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Cabinet
3 February 2022

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, Stephen Gauntlett, William Meyer and Ruth O'Keeffe

Quorum: 4

Published: Wednesday, 26 January 2022

Agenda

1 Minutes of the meeting held on 9 December 2021 (Pages 5 - 10)

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 Recovery and Reset (Pages 11 - 16)

Report of Chief Executive
Lead Cabinet members: Councillor Zoe Nicholson and James MacCleary

9 General Fund Revenue Budget 2022/23 and Capital Programme (Pages 17 - 42)

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

10 Treasury Management and Prudential Indicators 2022/23, Capital Strategy & Investment Strategy (Pages 43 - 106)

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

11 Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2022/2 and HRA Capital Programme 2021-25 (Pages 107 - 118)

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

12 Annual Review of Fees and Charges (Pages 119 - 138)

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

13 Community Grants Programme (Pages 139 - 144)

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

14 Levelling Up Fund (Pages 145 - 150)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet members: Councillor Zoe Nicholson and James MacCleary

15 Asset Management (Pages 151 - 162)

Report of Deputy Chief Executive and Director of Regeneration and Planning
Lead Cabinet member: Councillor Zoe Nicholson

16 Litter and Fly-tipping Reduction Strategy 2022 - 2027 (Pages 163 - 178)

Report of Director of Service Delivery
Lead Cabinet Member: Councillor Julie Carr

17 Eastbourne & Lewes Community Safety Partnership - Annual Report (Lewes) (Pages 179 - 188)

Report of Director of Service Delivery
Lead Cabinet member: Councillor Johnny Denis

18 A Coastal Concordat for England (Pages 189 - 194)

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

Information for the public

Accessibility:

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Public participation:

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

Information for councillors

Disclosure of interests:

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

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

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

Councillor right of address:

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

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

Other participation:

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

Democratic Services

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

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Lewes District Council

Cabinet

Minutes of meeting held in Ditchling and Telscombe Rooms at Southover House, Southover Road, Lewes, BN7 1AB on 9 December 2021 at 2.30 pm.

Present:
Councillor Zoe Nicholson (Chair).
Councillors Matthew Bird, Julie Carr, Chris Collier, Johnny Denis, Stephen Gauntlett, William Meyer and Ruth O'Keeffe.

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

Also in attendance:
Councillor Liz Boorman (Vice-Chair of Policy and Performance Advisory Committee) and Isabelle Linington (Leader of the Opposition)

38 Minutes of the meeting held on 11 November 2021

The minutes of the meeting held on 11 November 2021 were submitted and approved and the Chair was authorised to sign them as a correct record.

39 Apologies for absence

An apology for absence was reported from Councillor MacCleary and visiting members, Councillors Miller and Peterson.

40 Declarations of interest

None were declared.

41 Local Council Tax Reduction Scheme for the Working Age 2022/23

The Cabinet considered the report of the Director of Service Delivery, asking them to consider and then recommend to Full Council for adoption, a revised Local Council Tax Reduction scheme for 2022/23 and continuation of the existing Exceptional Hardship scheme.

Policy and Performance Advisory Committee (PPAC), held on 30 November 2021, considered the report and were supportive of the officer recommendations in full. Councillor Boorman, Vice-Chair of PPAC, was in attendance to present PPAC's discussion. Visiting member and Leader of the Opposition, Councillor Linington addressed the Cabinet on the consultation that was undertaken and commented on the opposing views received from the major precepting organisations.

A statutory consultation took place on 2 August to 31 October over proposals to increase the maximum reduction to 100%, remove the minimum awards so a claimant can qualify for, and be awarded, less than £5 per week and to base a self-employed claimant's income on their actual earnings. Full details of this consultation were detailed in the report and contained at Appendix 2 to the report.

In reaching their decision, Cabinet gave due regard to all the responses received from the consultation, including from the major precepting organisations, East Sussex County Council, Sussex Police and Crime Commissioner and East Sussex Fire and Rescue, who had confirmed that they could not support the proposals contained in the report.

Recommended to Full Council (Budget and policy framework):

(1) To recommend to Full Council the revised LCTR Scheme for the working age for 2022/23, comprising the features proposed at paragraph 2.1 of the report.

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

Reasons for decisions:

(1) The proposed changes provide more financial support to some of the most financially challenged residents and supports the Corporate goal of 'A fairer council tax for those on lowest incomes'.

(2) The Exceptional Hardship Scheme provides additional support to those who are in receipt of a Council Tax Reduction but are suffering exceptional hardship.

42 Council tax base and non-domestic rate income for 2022/23

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

Policy and Performance Advisory Committee (PPAC), held on 30 November 2021, considered the report and were supportive of the officer recommendations in full. Councillor Boorman, Vice-Chair of PPAC, was in attendance to present PPAC's discussion. Visiting member and Leader of the Opposition, Councillor Linington addressed the Cabinet. In response to a question around why collection rate was expected to decrease next year, the Chief Finance Officer commented that this was due to the withdrawal of a variety of financial support packages, that had been made available this year.

Resolved (Key decision):

(1) To agree the provisional Council Tax Base of 36,726.6 for 2022/23 for the whole area and that the Council Tax Base for each of the Town and Parish areas of the District shall be as set out in Appendix 2 of this report.

(2) To agree that the Chief Finance Officer, in consultation with the Portfolio Holder for Finance and Assets, determine the final amounts for the Council Tax Base for 2022/23.

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

Reason for decisions:

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

43 Portfolio progress and performance report quarter 2 - 2021-2022

The Cabinet considered the report of the Deputy Chief Executive and Director of Regeneration and Planning, asking them to consider the Council's progress and performance in respect of service areas for the second quarter of the year (July-September 2021), as shown at Appendix 1 to the report.

Policy and Performance Advisory Committee (PPAC), held on 30 November 2021, considered the report and were supportive of the officer recommendation in full. Councillor Boorman, Vice-Chair of PPAC, was in attendance to present PPAC's discussion. Visiting member and Leader of the Opposition, Councillor Linington also addressed the Cabinet and reiterated the comments made at PPAC.

Commentary on those performance indicators that were currently below target was detailed in the report. The Director of Service Delivery updated the Cabinet on the most up to date performance for the Customer Contact team. The vacancies in the team had now been filled and a training induction was taking place for those new starters. Last week, the Council received 1,771 calls, 90% of which were handled. Only 49% of those handled calls weren't answered within 60 seconds and the average speed to respond to those calls was 2 minutes. The Cabinet acknowledged the timely improvement in call handling performance, particularly as due to the rapid spread of the Omicron variant and confirmation from the Government that England would be moving to Plan B, the Council were shutting their front offices to reflect national guidance. This would likely result in an increase in customers contacting the Council via telephone, although other channels of communication were available.

The Director of Service Delivery also updated the Cabinet on the recent recruitment event organised by the Council. He confirmed that the event attracted 140 visitors and the number of entry level posts was attracting a younger demographic for a workforce. This was positively welcomed by the Cabinet as the Local Government Association had often commented on the difficulty of recruiting younger staff.

