Summary</b>	<b>01 April 2020 £000's</b>	<b>Transfers (In) £000's</b>	<b>Transfers /Out £000's</b>	<b>Transfers to Capital £000's</b>	<b>31 March 2021 £000's</b>
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)
<b>Total Earmarked Reserves</b>	<b>(6,681)</b>	<b>(4,804)</b>	<b>3,128</b>	<b>664</b>	<b>(7,693)</b>
General Fund Reserve	(3,425)	(1,000)	885	0	(3,540)
<b>Total Reserves</b>	<b>(10,106)</b>	<b>(5,804)</b>	<b>4,013</b>	<b>664</b>	<b>(11,233)</b>

The level of reserves will be reviewed during the service & financial planning process with the aim of presenting the recommended use of reserves in 2022/23 onwards as part of the Council's budget report. This will include an assessment of the adequacy and allocation of current reserves and the associated risks and opportunities.

### **General Fund Balance**

The General Fund Balance Reserve is held to manage the impact of any unexpected events/emergencies. The Section 151 Officer is required to review the level of the General Fund Balance annually in relation to the overall financial position of the Council. CIPFA guidance on Local Authority Reserves and Balances (2003) and the Local Government Act of 2003 do not recommend a specific value or budget %.

The Council's Section 151 Officer considers the minimum working balance of between £3m-£5m as the minimum level required. This minimum level will be reviewed again as part of 2022/23 service & financial planning.

### **Earmarked Revenue Reserves**

Earmarked Revenue Reserves may be used as part of a planned process to balance the budget in order to avoid short term actions which may not be in the best interests of the Council.

They also allow funds to be set aside for specific purposes, often spanning more than one financial year.

## **Opportunity Cost of Holding Reserves**

The opportunity cost of holding reserves has to be considered. Unused balances are used to either reduce temporary borrowing or are invested to generate income. In measuring the opportunity cost of holding reserves, consideration needs to be taken of the interest earned. The opportunity cost of holding reserves is therefore a judgment whether the 'worth' of expenditure foregone is more than the income generated.

Given the current economic climate it is a balanced judgement as to whether to invest / spend reserves or to retain them.

## **Assessing the Adequacy of Reserves**

The Chartered Institute of Public Finance and Accountancy (CIPFA) state that the Institute 'does not accept a case for introducing a statutory minimum level of reserves, even in exceptional circumstances. It does however confirm that authorities should make their own judgment on such matters, taking into account all relevant local circumstances on the advice of their Chief Finance Officer. The Local Government Act 2003 requires the Chief Finance Officer to formally report on the adequacy of the proposed financial reserves.

To arrive at assessing the adequacy of reserves a number of issues need to be addressed:

- What are the strategic, operational and financial risks facing the Council?
- Does the Council comply with the requirements to ensure that there is an adequate system of internal control?
- Are the key financial assumptions in formulating the Council's budget robust and reasonable?
- Does the Council have adequate financial management and cash flow arrangements?

In addition, there are a number of questions an authority can ask to demonstrate that it is managing its affairs satisfactorily:

- What is the track record of the Council in its budgetary and financial management?
- What is the Council's record regarding council tax collection?
- What is the Council's capacity to manage in-year budgetary pressures?
- What is the strength of the Council's financial reporting?
- What are the procedures to deal with under and overspends during and at the year end?
- In the case of Earmarked Revenue Reserves, will there be expected calls on the reserves that prompted the setting up of the reserves in the first place?

Finally, there is a need to look at the assumptions made in setting the budget, not just for the coming year but also under the MTFS. The budgetary assumptions cover:

- Inflation and interest rate projections;
- Estimate and timings of capital receipts;
- Treatment of planned efficiency savings; and
- Financial risks involved in major funding arrangements.

It is likely that the current allocation of funds to Reserves will have to be reviewed as part of the Council's response to any ongoing financial impacts of the COVID-19 pandemic.



## **12. Medium Term Financial Strategy Forecast 2022/23 onwards**

An early review of Medium-Term Financial Plan budget forecasts has identified a number of new budget pressures that will need to be addressed through service & financial planning in 2022/23 onwards. They include:

- Making budget provision for future pay and pensions increases:
- Budgeting for the costs of approved borrowing to fund planned Capital Programme commitments:
- The impacts on available resources of Government funding reductions in future years, including the Fair Funding Review and Business Rates Reset:
- Revenue and capital budget growth to deliver priorities in the new Corporate Plan – details to be confirmed during service & financial planning; and
- The ongoing financial impacts of the COVID-19 pandemic; for example continued reductions in income forecasts and ongoing pressures in housing needs.

The service & financial planning process will focus on quantifying the impacts of these potential pressures as the details are confirmed; also identifying the new sources of income that are to be delivered to help address them.

The outcome of service & financial planning will be reported in December.

### **Revenue Budget-Setting Assumptions 2022/23**

The following assumptions will be used during service & financial planning over coming months when preparing the draft Budget estimates for 2022/23:

#### **Council Tax**

- To increase by the referendum limit – assumed to be £5 for this report:
- Plus an increase to reflect forecast growth in the taxbase, but offset by a reduction as a result of increased Council Tax Reduction Scheme cases:
- The impacts of local discounts, exemptions and the local council tax support scheme will be taken into account when preparing income forecasts:

#### **Government Funding**

- Fair Funding Review will not take place in 2022/23

#### **Retained Business Rates Income**

- Reset of Business Rates will not take place in 2022/23

#### **Fees & Charges**

- The Council's Fees & Charges Policy is attached at Appendix 2. For budgeting purposes it is assumed that fees and charges will increase in line with the Policy and that all fees and charged will be reviewed to ensure they comply.

#### **Investment Income and Borrowing**

- Investments and borrowing will be forecast in line with forecast balances (reserves) and capital spending plans

#### **Pay Inflation**

- An allowance for a pay award will be included in the draft Budget, in addition to forecast contractual pay increases.
- This provides the option for pay rises but the specific rate of increase will be subject to established consultation processes.

### Employer Pension Costs

- The approach will be consistent with the actions agreed following the latest actuarial review of the East Sussex Local Government Pension Fund at 31 March 2019; the outcome has been profiled into the budget for the three years to 2023/24.
- The 2019 valuation confirmed that the Fund's total assets, which at 31 March 2019 were valued at £3.633m. There was an improvement in the reported funding level from 92% to 107% and a change in the funding deficit from £240m to a surplus of £247m.
- Each employer has a contribution requirement set at the valuation, with the aim of achieving full funding within an agreed time horizon and probability measure, as set out in the Fund's Funding Strategy Statement. Individual employers' contributions for April 2020 to March 2023 have been set in accordance with this requirement.
- For Lewes the employer pension contribution rate is 20.65%, which is based on primary rate of 17.3%, secondary rate of 2.6% and 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.
- The next actuarial review will be at 31 March 2022 and any budget implications will be built into budgets for 2024/25 onwards.
- National consultation is currently in progress regarding moving to a four-year revaluation cycle going forward.
- For 2021/22 this budget reflects the outcome of the 2019 Pension Fund Revaluation and the funding options offered to employers by the Fund.
- As part of budget-setting 2021/22 the approved approach was:
  - To maintain the primary employer contribution rate at 17.3% of salaries. This has been factored into the 2021/22 base budget.
  - To pay the secondary employer contribution rate at 2.6%
  - To pay the 0.75% relating to the Early Retirement and Voluntary Severance (ERVS) Scheme.
  - To plan to rebuild the Pensions Reserve ready for the next revaluation in 2022

### Price Inflation

- The general assumption is that services should first seek to cover price inflation from their existing budgets, unless tied contractually to significant cost increases that warrant additional funding. Significant increases would be subject to approval of budget growth through the service & financial planning process

### Forecast Budget Gap

The forecast budget gap over the next three years is set out below. The gap will need to be met from the delivery of the Recovery and Reset Savings. Further details are provided at Appendix 3.