Finally, the Director of Service Delivery updated the Cabinet on the latest figures for days to process change of circumstances forms and council tax and housing benefit claims. New benefit claims were now being processed in 11 days, half the national average and change of circumstances forms were being processed in 4 days.

Resolved (Non-key decision):

To note progress and performance for Quarter 2.

Reason for decision:

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

44 Finance update - performance quarter 2 - 2021-2022

The Cabinet considered the report of the Chief Finance Officer, updating members on the Council's financial performance in quarter 2 2021/22.

The General Fund position at the end of June, reported a net underspend of £33K. The Housing Revenue Account at the end of June, reported an underspend of £353K.

In response to a question from Councillor Meyer with regards to ensuring a commitment to spending its HRA budget, the Chief Finance Officer advised that any underspend due to Covid or capacity issues would be carried over to next year's budget. The Director of Service Delivery added that part of the underspend was due to a pause in the repairs and capital maintenance programme because of supply issues, but it was expected that this would catch up by year-end and the majority of the HRA budget would be spent.

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

Resolved (Non-key decision):

(1) To note the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2021.

(2) To agree the amended capital programme as set out in Appendix 2a and 2b to the report.

Reason for decision:

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

The meeting ended at 3.04 pm

Councillor Zoe Nicholson (Chair)

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Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Recovery and Reset**
Report of:	**Robert Cottrill, Chief Executive**
Cabinet members:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet member for finance and assets** **Councillor James MacCleary, Deputy Leader of the Council and Cabinet member for regeneration and prosperity**
Ward(s):	**All**
Purpose of report:	**To update on progress of the Recovery and Reset Programme**
Decision type:	**Non key**
Officer recommendation(s):	**1. To note the progress made with the Recovery and Reset Programme** **2. Agree future Recovery and Reset progress reports are provided through the scheduled updates on the council's performance and financial position and the work of the Recovery and Reset member Board is ended**
Reasons for recommendation(s):	**The Recovery and Reset Programme provides a structured and accountable approach for delivering the level of significant organisational change needed to respond to current and future challenges. This work is sufficiently developed for its management and oversight to now form part of the council's business as usual activity.**
Contact Officer(s):	**Name: Lee Banner** **Post title: Transformation Programme Manager** **E-mail: lee.banner@lewes-eastbourne.gov.uk** **Telephone number: 07894 237929**

1. Introduction

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

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

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

1.4 As R&R activity becomes aligned with business-as-usual activity and the work to deliver the necessary transformation, efficiencies and savings is mainstreamed into operational plans, Cabinet is requested to agree that future reports on progress against plans and updates to the R&R Member Board will be incorporated into scheduled performance and financial reports considered by Cabinet.

2. Financial Context

2.1 When the R&R programme was established in the autumn of 2020, it was clear that significant savings would need to be delivered. The table below sets out the initial budget gaps which were reported in the updated MTFS presented to Cabinet in September 2021. Further work with budget holders to consider the robustness and achievability of the R&R savings has resulted in a revised position.

2.2 The budget planning process for 2022/23 has identified other sources to manage the funding gaps in both 2021/22 and 2022/23, these include additional funding from collection fund and updated income projections.

	2021/22 £m	**2022/23 £m**	**2023/24 £m**	**2024/25 £m**
INITIAL FORECAST GAP	**0.737**	**1.532**	**1.535**	**1.525**
Less achievable R&R Savings	(0.156)	(1.183)	(2.080)	(2.080)
Other budget adjustments	(0.581)	(0.382)	0	0
Improved Funding position		(0.808)		
Contribution to General Fund Balance	0	0.841	0.545	0.555
Net Balanced Position	**-**	**-**	**-**	**-**

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

3. Recovery and Reset Progress

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

- The Digital Democracy project, which launched the Modern.Gov system with members and officers for the electronic management of meeting agendas and papers, has progressed well with good levels of adoption of the new system. Discussions are taking place about the next phase of the project, including consideration of the future of hard-copy agendas and papers for meetings.
- The procurement exercise for the project to explore a new Revenues and Benefits system completed in December, and a new provider and system was selected – the NPS system provided by NEC. NPS will provide significant automation improvements and reduce the need for manual activity. Since contract completion, the project team has worked with NEC to develop an implementation plan – the current window for “go live” of the new system is early 2023 working around the peak period of year-end-related activity.
- The project to explore options for the identification of a single system to manage Environmental Health and Licensing activity is progressing well. Colleagues have identified the council’s requirements, ensuring operational benefits, efficiencies and savings can be delivered, and discussions with potential system providers are underway as part of a market testing exercise. The procurement phase of the project is due to commence in the coming months.
- Work to identify new technology to automate a range of transactional processes within Customer First is due to be implemented in the coming weeks. A new generation chat bot will be implemented on the council’s website and, subsequently, on the contact centre phone line to allow customers to self-serve and find answers to their queries. The chat bot will, over time, reduce the volumes of queries into the contact centre, enabling the team to provide more in-depth support to those customers in the greatest need and to focus on more value-adding activity.
- A new system to support the online facilitation of taxi licensing services is being finalised and will launch in the spring. The system – Digital Place – will offer a higher-level of automated and electronic processes for taxi drivers and operators to streamline the service provided to them, and to introduce efficiencies for the council. Once implemented, other service areas will be scoped for further use of Digital Place to deliver additional improvements and savings across a wider range of services.
- With many of the new ways of working introduced to support and embed hybrid working across the council, a review of internal communications is underway to consider how long-standing and new communication tools can be used to support the new operating model.
- The staff social club – the Water Cooler – has become well-established since its launch last autumn and staff have been developing it into an essential tool for interacting and socialising. The 45 groups created by staff – on themes related to personal interests, sports, pets and a range of equality, diversity and inclusion groups – are proving an effective way for staff to keep in touch and connect when working across a range of locations and in a hybrid way.

The Water Cooler will be considered as part of the review of internal communications.
- The capital programme has been reviewed and income targets relating to the property portfolio (non-residential) is to be considered by Cabinet under a separate item on this agenda.
- Through the Strategic Property Board, assets/properties are being reviewed to identify a priority list for further consideration as to how they can best support the council to meet its current and long-term financial challenges.
- The Covid-19 community hub helpline has operated since March 2020 and, in recent months, levels of contact have been consistently very low. Plans were refreshed in December 2021 in anticipation of any changes to the levels of demand as a result of the omicron variant. At the point of writing the report, no material changes to the levels of contact have been observed. An oral update on the latest position will be provided at the meeting.

3.2 Since the pandemic began in March 2020, the impact of Covid-19 on leisure and recreational facilities has been varied; leisure centres have been closed on a number of occasions as part of the national Covid-19 response and they have operated with varying health and safety measures in place at other times. An analysis of the impact is being prepared and an oral update on the latest position will be provided at the meeting.

4. Community Wealth Building

4.1 The R&R management team continues to ensure that community wealth principles are applied across all aspects of the R&R programme.

5. Consultation

5.1 There are no proposals in this repot which require formal consultation to be undertaken.

6. Corporate Plan and Council Policies

6.1 The proposals in this report support the council's long term strategic aims as set out in the Corporate Plan and associated policies.

7. Financial Appraisal

7.1 As set out in the report.

8. Legal Implications

8.1 Cabinet agreed to establish the cross-party R&R member Board and accordingly, now that the requirement for it has ended, Cabinet has resolved that it should be terminated.

Lawyer consulted 10.01.22 *Legal ref: 010742-LDC-KS*

9. Risk Management Implications

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

10. Equality Analysis

10.1 There are specific no proposals in this report which require an equality and fairness analysis to be undertaken. However, the Equalities Stakeholder Group for Lewes and Eastbourne is regularly updated on progress with the R&R programme and equality analyses are undertaken for all staff reshaping exercises.

11. Environmental Sustainability Implications

11.1 The proposals in this report do not adversely impact on the council's long-term carbon reduction aims, as set out in the LDC Climate Change and Sustainability Strategy.

12. Contribution to Community Wealth Building

12.1 See para 4 above.

13. Appendices

- Appendix A – Recovery and Reset Savings

14. Background Papers

None

Appendix A

Recovery and Reset Savings

	2021/22 £000	2022/23 £000
W21		
Southover House	0	155
Reshaping Services		
HR reshaping	13.8	0
IT reshaping	0	68
Contract cleaning	0	100
Homes First reshaping	5.95	0
Environment First reshaping	58	58
Legal reshaping	0	25
CMT reshaping	38	2
Finance reshaping	0	(6)
Facility management savings	0	200
RESHAPING SERVICES TOTAL	**116**	**447**
Best Use of Assets		
Reduced costs/increased income	40	81
Reduced costs of capital financing	0	500
BEST USE OF ASSETS TOTAL	**40**	**581**
TOTAL SAVINGS	**156**	**1,183**

Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**General Fund Revenue Budget 2022/23 and Capital Programme**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets**
Ward(s):	**All**
Purpose of report:	**To agree the updated General Fund budget and updated Medium Term Financial Strategy, together with the updated Capital Programme position.**
Decision type:	**Budget and policy framework**

Officer recommendation(s):

1. **Members are asked to recommend the following proposals to Full Council:**

i) The General Fund budget for 2021/22 (Revised) and 2022/23 (original).

ii) An increase in the Council Tax for Lewes District Council of £5 (per annum) resulting in a Band D charge for general expenses of £202.08 (per annum) for 2022/23.

iii) The revised General Fund capital programme 2022/23 as set out in Appendix 3.

iv) That Cabinet endorses the continuation of the Flexible use of Capital Receipts and refers on to Council for approval.

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

Reasons for recommendations:	**The Cabinet has to recommend to Full Council the setting of a revenue budget and associated council tax for the forthcoming financial year by law.**
Contact Officer(s):	**Name: Homira Javadi** **Post title: Chief Finance Officer** **E-mail: Homira.Javadi@lewes-eastbourne.gov.uk**

1 Background

1.1 The Council published its draft Medium-Term Financial Strategy (MTFS) for 2021/22 to 2025/26 in September 2021. This is a key document, which demonstrates alignment with the Council Corporate Plan, and how the Council plans to target its financial resources in line with its key priorities and stated aims and objectives.

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

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

1.3 The 2022/23 budget has been prepared during one of the most challenging and uncertain times due to the ongoing impacts of Covid19 on the Council's finances, staff, residents, and local economy.

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

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

Key Factors

2 Financial Impact of Covid19

2.1 As the country struggles to get back on its feet after the harm caused by COVID 19 the financial implications to the Councils finances continue. The Council income streams especially in relation to commercial rents, sales and car parking are still well below pre pandemic levels and continue to present a real challenge to the Councils overall financial position in the medium term. The details of these pressures are included in table 5.

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

3 Economic Background

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

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

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

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

4 Spending Review 2021

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

The following significant points affecting local authorities are:

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

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

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

d) The referendum threshold for increases in council tax is expected to remain at 2% throughout the spending review period with an additional 1% per year for social care authorities. District Councils have in the past few years been able to increase Council tax by up to 2% or £5 whichever is the higher. For district councils the referendum level is exceeded if council tax is to be increased by 2% or £5.00 on a Band D property – i.e. an increase of more than 2% is permitted as long as it does not exceed £5.00 on a Band D property. Lewes DC is proposing an increase of £5, this is line with current legislative limits and this equates to a 2.54% increase.

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

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

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

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

i) The spending review confirmed the first 105 places to receive funding from the Levelling Up, Fund although Lewes was not one of these.

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

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

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

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

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

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

Table 2: Interest rate forecasts from December 2021 to December 2024.

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

4.3 Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

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

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

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

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

Table 1: Provisional Finance Settlement and Other Funding Resources

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Business Rates	2.8	4.0	4.3	2.3	2.4
Change to baseline need	0	0	0	(0.2)	(0.2)
New Homes Bonus	0.4	0.1	0.1	0.1	0.1
Grants	1.3	0.7	0.6	0.6	0.6
Council Tax	7.7	7.9	8.2	8.5	8.8
Covid Grants	1.4	0.7			
Total Resources	**13.6**	**13.4**	**13.2**	**11.3**	**11.6**
Annual change	**9.2%**	**(1.4%)**	**(1.6%)**	**(14.4%)**	**2.3%**

Based on LG Future modelling – not adjusted for 100% LCTR

5 Council Tax

5.1 The aggregate Band D council requirement comprises two elements:

- Special Expenses in respect of the cost of managing and maintaining parks and open spaces. The cost of each site is charged to the council taxpayers of that part of the district area in which it is located.

- General Expenses, all other costs.

5.2 The Council has made a commitment to passing on changes in the cost of the upkeep of open spaces. Special Expenses amounts are shown in the table below:

Table 2: Special Expenses

Town/Parish Area	Special Expenses 2022/23 £	Band D 2022/23 £	Special Expenses 2021/22 £	Band D 2020/21 £
Lewes	344,430	56.12	344,430	56.12
Newhaven	134,940	36.53	134,940	36.53
Telscombe	57,720	22.78	57,720	22.78
Seaford	58,590	6.17	58,590	6.17
Peacehaven	41,100	8.56	41,100	8.56
Chailey	1,120	0.86	1,120	0.86
Ringmer	4,410	2.35	4,410	2.35
TOTAL SPECIAL EXPENSES	**642,310**	**17.45**	**642,310**	**17.45**

5.3 Applying a £5 increase to the General Expenses element of the Council Tax gives a Band D tax amount of £202.08 as shown in the table below:

Table 3: Council Tax

	2021/22 £	2022/23 £	Change £	Change %
Band D				
Special Expenses	17.45	17.45	0	(0
General Expenses	197.08	202.08	5.00	2.54%
Total	**214.53**	**219.53**	**4.84**	**2.54%**

5.4 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by 2% per annum in line with inflation for each of the next three years. This is within the Government’s target for inflation of 2% and the current ceiling on rises that would otherwise require a referendum. Within this context, for 2022/23, the Council will raise £8.0M from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band d tax rate of £219.53 per annum.