**TABLE 9: MTFS BUDGET GAP**

	<b>2022/23</b> <b>£m</b>	<b>2023/24</b> <b>£m</b>	<b>2024/25</b> <b>£m</b>
<b>INITIAL FORECAST GAP</b>	<b>1.532</b>	<b>1.535</b>	<b>1.525</b>
Less R&R Savings	(1.758)	(2.080)	(2.080)
Contribution to General Fund Balance	0.226	0.545	0.555
<b>Net Balanced Position</b>	<b>-</b>	<b>-</b>	<b>-</b>

The key factors that influence the forecast gap include:

### **Service Expenditure**

- No new significant budget pressures have been identified to date but this will be subject to further review as part of the service & financial planning process.
- Legacy impacts of the COVID-19 pandemic, in particular on service income budgets, will become clearer when the second quarter's budget monitoring position is reported to Cabinet.
- While an estimate for the 2022/23 pay award has been included in modelling this is subject to negotiation and has to be considered in the context of the significant financial challenges faced over the medium term.

Employee costs comprise 25.7% of gross direct expenditure in the 2021/22 budget.

### **Service Generated Income**

- Key income areas for the council are commercial property, car parks, green waste and trade waste. Whilst income has been impacted by the pandemic the MTFS assumes income levels will start to increase over the medium term.

### **Central Budgets**

- Treasury Management costs over the MTFS period are in line and as a consequence of the borrowing requirement to fund the approved Capital programme.

### **Council Tax**

- Council tax setting assumptions are based on a £5 and forecast movements in the taxbase.
- Legacy impacts the COVID-19 pandemic on recovery performance and council tax support demand have not yet been forecast; they will be considered when the taxbase for 2022/23 is prepared in the autumn.

### **National Non Domestic Rate (NNDR)**

- Removal of Negative RSG Grant and the Business Rates reset are forecast to take place in 2024/25; they have the effect of negating the benefit of all forecast business rates growth over the MTFS period.
- Legacy impacts the COVID-19 pandemic on recovery performance have not yet been forecast; they will be considered when the final forecasts for 2022/23 are prepared in the autumn

### **Use of Reserves**

- At present, the draft MTFS does not anticipated any use of the General Fund reserve to balance the budget. In fact, it is projecting annual surpluses. However, this will only be achieved if the savings identified by the Recovery and Reset Programme are delivered. Failure to do so will result in reserves needing to be used to balance future budgets. Therefore, delivery of the R&R savings presents a key risk in ensuring Reserves are maintained at a level appropriate for the Council.

### **Capital Investment Strategy**

The latest Capital Investment Strategy is reported to Cabinet in February 2021 and sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that we take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

It sets out the long-term context in which capital expenditure and investment decisions are made and takes into account to both risk and reward and impact on the achievement of priority outcomes.

When setting its capital programme, each authority must have regard to:

- Service objectives – the capital spending plans should be consistent with the Corporate Plan;  
Stewardship of assets – as demonstrated by our asset management planning approach;
- The value for money offered by investment plans – as demonstrated by the appraisal of the options;  
The prudence and sustainability of investment plans – their implications for external borrowing;
- The affordability of capital investment plans – the implications for the council tax; and
- The practicality of capital expenditure plans – whether the forward plan is achievable.

Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings. Capital investment decisions therefore have implications for the Revenue Budget.

The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable. Our revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

The Council will only invest where capital spending plans are affordable, prudent and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels. As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 4 years are set out in the Capital Programme.

The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

The Council's Capital and Investment Strategy is reviewed and reported to Full Council on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses and places.

### **Medium Term Capital Programme**

While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve our vision and corporate priorities.

The Council must have an affordable Capital Programme; affordability is assessed against business cases taking into account the level of future resources required to support project delivery and ongoing asset maintenance.

The strategic objectives of our Capital Programme can be summarised as follows:

- To maintain a four-year rolling Capital Programme which remains within the approved affordable, sustainable and prudential limits;

- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;  
To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;  
To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.
- That decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy and the investment strategy.

### **Capital Programme 2021/22 to 2025/26**

The Council forecasts its Capital Programme over a 4-year period and the latest position is set out in Appendix 5. This is currently a draft programme and will be reviewed and updated over the coming months as part of the budget process.

### **Capital Programme**

Revenue Budget Implications.

As explained above, with the exception of earmarked s106 funds, the Council no longer has significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme must be funded through prudential borrowing.

The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2021/22 onwards net of interest on forecast balances and company loan repayments. Details are set out in the Treasury Management Strategy for 2021/22 that was approved in February 2021

### **Budget Uncertainties & Risks**

While the approved budget for 2021/22 is robust, there remain, a number of uncertainties and risks to be addressed over the medium-term which are set out below.

#### **The Economy:**

- There is still uncertainty and a lack of confidence about the future of the economy as consequence of the COVID-19 pandemic and the UK's exit from the European Union;
- Preparations for exit continue and may affect investor confidence, whilst the lower value of the Pound may increase inflationary pressures;
- Any future economic slowdown nationally or globally - could result in lower income (through - for example - reduced discretionary spending or lower than anticipated recycle prices) and increases in demand (benefits and statutory duties such as homelessness); and
- Any reduction in the number of employers in the Borough could also have an impact on our retained Business Rates income.

**Future Government Funding:**

- The outcome of the Fair Funding Review and Business Rates reset along with the end of Negative RSG Grant;
- The end of New Homes Bonus payments over the coming years will have an impact on reserves, but no direct budget impact; and
- The Homelessness Reduction Act requires Councils to provide more support to homeless people and people at risk of becoming homeless.

The Government has committed ring-fenced funding towards this duty but there remains a question mark over the longer term.

**Recovery and Reset Programme:**

- As previously highlighted, part of the Council's financial sustainability plans, the council will also need to deliver the saving identified in the Recovery and Reset Programme. This is critical to bridging the forecast budget gaps going forward after 2021/22.
- The latest update report was presented to Cabinet in July and can be found here: <https://democracy.lewes-eastbourne.gov.uk/documents/s20368/Recovery%20and%20Reset.pdf>
- The savings included in the MTFS reflect the latest position and an updated schedule is included at Appendix 4.

**Corporate Plan:**

- The Corporate Plan sets out the Council's vision and objectives over the medium term and will enable it to target its resources in the most efficient and effective way; and
- The main challenge, as ever, will be balancing our ambitions as a high performing council with our ability to resource those ambitions. The prioritisation of services like Housing Delivery and Environmental Sustainability will place new demands on existing resources. A combination of careful stewardship and an innovative approach to service delivery will be required to ensure that we achieve our goals.