6 2021/22 Revised Budget

6.1 The 2021/22 budget has been significantly impacted by the Covid-19 pandemic in terms of income losses and additional costs. The council’s Chief Finance Officer has been monitoring the financial impact of the pandemic on the Council’s resources during the year. The following table provides a summary of the key variation:

Table 5: 2021/22 Major Movements

2021/22 Budget Variances	
Additional pressures	£
Reduced car parking income	337,000
Reduced rental income	395,750
Solar Panel Trading A/C – Repairs & Maintenance	51,000
Additional Licensing costs and reduction in Income	101,300
Reduced Income Recovery Grant	86,000
Lewes TIC – Increased staffing cost	20,600
Other Net Budget changes	16,750
	1,008,400
Efficiencies and other funding	
Change in use of Reserves	(603,400)
Removal of Contingency	(350,000)
Land Charges fee income	(55,000)
	(1,008,400)

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

7 Medium Term Financial Position

7.1 The MTFS sets out the Council's four-year spending and funding plans and is the financial framework for the development of the detailed 2022/23 budget.

The latest MTFS, as approved by Cabinet on 23 September 2021, forecast budget gaps in each of the financial years as follows:

Table 6: Previous MTFS Forecasts

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Forecast	13,530	14,438	14,698	14,964
External Funding	(13,530)	(12,906)	(13,164)	(13,439)
Annual Budget Gap	**0**	**1,532**	**1,535**	**1,525**
Cumulative Budget Gap	**0**	**1,532**	**3,067**	**4,592**

7.2 The MTFS has been updated with the latest forecast position. This incorporates the on-going impact of any pressures and mitigations identified in the first quarter's budget monitoring from 2021/22 and newly identified budget pressures.

7.3 **Business Rate Retention**

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

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

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

7.7 The forecast budget gap for 2022/23 has reduced from a £1.532m deficit to a balanced position, mainly due to additional funding from the provisional settlement, improved assumptions on income targets and the implementation of the R&R agreed savings.

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

Table 7: Summary of Revised MTFS Position

	2021/22£ 000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Budget Forecast	14,323	14,438	14,698	14,964	
External Funding	(13,586)	(12,906)	(13,164)	(13,439)	
Initial Budget Gap	**737**	**1,532**	**1,535**	**1,525**	
Reserve contribution	261	841	545	555	
R& R savings achievable	(156)	(1,183)			
Additional budget changes	(842)	(382)			
Improved Funding position		(808)			
Pending future funding announcements			(2,080)	(2,080)	
Budget Gap	**0**	**0**	**0**	**0**	

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

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

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

8 Reserves

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

Table 8: Reserves Summary

Reserves Summary	01-Apr-20	Transfers (In)	Transfers /Out	31-Mar-21	Transfers (In)	Transfers /Out	31-Mar-22
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Asset Maintenance	-2,200	0	667	-1,533			-1,533
Economic Regeneration	-1,666	-721	328	-2,059	-274	304	-2,029
Managing In-Year Economic Downturn	-296	0	296	0			0
Revenue Grants & Contributions	-503	-539	0	-1,042			-1,042
Strategic Change	-1,265	-49	406	-908			-908
Vehicle & Equipment Replacement	-751	0	191	-560			-560
Business Rate Equalisation	0	-965	104	-861			-861
Covid-19	0	-1,800	1,800	0			0
Income Protection	0	-125	0	-125			-125
Capital Financing	0	-500	0	-500			-500
Community Grants	0	-105	0	-105			-105
Total Earmarked Reserves	**-6,681**	**-4,804**	**3,792**	**-7,693**	**-274**	**304**	**-7,663**
General Fund Reserve	-3,425	-1,000	885	-3,540			-3,540
Total Reserves	**-10,106**	**-5,804**	**4,677**	**-11,233**	**-274**	**304**	**-11,203**

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

8.2 The General Reserve is forecast to be £3.540m by 31 March 2022 which is within the appropriate levels and £1.540m above the recommended minimum level of £2m.

8.3 The final budget report to Full Council will include a review of reserves and their adequacy as part of the Section 151 Officer Section 25 report. This will also include a more detailed narrative on the application and purpose of each reserve, and will also include details relating to the proposals set out in section 7.5 of this report.

9 Financial Planning Cycle

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

Following the publication of this report, work will continue to further validate and monitor delivery against all of the key budget assumptions for 2022/23 and beyond.

Since the publication of the MTFS in September, the Council has reviewed its

2022/23 budget following consideration of the following areas:

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

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

- The capital strategy and rolling capital programme approved by Council in February 2021;
- Demographic and service demand pressures, which have been reviewed based on the latest national and local trends and management information available.
- Expenditure and income inflation indices, which have been reviewed using the latest economic data and contract information.
- An assessment of changes to government grants and funding;
- The Council's operational and financial performance in 2020/2021 and 2021/22 with due regard given to the on-going impacts in future years.
- Validation of MTFS savings proposals.

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

10 CIPFA Resilience Index

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

10.2 The 2021 index, which will provide the relative position for the 2020/21 financial year, will be made publicly available shortly. Councils performance will be ranked relative to those in the selected 'comparator group'.

10.3 As part of the audit work for the 2019/20 and 2020/21 financial statements, a going concern review was undertaken in light of Covid19. The Council has demonstrated that it is currently in a strong financial position with the level of reserves it has and the funding received from the Government mitigating the financial impact forecast at this stage.

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

10.5 **CIPFA FM Code of Practice**

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

10.6 CIPFA expected the first full year of compliance with the FM Code to be 2021/22 and it is for individual authorities to determine whether they meet the standards. The Council's Leadership took part in the first workshop in February 2021 to develop awareness and understanding of the requirements of the code. Work will continue throughout 2022/23 to ensure the Council adopts best practice.

11 Capital Programme

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

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

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

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

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

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

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

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

Capital Expenditure-Summary	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£m	**£m**	**£m**	**£m**
GF	15.4	25.5	40.2	17.2
HRA	11.1	12.9	15.5	12.0
GF - Commercial Activities	0.8	3.4	1.1	-
Total	**27.2**	**41.8**	**56.8**	**29.2**

11.8 The Council's Draft Revenue Budget and Capital Programme 2022/23 to 2024/25 forecasts £127.8m (HRA of £40.4m and GF of £87.4m) of capital investment over the next three years with £83.0m to be met from existing or new resources. Over the course of this MTFS, prudential borrowing of £44.80m (HRA of £7.0m and GF of £37.8m) has been assumed for the General Fund Capital Programme. The full capital programme covering 2022/23 to 2024/25 are contained within Appendix 3.

11.9 The Council's external authorised borrowing limit for 2022/23 is set at £143.0m with an operational borrowing limit of £130.0m and no external borrowing as at 31 March 2022. The 2022/23 GF borrowing is estimated as £14.9m. The HRA has no borrowing limit/cap as it takes its income from rents and services charges collected from tenants and spends this money exclusively on building and maintaining housing. Councils are able to borrow money within their HRAs in order to build more homes to provide more income, or even to refurbish or regenerate existing homes.