**Budget Risks:**

- Given the uncertainty over future economic conditions and the business rates regime, it is prudent to maintain our capacity to protect services from unforeseen financial pressures. Once used, however, it may prove difficult to replenish reserves; and
- Despite significant improvements in recent years housing need remains a risk as the future economic downturns may increase the demand for additional housing support.

**COVID-19 Pandemic**

- The potential financial risks and uncertainties arising from the COVID-19 pandemic are explained in this MTFS and at Appendix 3.

**MTFS and Budget Monitoring and Review**

The updated MTFS position will be reported as part of the draft Budget report in December. The processes and procedures relating to the monitoring of the Revenue Budget and Capital Programme are set out in the Council's Financial Procedure Rules and supporting guidance.

## **Budget Equalities Impact Assessments**

The annual service & financial planning reports include information about the equality implications of budget proposals. Where new service changes, projects or policies are proposed, equalities impact assessments will be carried out by the responsible officers.

Changes that affect Council staff will be discussed directly with individuals affected and with their representatives.

## **Budget Scrutiny**

The annual draft budget proposals are considered by the Policy and Performance Advisory Committee in November and the conclusions and recommendations of the Committee are reported to the Cabinet for consideration when the final budget proposals are presented to them in February.

## **Consultation**

The MTFS is published on the Council's website.

## **Service & Financial Planning Process and Timetable 2022/23**

As explained above, this MTFS represents an overarching view of our finances and looks to anticipate future demands and pressures so that we can take timely decisions to secure financial sustainability.

The MTFS is supported by a number of key documents which contribute to management of the overall financial position. These are:

Revenue Budget Report Produced on an annual basis – draft in December and final in the following February. It sets out the plan for setting and managing a balanced budget for the following financial year. It is here the detailed decisions on revenue and capital expenditure are presented, including proposed budget savings and growth.

The recommended Budget is supported by operational budget detail that forms the basis for in-year budget monitoring and management.

## **Capital Programme**

Sets out capital expenditure plans over the medium term. This is aligned with the Revenue Budget where it results in costs of borrowing and income streams. Capital Investment Strategy Updated on an annual basis and sets out the framework for investing in capital assets over the medium term.

Objectives:

- Ensure capital expenditure contributes to the achievement of the Council's organisational strategy
- Set a Capital Programme which is affordable and sustainable
- Maximise the use of assets
- Provide a clear framework for decision making and prioritisation relating to capital expenditure
- Establish a corporate approach to the review of asset utilisation Treasury Management Investment Strategy. Sets out the approach to managing the cash available to the Council and how to maximise its value. Also sets out the Council's investment and borrowing arrangements and controls.

## **Reserves Policy**

Sets out the reasons for holding reserves and how they will be used, including financial limits where appropriate. The Policy is attached at Appendix 1.

## **Fees & Charges Policy.**

Sets out a corporate view of the fees and charges levied by the Council for consideration each year. The Policy is attached at Appendix 2.

Annual Council Tax Report approved by Full Council in February each year

## **Service & Financial Planning Objectives**

The objectives for service & financial planning each year are to:

- Help Members determine budget priorities and their timing;
- Forecast the changes in demand for services and match demand with likely resources;
- Assess the likely implications of changes in legislation on resources;
- Model the future costs of alternative policies; and
- Provide a framework for programming activities by individual services.

## **CIPFA Financial Management (FM) Code**

Local government finance in the UK is governed by primary legislation, regulation and professional standards as supported by statutory provision. The general financial management of a local authority, however, has not until now been supported by a professional code. The CIPFA FM Code was therefore introduced in October 2019 and will be applicable from 1 April 2021.

Work has already been undertaken to review compliance with the Principles and Standards in the Code and to identify any actions required to address any gaps identified. The outcome of the review was reported to the Corporate Management Team in June and progress is now being made to ensure full compliance.

CIPFA explain that reasons for introducing the Code include:

‘... the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future. There is much good practice across the sector, but the failures of a small number threatens stakeholders’ confidence in local government as a whole. Most importantly, the financial failure of just one local authority is one too many because it brings with it a risk to the services on which local people rely....’.

The Code has several components, comprising:

- An introduction explaining how the FM Code applies, a principles-based approach and how it relates to other statutory and good practice guidance on the subject;
- The CIPFA Statement of Principles of Good Financial Management, the benchmarks against which financial management should be judged. CIPFA’s view is that all financial management practices should comply with these principles; and
- The FM Code then translates these principles into financial management standards which will have different practical applications according to the circumstances of each authority and their use should therefore reflect this. The principle of proportionality is embedded within the code, reflecting the non-prescriptive approach adopted by CIPFA.



The Principles focus determining whether, in applying standards of financial management, a local authority is financially sustainable. They cover:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture;
- Accountability – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs;
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making;
- Adherence to professional standards is promoted by the leadership team and is evidenced;
- Sources of assurance are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection; and
- The long-term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

### **CIPFA Resilience Index**

As part of the service & financial planning process officers undertake a financial resilience assessment by that considers principally whether the authority has in place a credible plan and planning process that gives confidence that it can deliver a sustainable budget over the medium term. The scope of this assessment includes:

- the authority's current financial position;
- an assessment of its future financial prospects;
- the extent to which the authority has embraced the financial resilience factors set out below;
- the key financial risks facing the authority, drawing on potential future scenarios including 'best' and 'worst' case scenarios – for the environment in which the authority operates and for the services that it provides;
- the use of independent, objective measures wherever possible to assess the risks to the authority's financial resilience and sustainability;
- the authority's understanding of the risks associated with all resources used for service delivery, including its workforce, its physical assets, its strategic business partners (including 'group' entities such as its companies), its information technology infrastructure, etc;
- the robustness of the plans that the authority has put in place to address these risks; and
- the capacity and capability of the authority, its leadership team and its officers to manage the authority's finances in a sustainable manner.

The assessment makes reference to the following:

- Medium-Term Financial Plan;
- Capital Investment Strategy;
- Treasury Management Strategy;
- Planned medium-term use of Reserves;
- the most recent Budget Report;
- approach to the service & financial planning process;
- Budget monitoring reports and out-turn reports and Statement of Accounts;
- Asset Management Plan; and
- Key governance documents, e.g. Annual Governance Statement, Risk Register, etc  
The Council's position at March 2021 against a range of financial measures

compared to similar councils is available online through the CIPFA Financial Resilience Index at <https://www.cipfa.org/services/financial-resilience-index-2021/resilience-index-2021>

## **Conclusion**

This MTFS presents a summary of the key financial processes and policies that help us forecast the likely financial position that Council will be facing over coming years. It is the Council's primary financial planning tool and will form the basis for ongoing discussions throughout service & financial planning for 2022/23.

## RESERVES POLICY

### Introduction

The establishment, monitoring and review of the levels of reserves and balances are an important element of the Council's financial management systems and financial standing. The Chief Finance Officer (Section 151 Officer) is required by law to formally report to the Council their opinion on the adequacy of the Council's reserves. Irrespective of this, a well-managed authority is clear about the reserves it needs now and, in the future, to support its service aspirations, while at the same time delivering value for money within a climate of significant resource pressure and economic/social risk.