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

11.11 Flexible Use of Capital Receipts – The Council has previously used the Flexible Use of Capital Receipts to fund the Joint Transformation Programme. The period over which this facility can be applied is 1st April 2016 to 31st March 2022 and it is proposed to continue this policy to fund or part fund delivery of the Recovery and Reset Programme.

11.12 Capital Grant - The Council receives additional grant funding for a variety of purposes and from a range of sources. These include the Department for Levelling Up, Housing and Communities (DLUHC) funding for Disabled Facility Grants and Environment Agency funding for Coastal Management projects.

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

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

11.15 HRA Right to Buy (RTB) Capital Receipts – The Right to Buy scheme helps eligible council tenants to buy their home with a discount of up to £84,200 (2022/23). The Council receives the sale proceeds of the Council House.

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

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

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

12 Financial Appraisal

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

13 Legal implications

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

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

13.3 The Chief Finance Officer, appointed under section 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

14 Risk Management implications

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

15 Equality analysis

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

16 Conclusion

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

17 Appendices

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

18 Background papers

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

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

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Appendix 1

LEWES DISTRICT COUNCIL GENERAL FUND BUDGET SUMMARY	2021-22 Current Budget	2021-22 Revised Budget	2022-23 Draft Budget
CORPORATE SERVICES	£	£	£
Corporate Management	446,950	446,950	460,250
Emergency Planning	39,300	40,850	40,850
Financial Services Team	808,250	808,250	838,650
Internal Audit and Corporate Fraud	230,800	230,800	243,400
Corporate Finance	42,000	42,000	42,000
Corporate Finance	384,200	384,200	70,400
Human Resources	328,500	328,500	343,950
Information Technology	1,787,100	1,787,100	1,760,150
Local Land Charges	(54,850)	(94,850)	(74,850)
Legal Services	407,300	404,300	397,900
Local Democracy	791,150	792,050	797,150
	5,210,700	**5,170,150**	**4,919,850**
REGENERATION AND PLANNING			
Estates & Property	(393,500)	337,050	(125,500)
Solar Panel Trading Account	(124,250)	(73,250)	(74,200)
Planning	129,550	129,550	531,300
Regeneration	519,250	530,150	529,700
Regeneration Portfolio	119,750	119,750	128,400
Business Planning & Performance	744,350	744,350	793,750
	995,150	**1,787,600**	**1,783,450**
SERVICE DELIVERY			
Head of Customer First	191,100	191,100	200,100
Homes First - Head	35,000	57,000	51,850
Specialist Advisors	499,100	499,100	397,700
Specialist Advisors	719,200	829,350	870,150
Specialist Advisors - Building Control	48,900	48,900	57,600
Specialist Advisors	20,000	20,000	20,000
Account Management	919,550	919,550	1,109,600
Case Management	38,900	38,900	(23,850)
Neighbourhood First	638,350	638,350	765,450
Customer Contact	875,650	875,650	943,450
Waste & Recycling	3,657,800	3,657,800	3,766,000
Homes First - Housing Property Services	827,650	812,600	786,150
Homes First - Neighbourhood Management	797,250	793,000	887,750
Homes First - Customer Experience	189,600	171,650	165,850
Homes First - Housing Needs & Standards	161,000	161,000	161,000
Homes First - Housing Needs and Standards	467,500	467,500	375,150
	10,086,550	**10,181,450**	**10,533,950**
TOURISM AND ENTERPRISE			
Arts Development	8,000	4,300	5,900
Tourism	214,650	238,950	279,500
Leisure Centres & Swimming Pools	120,250	120,250	121,200
Newhaven Fort	102,100	102,100	102,350
	445,000	**465,600**	**508,950**
Recharges to the HRA	(4,478,850)	(4,478,850)	(4,356,300)
NET COST OF SERVICES	**12,258,550**	**13,125,950**	**13,389,900**
OTHER OPERATING INCOME & EXPENDITURE			
Savings	(516,350)	(516,350)	0
Emergency Covid-19 Grant	(494,000)	(494,000)	0
Contingencies	350,000	0	350,000
CAPITAL FINANCING & INTEREST	1,050,000	1,050,000	550,000
CONTRIBUTIONS TO / (FROM) RESERVES	1,181,090	577,690	841,000
NET EXPENDITURE	**13,829,290**	**13,743,290**	**15,130,900**

FINANCING			
Council Tax	(7,875,700)	(7,875,700)	(8,062,600)
Council Tax (Surplus)/Deficit	(122,100)	(122,100)	(448,000)
Retained Business Rates	(3,600,550)	(3,600,550)	(4,308,350)
Retained Business Rates (Surplus)/Deficit	(552,920)	(552,920)	0
Business Rates - Newhaven Enterprise	(796,720)	(796,720)	(812,650)
General government grants:			
Homeless Prevention Grant			(520,150)
Localising CT Support Admin Grant	(344,000)	(344,000)	(344,000)
New Homes Bonus	(141,300)	(141,300)	(380,150)
Income Recovery	(300,000)	(214,000)	0
Lower Tier Services Grant	(96,000)	(96,000)	(255,000)
TOTAL FINANCING	**(13,829,290)**	**(13,743,290)**	**(15,130,900)**
NET BUDGET DEFICIT	**0**	**0**	**0**

Appendix 2

Updated Financial Assumptions within the MTFS

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

a) Pay assumptions:

General pay inflation - assumed now increase in 2022/23, in line with the Spending Review decision to un-pause public sector pay increases.

Pension contributions - in line with other employers in the Local Government Pensions Scheme (LGPS) the Council makes an annual contribution payment to the Pension Fund to contribute towards the recovery of the deficit on the Fund. This contribution payment is set every three years as part of the triennial valuation of the Fund.

b) Other pay considerations

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

c) Inflation Assumptions

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

d) Fees and charges

The Council provides a wide range of discretionary services. It is expected that where possible a market driven pricing is to be applied to support cost recovery.

e) Funding

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

f) Grant funding

The Council no longer receives any Revenue Support Grant.

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

Two new Lower Tier Services grants totalling of £256k have been built into the MTFP funding to help mitigate the reduction in core spending power.

g) New Homes Bonus

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

h) Council Tax

Council Tax for 2022/23 is based on an increase of £5 (subject to Council approval). Future years are also assumed to increase by the greater of £5 or 2%. The Council Tax Referendum level for 2022/23 remains unchanged from the previous year at 2% or £5.

The Council Tax Base (the number of Band D equivalent dwellings subject to Council Tax) for 2022/23 has increased slightly, but for subsequent years no increases have been assumed at this point.

i) Business Rates

The 2022/23 Business Rates multiplier has been frozen at the 2021/22 rate, and there is no increase to the Business Rates baseline funding. The Business Rates collection fund is forecast to be in surplus at the end of 2021/22, and this has been built into the 2022/23 budget. The final 2022/23 Business Rates income forecast (NNDR1) is still to be finalised; therefore, income has been based on the latest information available.