This policy is introducing the following steps:

- Stronger budget management and variation control
- Ongoing monthly budget monitoring by budget managers
- Improved business case development and risk assessment, including provision of contingency and exit plans (projects, initiatives etc.)
- Review of reserves on a quarterly basis.

This Policy does not cover non-distributable reserves required to support financial accounting transactions e.g. the Revaluation Reserve, Capital Adjustment Account and Pension Reserve. (Non-distributable reserves are those that cannot be used for revenue or capital purposes.)

Reserves can be held for four reasons:

#### General Fund Balance

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
- A contingency to cushion the impact of unexpected events or emergencies;

#### Earmarked Reserves

- A means of building up funds to meet known or predicted liabilities; and
- A means of setting aside sums for future identified uses and / or investments

### What are Reserves?

There is no clear definition of reserves even though reference is made to reserves in legislation. The Chartered Institute of Public Finance and Accountancy (CIPFA) states 'amounts set aside for purposes falling outside the definition of provisions should be considered as reserves.' Provisions are required for any liabilities of uncertain timing or amount that have been incurred.

Generally, there are two types of reserves, those that are available to meet revenue or in some cases capital expenditure (Usable) and those that are not available to finance revenue or capital expenditure (Unusable). Useable reserves result from events that have allowed monies to be set aside, surpluses or decisions causing anticipated expenditure to have been postponed or cancelled. They can be spent or earmarked at the discretion of the Council.

The Council must manage its reserves in accordance with its strategic longer-term planning process. Policy principles:

- The General Fund Balance should be kept between £3m - £5m to cover any major unforeseen expenditure;
- The GF balance will be reviewed and monitored as part of the quarterly performance.
- A risk based approach to be embedded to the assessment of required reserves

- Earmarked revenue reserves will be maintained for specific purposes that are consistent with achieving Corporate Plan priorities and/or where they are required to account separately for Government funding streams;
- Reserves must only be used to fund one-off expenditure;
- General Fund Balance must not drop below £3m;
- Recurring expenses may only be funded from reserves if plans are in place to fund the ongoing costs and replenish the reserve within 12 months;
- Unplanned revenue income receipts will be held in a reserve pending future decisions as to their use; and

### **Maintaining a risk based financial resilience**

The Council undertakes a risk-based assessment of its financial plans and the adequacy of its available reserves at least annually and as part of its budget setting process. The need to improve its financial resilience through increasing its unallocated working capital and general unallocated reserve is a key feature of the Council's MTFS process.

### **Use of Reserves**

The S151 Officer will continue to be responsible for approving the use of reserves, which will be reported to Members for approval (where necessary) as part of the quarterly monitoring, budget setting and outturn reports.

September 2021 – Policy to be reviewed annually

### FEES & CHARGES POLICY

The Council's Medium-Term Financial Strategy (MTFS) sets out our financial objectives to support delivery of the Corporate Plan. These plans remain challenging in the context of an uncertain economic future, on-going austerity measures, significant reductions in funding from Government and the move towards more locally-generated income streams.

In the future we will need to be financially more self-sufficient and less reliant on central government funding. Optimising the potential for increased income will be integral to supporting delivery of the MTFS. Seeking opportunities for income generation is a priority for the Council, alongside broader proposals for the trading and commercialisation of some services.

This Fees & Charges Policy outlines the key principles to be considered in charging for Council services in a transparent and consistent manner.

#### Scope

This Policy applies to the setting and reviewing of all fees and charges for Council services, where the Council has discretion to apply a charge and discretion over the level of charge applied.

The Policy excludes:

- Charges that are determined by Central Government;
- Council Tax;
- Business Rates;
- Property rents;
- Any charges where there are legal or contractual reasons for exclusion; and
- Any charges levied by Trading Companies or other third parties delivering services on behalf of the Council.

#### Application

Directorates should refer to this Policy when reviewing current charges or proposing new charges as part of the service & financial planning process for the forthcoming financial year, and for any other in-year consideration of service charging. Understanding the relationship between cost and charges is vital when determining charges for services and support and advice should be sought from the Finance team when applying this Policy.

#### Aims and Objectives

The overarching aim of the Policy is to embed a commercial approach to setting fees and charges. An aim of commercialism is to ensure the Council thinks consistently in a business-like manner and clearly articulates the costs and benefits associated with the activities it carries out.

The objectives of the Fees & Charges Policy are:

- To promote efficiency and support the commercialisation of our business in order to support the MTFS and deliver the Corporate Plan;
- To minimise the draw on local taxpayers of discretionary services and promote fairness by fostering a culture where discretionary services are supported largely by users rather than the council tax payer;

- To set a clear, flexible and equitable framework of standards and procedures for applying charges and fees to relevant Council services for both individuals and organisations. The level of charge will reflect the cost plus a return where this is permissible/appropriate; and
- To meet the aim of being 'business like' through service areas understanding and reviewing the costs and charges for their service areas.

### **Charging and Trading Legislation**

The legislation and case law that governs Councils' ability to charge and generate income is complex. Specific powers to charge for services are contained in a variety of local government statutes.

These include:

- Local Authorities (Goods and Services) Act 1970 – introduced powers for councils to enter into agreement with other Local Authorities and public bodies for the supply of goods and services.

Any agreement may contain such terms as to payment or otherwise as the parties consider appropriate;

- Local Government Act 2003 – added further opportunities to the above. This act enables councils to trade in activities related to their functions on a commercial basis and make a profit, which may be reinvested in services, through a trading company; and
- Localism Act 2011 – the General Power of Competence (GPC) introduced a power to allow councils to do anything that an individual may do.

However, for the purposes of charging, this should not exceed the cost of provision of the service in question, as operating for a commercial purpose (i.e. to make a profit) must be done through a trading company.

### **Standard Charging Principles**

Standard principles will be applied to all fees and charges (within the scope of this Policy) set by the Council. Where a service plans deviate from these principles, the basis and reason for variation will be clearly documented and approved in accordance with the Council's Constitution/scheme of delegation.

Services that have discretion over charging are encouraged to operate more commercially in order to maximise efficiency and reduce dependence on corporate funding support. The ability of services to operate in this way is dependent on services being able to set and amend their charges with a level of flexibility, including consideration of current market rates and demand for the service.

The Policy will also make decision making simpler and more timely. This Policy enables us to apply differential charging, discounting and alternative pricing structures in order to maximise commercial benefit and target service take-up. Individual service areas can vary charge rates on a case by case basis, taking into account relevant market rates and the need to maximise income and operate efficiently.

All fees and charges will:

- Demonstrate how they contribute to the achievement of corporate and service objectives;
  - Maximise potential net income, to achieve financial objectives (i.e after costs of collection and market impacts have been considered), unless there is an explicit policy decision to subsidise a service;
- Be subject to equality impact assessment screening and consultation where appropriate;

- Minimise the costs of collection;
- As a minimum be increased annually from 1 April each year in line with Consumer Price Index (CPI) inflation increases (rate published for the preceding September each year); and
- Be subject to a scheduled review at least every 2 years.