It is anticipated that the Council's income from Business Rates will increase at an inflationary amount for future years after 2022/23. If there are significant developments undertaken within the District this is likely to increase future revenue in the form of growth. However, the timing and value of any benefit will be impacted by the baseline resets applied as part of the Business Rates Retention scheme

j) Business Rates Retention Pool

The Council has for a number of years participated in a Business Rates pool with the local district and borough councils in East Sussex. The pool is expected to continue for 2022/23.

CAPITAL PROGRAMME 2021/22 to 2024/25 | APPENDIX 3

	Original Programme 2021/22 £	Revised Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £	Proposed Programme 2024/25 £
HRA HOUSING INVESTMENT CAPITAL PROGRAMME					
Acquisition and Construction of New Dwellings	18,812,000	6,043,000	9,336,000	12,553,000	8,760,000
Improvements to Stock	4,969,000	4,969,000	3,515,000	2,847,000	3,232,000
Housing Estates Recreation and Play Areas	50,000	50,000	50,000	50,000	50,000
Total HRA Capital Programme	**23,831,000**	**11,062,000**	**12,901,000**	**15,450,000**	**12,042,000**
GENERAL FUND CAPITAL PROGRAMME					
Private Sector Housing & Disabled Facility Grants	1,136,000	785,000	1,487,000	1,135,000	1,135,000
Aspiration Homes & Lewes Housing Investment Company	2,550,000	2,550,000	1,000,000	1,000,000	1,000,000
Recovery & Reset	555,000	673,460	430,000	-	-
Regeneration	15,967,000	7,955,740	16,659,950	25,208,830	6,824,600
Local Energy Schemes (incl. Energy, EV, High Street Recovery Initiatives, etc)	3,000,000	155,000	2,000,000	3,845,000	4,000,000
Service Delivery	227,000	268,040	2,227,000	5,227,000	2,227,000
Specialist (Flooding & Coastal Defences)	436,000	530,280	236,000	236,000	236,000
Information Technology	150,000	298,430	150,000	150,000	150,000
Asset Management	580,000	838,160	1,920,000	2,780,000	250,000
Open Spaces / Biodiversity	300,000	60,000	180,000	360,000	-
Indoor Leisure Facilities	1,095,000	544,800	721,200	300,000	300,000
Parks and Pavilions	150,000	54,500	962,300	200,000	200,000
Community Infrastructure	889,600	1,263,750	900,000	900,000	900,000
Finance Transformation	50,000	179,310	-	-	-
Total General Fund Capital Programme	**27,085,600**	**16,156,470**	**28,873,450**	**41,341,830**	**17,222,600**
Total Capital Programme	**50,916,600**	**27,218,470**	**41,774,450**	**56,791,830**	**29,264,600**

Funding Availability	Original Programme 2021/22 £	Revised Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £	Proposed Programme 2024/25 £
HRA					
Capital Receipts	1,601,000	2,028,000	2,076,000	2,419,000	640,000
Capital Grants	-	950,000	-	1,354,000	3,100,000
Major Repairs Reserve	6,428,000	8,084,000	10,825,000	6,702,000	5,769,000
Revenue Contributions	992,000	-	-	344,000	171,000
Borrowing Need	14,810,000	-	-	4,631,000	2,362,000
Total HRA	**23,831,000**	**11,062,000**	**12,901,000**	**15,450,000**	**12,042,000**
General Fund					
Capital Receipts	-	-	3,166,180	6,680,000	-
Grants & Contributions	8,510,600	9,423,930	10,257,590	19,275,140	8,424,600
Earmarked Reserves	563,000	415,310	456,000	566,000	586,000
Revenue Contributions	-	-	-	-	-
Borrowing Need	18,012,000	6,317,230	14,993,680	14,820,690	8,212,000
Total GF	**27,085,600**	**16,156,470**	**28,873,450**	**41,341,830**	**17,222,600**
Total Funding	**50,916,600**	**27,218,470**	**41,774,450**	**56,791,830**	**29,264,600**

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Appendix 4

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

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

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

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Agenda Item 10

Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Treasury Management and Prudential Indicators 2022/23, Capital Strategy & Investment Strategy**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets**
Ward(s):	**All**
Purpose of the report:	**To approve the Council's Annual Treasury Management Strategy, Capital Strategy & investment Strategy together with the Treasury and Prudential Indicators.**
Decision type:	**Budget and policy framework**
Recommendation:	**Cabinet is asked to recommend the following proposals to full Council to:** **a. Approve the Treasury Management Strategy and Annual Investment Strategy for 2022/23 as set out in Appendix A;** **b. Approve the Minimum Revenue Provision Policy Statement 2022/23 as set out at paragraph 8;** **c. Approve the Prudential and Treasury Indicators 2022/23 to 2024/25, as set out at paragraph 6;** **d. Approve the Capital Strategy set out in Appendix E.**
Reasons for recommendations:	**It is a requirement within the budget setting process for the Council to review and approve the Prudential and Treasury indicators, Treasury Strategy, Capital Strategy and Investment Strategy.**
Contact Officer:	**Ola Owolabi, Deputy Chief Finance Officer** **Telephone: 01323 415083** **E-mail address: Ola.Owolabi@lewes-eastbourne.gov.uk**

1. Introduction

1.1 The Prudential and Treasury Indicators and Treasury Strategy covers:

- the capital prudentail indicators;
- the Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed);
- Capital Strategy.

1.2 The Council has adopted CIPFA's Treasury Management code of Practice, which is supported by treasury management practices (TMPs) that set out the manner in which the Council seeks to achieve the treasury management strategy and prescribes how it manages and controls those activities.

1.3 CIPFA defines treasury management as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.4 There are few imminent changes to the future Treasury Management Strategy as follow-

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

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

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

These changes are not intended to have any impact on the Housing Revenue Account, or on treasury management activities that do not score as capital spend.

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

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

1.7 **Minimum Revenue Provision (MRP)**

The Council's MRP methodologies for borrowing incurred pre and post 1 April 2008 will be based on an annuity method. Under this methodology, MRP will be lower in the early years and increases over time. This is considered a prudent approach as it reflects the time value of money (i.e. the impact of inflation) as well as providing a charge that is better matched to how the benefits of the asset financed by borrowing are consumed over its useful life. That is, a method that reflects the fact that asset deterioration is slower in the early years of an asset and accelerates towards the latter years.

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

The Council uses Link Treasury Services Limited as its external treasury management advisors, and recognises that responsibility for treasury management decisions remains with the Council at all times. It also recognises that there is value in employing external providers of treasury management services in order to have access to specialist skills and resources. The Council will ensure that the terms of their appointment are subjected to regular review.

2. Potential impact on climate change and the environment

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

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

3. End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

4. Outcome expected and performance management

4.1 Loans, Investments and Prudential Indicators will be monitored regularly during 2022/23 and performance will be reported to members quarterly.

5. Financial appraisal

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

6. Legal implications

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

7. Equality analysis

7.1 The equality implications of decisions relating to Treasury Management covered in this report are addressed within other relevant Council reports or as part of programmed equality analysis.