### Charging Models

When introducing or reviewing a charge the Council will follow one of two models:

Charge	Definition	Application
Direct Cost Plus	As a minimum the Council would recover the direct cost of providing the service plus wherever possible, a contribution to overheads. The level of overhead contribution is an operational decision, and will be dependent upon the particular circumstances and objectives.	This allows flexible pricing decisions to take account of external market conditions. For instance, there are circumstances where setting charges at a level more than full cost recovery may be appropriate (e.g. when trading with other local authorities or public bodies the Council is not limited in the amounts it can charge). This charging model also allows charges to be set below full cost recovery to achieve a particular objective – for example entering into a new market or attracting new business. However, in line with the Standard Charging Principles, the aim will always be to recover the full cost of a service over time.
Subsidised	A subsidised charge requires the Council to contribute to the direct cost of the service. Where the Council is not covering the direct costs of the service, it will require a contribution from the Council. All subsidies will be subject to the approval of the Executive.	This model provides the Council with the option to provide a service with full or partial subsidy. The level of subsidy will be determined by reference to the nature of the service and the rationale for any subsidy for example: <ul style="list-style-type: none"> <li>• providing a public good</li> <li>• encouraging service take up</li> <li>• the user group’s ability to pay.</li> </ul> The financial impact of subsidy decisions on the budget will be identified both individually and collectively, and actively managed and reviewed.

### **Authority to Set and Vary Charges**

The decision on charging levels will be based on the relevant charging method:

- full cost recovery,
- direct cost plus or subsidised.

All charging decisions must be made in accordance with the Council's Constitution (Budget and Policy Framework, Scheme of Delegation and Financial Procedure Rules) and be able to demonstrate consistency with our strategic priorities, policies and statutory obligations.

The decision to vary charges for existing chargeable services which are not subsidised is an operational decision, which will be taken by the appropriate Director/Head of Service in consultation with the Chief Finance Officer.

**Policy Review** This Policy will be reviewed periodically, taking into account developing Council policies and priorities and any changes in legislation.

September 2021 – Policy to be reviewed annually



## MEDIUM TERM FINANCIAL STRATEGY - 2022/23 - 2024/25 DRAFT

	2020/21	2020/21R	2020/21A	2021/22	2021/22 R	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Corporate Services</b>								
Corporate Efficiency Savings	-1,144	-844	0	-243	0	0	0	0
IT	1,300	1,371	1,088	1,283	1,283	1,309	1,335	1,362
CMT	376	379	609	351	351	358	365	372
Financial Services	926	456	395	701	701	715	729	744
HR	206	236	177	225	225	230	234	239
Internal Audit/Corporate Fraud	162	162	168	147	147	150	153	156
Local Land Charges	-72	-60	-85	-55	-55	-56	-57	-58
Legal	223	244	205	256	256	261	266	272
Local Democracy	766	731	761	607	607	619	632	644
<b>Corporate Services</b>	<b>2,743</b>	<b>2,675</b>	<b>3,318</b>	<b>3,272</b>	<b>3,515</b>	<b>3,585</b>	<b>3,657</b>	<b>3,730</b>
<b>Service Delivery</b>								
Account Management	248	311	219	251	251	256	261	266
Case Management	482	562	553	484	484	494	504	514
Customer Services	760	760	746	785	785	801	817	833
Head of Customer/Neighbourhood Services	426	425	355	386	386	394	402	410
Head of Homes First	22	30	18	-88	-88	-90	-92	-93
Head of Specialist & Support Services	63	60	34	54	54	55	56	57
Housing Needs and Standards	348	383	376	447	447	456	465	474
Neighbourhood Services	3,543	3,547	3,376	3,387	3,387	3,455	3,524	3,594
Specialist Services	1,004	1,852	1,752	1,725	1,725	1,760	1,795	1,831
<b>Service Delivery</b>	<b>6,896</b>	<b>7,930</b>	<b>7,429</b>	<b>7,431</b>	<b>7,431</b>	<b>7,580</b>	<b>7,731</b>	<b>7,886</b>
<b>Regeneration &amp; Planning</b>								
Business Planning & Performance	618	564	540	534	534	545	556	567
Estates & Property	-514	74	354	-335	-335	-342	-349	-356
Planning	-40	-40	-152	-43	-43	-44	-45	-46
Regeneration	795	581	447	439	439	448	457	466
<b>Regeneration &amp; Planning</b>	<b>859</b>	<b>1,179</b>	<b>1,189</b>	<b>595</b>	<b>595</b>	<b>607</b>	<b>619</b>	<b>631</b>
<b>Tourism &amp; Enterprise</b>								
Tourism & Enterprise	434	452	602	445	445	454	463	472
<b>Tourism &amp; Enterprise</b>	<b>434</b>	<b>452</b>	<b>602</b>	<b>445</b>	<b>445</b>	<b>454</b>	<b>463</b>	<b>472</b>
<b>Net Cost of Services</b>	<b>10,932</b>	<b>12,236</b>	<b>12,538</b>	<b>11,743</b>	<b>11,986</b>	<b>12,226</b>	<b>12,470</b>	<b>12,720</b>
Capital Financing & Interest	1,050	1,050	268	1,050	1,050	1,050	1,050	1,050
Contingencies	342	0	0	350	350	350	350	350
Income Recovery	0	-800	-726	-300	-300	0	0	0
Earmarked Reserves	1,672	1,260	1,791	1,181	1,181	812	828	845
General Fund Balance	0	0	0	0	261	226	545	555
	<b>13,996</b>	<b>13,746</b>	<b>13,871</b>	<b>14,024</b>	<b>14,528</b>	<b>14,664</b>	<b>15,243</b>	<b>15,519</b>
R&R savings	0	0	0	0	-998	-1,758	-2,080	-2,080
<b>NET REVENUE EXPENDITURE</b>	<b>13,996</b>	<b>13,746</b>	<b>13,871</b>	<b>14,024</b>	<b>13,530</b>	<b>12,906</b>	<b>13,163</b>	<b>13,439</b>
<b>Financing:</b>								
Council Tax	-7,713	-7,713	-7,713	-7,876	-7,876	-7,876	-8,060	-8,244
Council Tax Surplus	-83	-83	-83	-122	-122	0	0	0
Baseline increase	0	0	0	0	0	-39	-40	-41
Impact of increase in CTR	0	0	0	0	0	39	40	41
Council Tax Charge Increase	0	0	0	0	0	-184	-184	-184
Business Rates	-5,040	-4,790	-4,397	-3,602	-3,602	-3,674	-3,748	-3,822
Business Rates Surplus	-73	-73	-73	-553	-553	0	0	0
Business Rates - Newhaven Enterprise	-304	-304	-721	-796	-796	-812	-828	-845
Business Rates - Reset	0	0	0	0	0	0	0	?
New Homes Bonus	-439	-439	-439	-141	-141	-16	0	0
Lower Tier Services Grant	0	0	0	-96	-96	0	0	0
Emergency Covid Grant	0	0	0	-494	0	0	0	0
Other Govt Grants	-344	-344	-445	-344	-344	-344	-344	-344
<b>TOTAL FINANCING</b>	<b>-13,996</b>	<b>-13,746</b>	<b>-13,871</b>	<b>-14,024</b>	<b>-13,530</b>	<b>-12,906</b>	<b>-13,164</b>	<b>-13,439</b>
<b>BUDGET SURPLUS (-) / DEFICIT</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**RECOVERY & RESET PROGRAMME SAVINGS**