8. Conclusion

8.1 Capital prudential indicators are set to demonstrate plans for borrowing are affordable. The movement in the Capital Financing Requirement (CFR) forecasts for 2021/22, 2022/23, 2023/24 & 2023/24 are set as £95.2m, £109.7m, £128.3m, & £137.7m respectively. The borrowing has been reflected within the Capital Financing Requirement, which sets out the Council's borrowing requirements and includes both the use of internal resources and external borrowing. The proposed Minimum Revenue Provision Policy has been updated to ensure prudent provision is made for the repayment of borrowing.

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

Appendices

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

Background papers

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

- CIPFA Treasury Management in the Public Services code of Practice (the Code);
- Cross-sectorial Guidance Notes;
- CIPFA Prudential Code;
- Treasury Management Strategy and Treasury Management Practices;
- Council Budget 3 February 2022;
- Finance Matters and Performance Monitoring Reports 2021;
- CIPFA Prudential Property Investment.

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

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APPENDIX 'A'

Lewes District Council

Treasury Management Strategy, Annual Investment Strategy, Capital Strategy and Minimum Revenue Provision Policy

2022/23

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1. INTRODUCTION

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

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

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

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

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

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

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

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

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

2. TREASURY MANAGEMENT REPORTING

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

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

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

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

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

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

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

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

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

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

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

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

3. TREASURY MANAGEMENT POLICY STATEMENT

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

a. This Council defines its treasury management activities as - *'The management of the authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.*

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

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

4. CAPITAL STRATEGY

The CIPFA Prudential and Treasury Management Codes require all local authorities to prepare a capital strategy report (Appendix E) which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

The aim of this capital strategy is to ensure that all elected members on the full council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

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

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

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

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

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

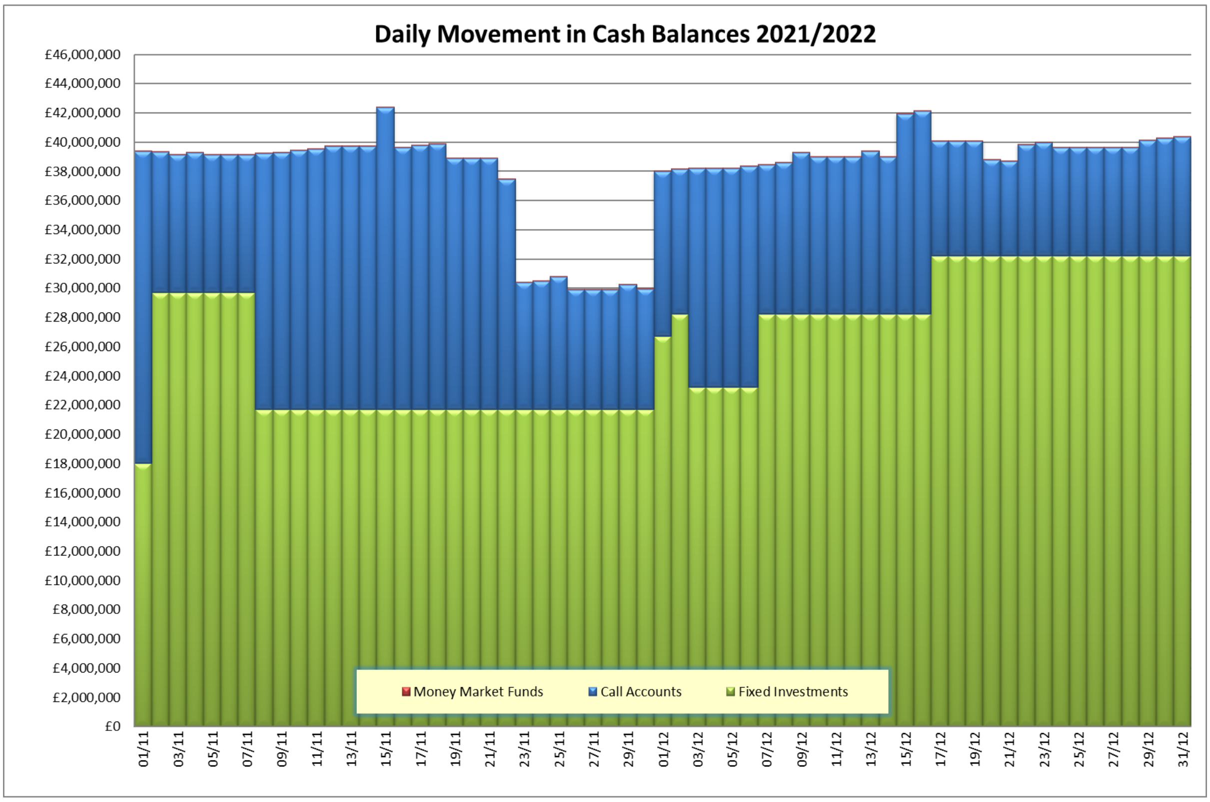
CIPFA concerns relating to the rapid expansion of acquisitions of commercial property and its relationship with CIPFA's statement in its Prudential Code that authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. Where authorities exceed the limits of the Prudential Code and the wider Prudential Framework this places a strain on the credibility of the Prudential Framework to secure the prudent management of local authority finances.

The Prudential Framework (including statutory guidance and the Prudential Code itself) allows local authorities the flexibility to take their own decisions; provided that the decisions taken are prudent, affordable and sustainable and that they have regard to the statutory guidance. However, local authorities will need to ensure if they acquire commercial property (without borrowing from the PWLB) with substantial investment returns that they have a clear rationale for such acquisitions. If after having regard to the statutory guidance and the Prudential Code local authorities decide to depart from such guidance, they can only do so where a robust and reasonable argument can be put that an alternative approach will still meet the authority's various duties under Chapter 1 of the Local Government Act 2003.

5. TREASURY MANAGEMENT STRATEGY STATEMENT FOR 2022/23

5.1 Current Investment & Borrowing Position

The General Fund and Housing Revenue Account (HRA) long term borrowing are sourced mainly through the Public Works Loan Board (PWLB) with only one commercial loan. The PWLB allows local authorities to repay loans early and either pay a premium or obtain a discount according to a formula based on current interest rates. The chart below summarises the Council's investment position over the period 1 November to 31 December 2021. It shows the total sums invested each day as Fixed Term deposits, amounts held in Deposit accounts and Money Market Funds.



Key: Blue = Tradeable/Call Accounts, Green = Fixed Investments, Red = Money Market Funds (Note – none in this period).

5.2 Prospects for Interest Rates

The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. Link provided the following forecasts on 20th December 2021. These are forecasts for certainty rates, gilt yields plus 80 bps.

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

Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021.

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

Significant risks to the forecasts

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

The balance of risks to the UK economy: -

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

5.3 Forecasts for Bank Rate

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

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

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

5.4 Forecasts for PWLB rates and gilt and treasury yields

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

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

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

There is likely to be exceptional volatility and unpredictability in respect of gilt yields and PWLB rates due to the following factors: -

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

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

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

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

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

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

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

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

Investment and borrowing rates

- **Investment returns** are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations.

- **Borrowing interest rates** fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

- On 25.11.20, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -.

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

- **Borrowing for capital expenditure.** Our long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.
- While this authority will not be able to avoid borrowing to finance new capital expenditure, or to replace maturing debt, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

5.6 Borrowing Strategy for 2022/23

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is still an issue that needs to be considered.

Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Finance Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.
- if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

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

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

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

Under the CIPFA Prudential Code an authority is responsible for deciding its own level of affordable borrowing within set prudential indicator limits (see section 6). Borrowing does not have to take place immediately to finance its related capital investment and may be deferred or borrowed in advance of need within policy. The Council's primary objective when borrowing is to strike an appropriately low risk balance between securing low interest rates and achieving cost certainty over the period for which funds are required.

When MRP is not required to repay debt, it will accumulate as cash balances which will then be invested. Investment balances will increase by MRP each year until the debt is repaid. The Council's Draft Revenue Budget and Capital Programme 2022/23 to 2024/25 forecasts £127.8m (HRA of £40.4m and GF of £87.4m) of capital investment over the next three years with £82.8m met from existing or new resources. The amount of new borrowing required over this period is therefore £45.0m (HRA of £7.0m and GF of £38.0m) as shown in Table 2a below.

Table 2a	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£m	**£m**	**£m**	**£m**
Capital Expenditure				
GF	15.4	25.5	40.2	17.2
HRA	11.1	12.9	15.5	12.0
GF - Commercial Activities	0.8	3.4	1.1	-
Total	**27.2**	**41.8**	**56.8**	**29.2**
Financed by:				
HRA				
Capital Receipts	2.0	2.1	2.4	0.6
Capital Grants	1.0	-	1.4	3.1
Major Repairs Reserve	8.1	10.8	6.7	5.8
Revenue Contributions	-	-	0.3	0.2
Borrowing Need HRA	**-**	**-**	**4.6**	**2.4**
GF				
Capital Reserves	0.4	0.5	0.6	0.6
Capital Grants	9.4	10.3	19.3	8.4
Capital Receipts	-	3.2	6.7	-
Revenue Contributions	-	-	-	-
Borrowing Need GF	**6.3**	**15.0**	**14.8**	**8.2**

As existing and forecast future resources are insufficient to meet the level of spend, the borrowing need of £45.0m will be met from both internal and external borrowing. This is to use the Council's own surplus funds until external borrowing is required. Internal borrowing reduces borrowing costs and risk as there is less exposure of external investments. The benefits of internal borrowing need to be monitored and weighed against deferring new external borrowing into future years when long-term borrowing rates could rise.

Table 2b Capital Financing Requirement	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£m	**£m**	**£m**	**£m**
CFR - GF	15.6	26.9	39.9	47.1
CFR - HRA	71.5	71.5	76.2	78.6
CFR - Commercial Activities	8.1	11.3	12.2	12.0
Total CFR	**95.2**	**109.7**	**128.3**	**137.7**
Movement in CFR	**6**	**14.5**	**18.6**	**9.4**
Represented by:				
Net financing need for the year (as above)	6.3	15.0	19.4	10.6
Less: MRP	(0.3)	(0.5)	(0.9)	(1.2)
Movement in CFR	**6.0**	**14.5**	**18.5**	**9.4**

The amount that notionally should have been borrowed is known as the **capital financing requirement (CFR)**. The CFR and actual borrowing may be different at a point in time and the difference is either an under or over borrowing amount. The Council is required to repay an element of the CFR each year through a revenue charge. This is known as the minimum revenue provision (MRP) and is currently estimated to be £0.53m for 2022/23. MRP will cause a reduction in the CFR annually.

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

Table 3	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
	£m	**£m**	**£m**	**£m**
GF Borrowing at 1 April	-	6.3	21.3	36.1
HRA Borrowing at 1 April	56.7	56.7	56.7	56.7
Borrowing at 1 April	**56.7**	**63.0**	**78.0**	**92.8**
GF new borrowing	6.3	15.0	14.8	8.2
HRA new borrowing	5.0	-	8.0	2.0
less loan maturities	(5.0)	-	(8.0)	(2.0)
Net Borrowing Total	**6.3**	**15.0**	**14.8**	**8.2**
Borrowing at 31 March	**63.0**	**78.0**	**92.8**	**101.0**
CFR at 1 April	89.3	95.3	109.8	128.4
Net Capital Expenditure	6.3	15.0	19.5	10.6
MRP	(0.3)	(0.5)	(0.9)	(1.2)
CFR at 31 March	**95.3**	**109.8**	**128.4**	**137.8**
Under borrowing	**32.3**	**31.8**	**35.6**	**36.8**

The Council is currently maintaining an under-borrowing position. As at the end of 2022/23, the Council is projected to be under borrowed by £31.8m, £35.6m by 2024 and £36.8m by 2025.

5.7 PWLB Loans

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

The PWLB can lend for up to 50 years and also for the short term to Local Government. The PWLB is the source of loans/funds, if no other lender can provide finance. PWLB will not lend to an authority that plans to buy investment assets primarily for yield that is identified in their capital programme. The Chief Finance Officer will be expected by the PWLB to certify that no such purposes are planned.

From a Treasury Management perspective, it is recommended that the PWLB should be retained as a borrowing option and therefore the purchase of investment properties primarily for yield should be excluded from the capital programme.

This is recommended not only due to the reduced rates now available through PWLB but due to the backstop accessibility of this source of borrowing. The Council will not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the prudential code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes and must not use internal borrowing to temporarily support investments purely for yield.

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

5.8 Borrowing other than with the PWLB

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

The UK Municipal Bond Agency hopes that the borrowing rates will be lower than those offered by the Public Works Loan Board (PWLB). This Authority may make use of this new source of borrowing as and when appropriate.

5.9 Policy on Borrowing in Advance of Need

The Council will not borrow purely in order to profit from investment of extra sums borrowed. Any decision to borrow in advance will be within approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

5.10 Debt Rescheduling

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

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

The reasons for any rescheduling to take place will include:

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

5.11 New financial institutions as a source of borrowing

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

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

Therefore, the strategy is to continue to seek opportunity to reduce the overall level of Council’s debt where prudent to do so, thus providing in future years cost reduction in terms of lower debt repayments costs, and potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt. All rescheduling will be agreed by the S151 Officer, and our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

5.12 Continual Review

Treasury officers continue to review the need to borrow taking into consideration the potential increases in borrrowing costs, the need to finance new capital expenditure, refinancing maturing debt, and the cost of carry that might incur a revenue loss between borrowing costs and investment returns. Against this background and the risks within the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Chief Finance Officer will continue to monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

6. PRUDENTIAL AND TREASURY INDICATORS 2021/22 to 2024/25

6.1 Prudential and Treasury Indicators

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

The Prudential Indicators for 2021/22 to 2024/25 are set out in **Table 4** below:

Table 4	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Capital