	2021/22 £	2022/23 £
<b>W21</b>		
Southover House	0	150
<b>Digital</b>		
Digital Democracy	0	50
<b>Reshaping Services</b>		
HR reshaping	13	13
IT reshaping	54	54
Contract cleaning	50	100
Homes First reshaping	0	50
Environment First reshaping	50	100
Legal reshaping	0	50
CMT - deletion of post (PE)	20	20
CMT - deletion of EBC post (PF)	10	10
CMT - deletion of post (CK)	61	61
finance reshaping	0	20
additional income (various)	0	100
Facility management savings	0	200
<b>RESHAPING TOTAL</b>	<b>258</b>	<b>778</b>
<b>Best Use of Assets</b>		
Reduced costs/ increased income	40	80
Reduced costs of capital financing	500	500
Income from interest	200	200
<b>ASSETS TOTAL</b>	<b>740</b>	<b>780</b>
<b>TOTAL SAVINGS</b>	<b>998</b>	<b>1,758</b>

## DRAFT CAPITAL PROGRAMME 2021/22 to 2025/26

	Actual Expenditure 2020/21 £000's	Proposed Programme 2021/22 £000's	Proposed Programme 2022/23 £000's	Proposed Programme 2023/24 £000's	Proposed Programme 2024/25 £000's	Proposed Programme 2025/26 £000's
<b>HRA HOUSING INVESTMENT CAPITAL PROGRAMME</b>						
Acquisition and Construction of New Dwellings	6,980	18,812	9,330	4,100	4,100	
Improvements to Stock (Stock Condition Survey)	2,528	4,554	4,662	4,796	4,796	
Improvements to Stock (Non-Stock Condition Survey)	206	415	415	415	415	
Housing Estates Recreation and Play Areas	32	50	50	50	50	
<b>Total HRA Capital Programme</b>	<b>9,746</b>	<b>23,831</b>	<b>14,457</b>	<b>9,361</b>	<b>9,361</b>	
<b>GENERAL FUND CAPITAL PROGRAMME</b>						
Private Sector Housing	607	1,136	1,136	1,135	1,135	
Loans to Housing Companies	1	2,550	-	-	-	
Leisure Loan	500	-	-	-	-	
Service Transformation/Integration Programme	458	-	-	-	-	
Recovery & Reset	132	-	-	-	-	
Recovery & Reset (additional)	-	555	-	-	-	
Regeneration	543	15,967	4,250	1,800	250	
Local Energy Schemes	-	3,000	3,000	4,000	-	
Service Delivery	232	227	227	227	227	
Specialist	135	436	236	236	236	
Information Technology	71	150	150	150	150	
Asset Management	595	2,125	1,230	1,330	1,300	
Community Infrastructure	1,408	890	900	900	900	
Finance Transformation	2	50	-	-	-	
<b>Total General Fund Capital Programme</b>	<b>4,684</b>	<b>27,086</b>	<b>11,129</b>	<b>9,778</b>	<b>4,198</b>	-
<b>Total Capital Programme</b>	<b>14,429</b>	<b>50,917</b>	<b>25,586</b>	<b>19,139</b>	<b>13,559</b>	-

Funding Availability	Actual Expenditure 2020/21 £0	Proposed Programme 2021/22 £0	Proposed Programme 2022/23 £0	Proposed Programme 2023/24 £0	Proposed Programme 2024/25 £0	Proposed Programme 2025/26 £0
<b>HRA</b>						
Capital Receipts	2,458	1,601	2,502	1,443	1,443	
Major Repairs Reserve	2,901	6,428	5,337	5,519	5,519	
Revenue Contributions	184	992	434	726	726	
Borrowing Need	4,202	14,810	6,184	1,673	1,673	
<b>Total HRA</b>	<b>9,746</b>	<b>23,831</b>	<b>14,457</b>	<b>9,361</b>	<b>9,361</b>	
<b>General Fund</b>						
Capital Receipts	429	685	1,135	3,265	3,265	
Grants & Contributions	2,488	8,147	3,137	2,136	933	
Earmarked Reserves	669	1,335	150	150	-	
Revenue Contributions	216	-	-	-	-	
Borrowing Need	881	16,919	6,707	4,227	-	
<b>Total GF</b>	<b>4,684</b>	<b>27,086</b>	<b>11,129</b>	<b>9,778</b>	<b>4,198</b>	
<b>Total Funding</b>	<b>14,429</b>	<b>50,917</b>	<b>25,586</b>	<b>19,139</b>	<b>13,559</b>	

This page is intentionally left blank

# Agenda Item 12

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Title:</b>	<b>Housing Development Update</b>
<b>Exempt reason:</b>	<b>This report contains exempt information as defined in Schedule 12A of the Local Government Act 1972.</b>  <b>Appendices 1 and 2 – Information relating to the financial or business affairs of any particular person (including the authority holding that information).</b>  <b>The public interest in maintaining the exemption outweighs the public interest in disclosing the information.</b>
<b>Report of:</b>	<b>Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning</b>
<b>Cabinet member:</b>	<b>Councillor William Meyer, Lead Cabinet Member for Housing</b>
<b>Ward(s):</b>	<b>Newhaven South, Lewes Castle</b>
<b>Purpose of report:</b>	<b>To provide regular updates on key housing developments</b>
<b>Decision type:</b>	<b>Key Decision</b>
<b>Officer recommendation(s):</b>	<b>(1) To approve the project known as the Former Newhaven Police Station, making an allocation within the Housing Revenue Account (HRA) Capital Programme of up to £6.2m, in accordance with the business case as set-out in Appendix 1 (Exempt).</b>  <b>(2) To approve the Council entering into a construction contract with the preferred bidder to build out the Former Newhaven Police Station, subject to the business case, demolishing the existing buildings and developing 21 new Council homes.</b>  <b>(3) To approve the disposal of the two HRA assets identified, in accordance with the business case as set-out in Appendix 2 (Exempt), including a policy to ring-fence the capital receipts generated within the annual budget to support in the financing of other Council-led housing developments in Lewes town, enabling the re-allocation of retained Right to Buy (RTB) receipts.</b>

- (4) To authorise the Director of Regeneration and Planning, in consultation with the Portfolio Holders for Housing, Finance, and Assets, also the Chief Finance Officer, to carry out all necessary actions to facilitate the recommendations including feasibility, financing, appointment of professional services, development, sales, lettings, and determining the terms of, and authorising the execution of, all necessary documentation, in accordance with the business case(s).**

**Reasons for recommendations:** To provide updates and secure the necessary approvals to bring forward ongoing key housing development projects within the district, utilising existing assets to deliver highly sustainable Council homes to meet corporate objectives.

**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 new Council housing development at the Former Newhaven Police Station, South Road, Newhaven BN9 9QJ.

It also makes recommendations to dispose of two known high cost, vacant Housing Revenue Account (HRA) assets to support financially in the delivery of a highly sustainable Council house building programme.

## **2. Background**

- 2.1. On 10<sup>th</sup> February 2020, Lewes District Council (LDC) Cabinet considered a report from officers on the Former Newhaven Police Station, approved the site acquisition from Sussex Police, and authorised the development of a scheme as part of the capital programme up to the construction phase.

The HRA Capital Programme approved for 2021/22, at the start of the financial year, includes budget allocations to both acquire properties and build new homes.

A report presented to Cabinet on 8<sup>th</sup> July 2021 set out the housing development pipeline in the context of the approved budgets, which included this site.

- 2.2. Homes First have been progressing condition surveys of the Council housing stock to inform the residential Asset Management Plan. In this early stage, the

outcomes have identified two properties in Lewes town that have become vacant in the last year and require costly repair works to enable re-letting. There is however an opportunity to consider alternative options, maximising local land and property values to support the delivery of new Council homes.

### 3. Newhaven Police Station

3.1. The Former Police Station is in a prominent location in the centre of Newhaven and, having been vacant for several years, its development will contribute to the strategic regeneration plans for the town. It is in a highly sustainable location, being very close to both the main town centre and public transport routes, with links to both bus and rail. The site was identified in the Newhaven Neighbourhood Plan as having potential for a minimum of 15 homes on a site of approximately 0.15 hectares.

3.2. Following the exchange of conditional land contracts with Sussex Police, officers progressed scheme designs towards a planning application submission. A Planning Committee resolution to grant planning permission was approved in July 2021 for a new Council housing scheme, consisting of 21 new homes, including adaptable units on the ground floor, as follows:

Unit Type	Persons	Size (m2)	Total Units
1 bed Flat	2	53	<b>4</b>
2 bed Flat	4	72	<b>14</b>
2 bed Flat	4	77	<b>1</b>
3 bed House	5	99	<b>2</b>

The properties will be built in excess of Nationally Described Technical Space Standards, to ensure that the homes not only meet local housing need but also provide quality and spacious living environments.

The car-lite design will make best use of the central location, public transport links, and promotion of sustainable transport methods. The homes will be subject to a Local Lettings Plan that will prioritise allocations to households who do not have a car and who will make best use of its location.

However, to minimise any potential negative impacts on the surrounding area, the Council will also be supporting the scheme with a parking permit system, utilising nearby car parks to ensure the development does not add to any existing parking concerns. The permit system proposed will help to mitigate parking issues both during and post-development, including in the ongoing housing management. The nearby Council-owned car parks are being reviewed to consider what works may be required to support to deliver these proposals. The measures outlined seek to directly respond to the comments raised at the Planning Committee and shall be subject to continued consultation with Ward Councillors and the Newhaven Town Council.

3.3. The scheme will also include the following key sustainability features:

- Taking a fabric first approach using passive design measures, reducing heat loss and air permeability.
- Full electric including 100% energy efficient lighting.
- Mechanical ventilation and heat recovery (MVHR) systems.
- PV solar panels.
- Increased biodiversity.
- Storage space for up to 39 bikes.

The existing structures on the site had already been assessed as not suitable for re-use. Therefore, demolition works will be involved, however this will be managed to reduce carbon outputs using the same methodology as adopted for the Palmerston House development, where 97% of the materials from the building were recycled.

The energy strategy for the proposed development scheme has been assessed using the following Energy Hierarchy:

1. **Be Lean** – Use less energy
2. **Be Clean** – Supply energy efficiently
3. **Be Green** – Use renewable energy

This results in a scheme that has significant improvements in U-values, air tightness, and overall building performance standards, including an increase to the national average for CO2 reductions. This meets the requirements of the sustainability strategy and Full Council motion to adopt the healthy homes principles, ensuring residents have quality places to live.

3.4. The homes will be developed, held, and managed within the HRA by Homes First. The Local Lettings Plan, in addition to supporting the objectives of a car-lite scheme, will help to meet priority local needs, producing homes let at truly affordable rents nearer to social rent levels (circa 60% of the market rent).

3.5. The project may now progress into the construction delivery stage. Following a competitive procurement exercise in accordance with the Council's Contract Procedure Rules (CPRs), using the new Social Value Charter in the assessment process, Sunninghill Construction Ltd is the preferred bidder based on price and quality, including social value. Further details are included in Appendix 1 (Exempt).

Although based outside of the district, the preferred bidder operates within East Sussex already and will be utilising local SME's and supply chains for a significant majority of the development.

The programme will continue to be progressed on award of a contract, however, development commencement is planned currently for early 2022, to be completed in one phase, and with an expected 18-month on-site construction programme.

3.6. The tendered costs have been impacted by current market challenges, as a result of Covid-19, including a significant increase in the costs of materials. However, following an open and competitive tender exercise, the Council's appointed



Employers Agent has deemed the costs to be reasonable and value for money, especially when factoring the high sustainable elements.

- 3.7. Following a successful tender, the overall projected capital project costs will be up to £6.2m, utilising borrowing, RTB receipts or external grant funding opportunities, incorporating the cost of the land, construction, on-costs, contingency, risk provisions, and project management fees. The Council continues to work closely with Homes England to maximise any grant funding opportunities available to deliver affordable housing.
- 3.8. The financial assessment and supporting business case underpinning the proposals are included in Appendix 1 (Exempt).

#### **4. HRA Asset Disposals**

- 4.1. As part of the stock condition survey programme, the following properties have been identified in a prominent location within the district where land values and demand are high:
- 33 Paddock Road, Lewes BN7 1UU - a freehold double fronted 3 bed two storey cottage.
  - 15 Talbot Terrace, Lewes BN7 2DS - a freehold 2 bed two storey end of terrace house built circa 1900.

Both properties are currently vacant and deemed uneconomic to repair. The properties cannot be re-let until significant modernisation and remediation works have been undertaken. The Council therefore has few options but to consider alternatives to the automatic re-letting of these void properties.

- 4.2. The Council's objectives to increase housing supply across the district includes a dual priority to a) deliver more sustainable homes towards net zero carbon, and b) to offer truly affordable rents, closer to 60% of the market compared to the standard 80% as defined by government. Without additional methods of capital finance to off-set borrowing, it becomes challenging to maintain financial viability. Although the Council could take a holistic approach across its wider housing portfolio, delivering too many schemes on that basis, and that do not have a standalone viable business case, will impact on the HRA Business Plan, restricting the Council's ability to build more homes in the long-term.
- 4.3. Initial advice in relation to the market and potential values presents an opportunity for the Council to dispose of these assets, as set out in the business case, to generate capital receipts that can be ring-fenced within the HRA to support Lewes town based new development schemes.
- 4.4. Due to the commercial sensitivity, the full financial assessment and business case are included in Appendix 2 (Exempt).

#### **5. Outcomes expected and performance management**

- 5.1. The overall outcomes of the recommendations are:

- the continued delivery of the HRA Capital Programme to bring forward more homes that meet local needs in line with the Corporate Plan.
- the strategic management of Council assets, utilised and maximised to support driving district-wide objectives to meet long-term housing growth.
- the ability to raise additional forms of funding, here to generate capital receipts through the disposal of high-cost assets, used to finance the housing pipeline and when supported by a viable business case.

## **6. Consultation**

- 6.1. Statutory consultation was undertaken on the Former Newhaven Police Station as part of the planning process. This was also supported by local consultation with the public and Ward Councillors, before, during, and after the planning decision process, and will include the continued engagement with both Newhaven Town Council and neighbouring residents as the scheme moves toward on-site works commencing.

## **7. Corporate plan and council policies**

- 7.1. These proposals meet the following objectives in accordance with the 'Reimagining Lewes District' Corporate Plan 2020-2024:

### Sustainability and Climate Change

- Building energy efficient homes, including low carbon heating technologies, to ensure homes are not only cheap to rent but also affordable to live in.
- Encouraging sustainable transport methods and promoting other travel options including walking, cycling, and the use of public transport links.
- Use of renewable technology to increase energy re-use and efficiency.
- Increased site biodiversity.

### Building Community Wealth

- Leading on the best use of public sector land and property assets.
- Through procurement, using established contractors to support the use of local sub-contractors and supply chains to increase local spending, employment, and training opportunities.
- Inclusion of new skills, training, and apprenticeships.

### Delivering Homes

- Form's part of the 200 new additional council houses target.
- Adds to more sustainable and energy efficient homes across the district.
- Increases the availability of quality homes for low rents.
- Inclusion of adaptable units to provide accessible homes.
- Supports households directly from the housing register and reduces the reliance on temporary and emergency accommodation.

The development demonstrates the added benefits of acting as One Public Estate (OPE), making the best use of public sector land and property assets to drive forward local regeneration, delivery, and growth objectives.

- 7.2. The scheme shall also be subject to an Employment and Training Plan (ETP), in accordance with the Newhaven Local Employment and Training Technical Guidance note, that will help support local labour markets, create new employment opportunities, and enable new skills and training, to be secured in the form of a Section 106 Agreement.

## **8. Next Steps**

- 8.1. Following approval of the recommendations in relation to the Former Newhaven Police Station, a contractor shall be appointed via an industry standard form construction contract, and the technical design work commenced (RIBA Stage 4), with on-site works expected to start by the end of the financial year 2021/22.
- 8.2. The two HRA properties identified, 15 Talbot Terrace and 33 Paddock Road, shall be subject to further legal, financial, and valuation advice before being put out to the market for sale in accordance with the Council's CPRs. This will include a minimum reserve, with the receipts generated from the sale used to off-set the sale costs, before then being ring-fenced to support new Lewes town-based housing developments.

## **9. Financial implications**

- 9.1. The proposals outlined within this report are in accordance with the HRA Business Plan and Capital Programme for 2021/22, which includes allocations for residential acquisitions and new build homes. All new development projects must be approved by Cabinet, supported by a business case, to enter into a construction contract and added into the capital programme.
- 9.2. Any investment requiring a capital outlay presents an element of risk. The risk here is however considered as acceptable based on the business case as set-out in Appendix 1. Any other risks can be mitigated and managed through careful construction management and continued technical due diligence.
- 9.3. The disposal of HRA assets shall have an impact on the Business Plan, however, in this context, the properties are vacant, and the production of capital receipts fundamentally supports in the project finance of new schemes as part of the capital programme. The impact is therefore assessed as acceptable.

## **10. Legal implications**

- 10.1. The Council can rely on section 9 of the Housing Act 1985 (HA 1985) to undertake the development of the former Newhaven Police station. This is a power to provide sub-market rented housing for its area i.e., to address a gap in the housing market and meet the needs of the local community. The RTB will apply to these properties but, in summary, any discount to which anyone exercising the RTB is entitled will be limited with the effect that the discount cannot take the price paid by them to less than the cost price of the property.

Section 32 of the HA 1985 will permit the Council to let the accommodation on the former Newhaven Police Station on secure tenancies without the requirement for Secretary of State consent.

The Council will take full advice on any title issues associated with the development of the former Newhaven Police station and in respect of appropriate ways to address any issues revealed.

In respect of the proposed disposals of the two HRA assets, Section 32 of the HA 1985 requires the Secretary of State's consent for the disposal of land held for the purposes of that Act (i.e., HRA land). The Secretary of State has issued a general consent (A3.1.1 of the General Housing Consents 2013) for the disposal of such land for a consideration equal to its market value (subject to certain exceptions which are not relevant here).

[010350-LDC-PB 31 August 2021]

## 11. Risk management implications

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

Ref	Risk	Mitigations
1	Increasing costs and programme delays due to COVID-19 and BREXIT.	The market continues to be monitored closely. External market advice will be taken if/where required and fixed price construction contracts will be used wherever possible. Entering into a contract during the tender fixed price period will also reduce the risk of increasing costs.
2	Project viability impacting on the HRA Business Plan.	The scheme has been tested within the context of the HRA Business Plan. With the use of either RTB receipts or external grant (blended funding is not an option due to Homes England criteria), the business case as set-out in the appendices are viable. The budget allocation includes contingencies and risk provisions on both the Council's and contractors' side, with further value engineering to be discussed during the detailed design stage.
3	Housing management issues related to car-lite scheme.	The central location, transport links, and proximity to the town centre support a car-lite scheme. However, a parking permit system shall also support the development, through both the construction phase and in the operation of the scheme, that will

		utilise Council-owned car parks in the surrounding area, mitigating any potential impacts on the already limited parking.
4	Disposal of HRA assets do not achieve market value.	The properties shall be subject to an independent red book valuation. The Council has a requirement to obtain fair value and will set a minimum level to be realised to trigger a sale.
5	The capital receipts from the disposals are not used toward priority developments.	The receipts shall be ring-fenced within the HRA and set-aside with the budget to support only new housing developments in Lewes town.

## 12. Equality analysis

- 12.1. An equality analysis has been undertaken and has not identified any related impacts to the recommendations contained in this report.

## 13. Environmental impact analysis

- 13.1. The design of the Former Newhaven Police Station has been subject to a full review of the sustainability features and in accordance with the Council's corporate priorities, including the healthy homes principles, and with consideration of financial viability. The site is also being developed on a brownfield site and, where appropriate, full ecology and environmental impact surveys have been undertaken.
- 13.2. There are no environmental impacts to report regarding the recommendations relating to the HRA asset disposals.

## 14. Contribution to Community Wealth Building

- 14.1. The development of brownfield sites, specifically the re-use of public sector land and property assets, supports the principles of OPE ensuring that public sector partners work collaboratively to bring forward district-wide benefits.
- 14.2. The construction contract has been advertised and assessed using the Council's Social Value Charter that has been designed around the Corporate Plan objectives, including those focused on Community Wealth Building. This will include:
- Use of local SME's
  - Engagement with local supply chains
  - Increased local employment
  - New training and apprenticeship opportunities

## **15. Appendices**

- 15.1.
- Appendix 1 (Exempt) – Former Newhaven Police Station Business Case
  - Appendix 2 (Exempt) – HRA Asset Disposals Business Case

## **16. Background papers**

- 16.1. The background papers used in compiling this report are as follows:
- LDC Cabinet report - 10<sup>th</sup> February 2020 – ‘Former Police and Fire Station Sites, Newhaven’
  - LDC Cabinet report - 8<sup>th</sup> July 2021 – ‘Housing Development Update’

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank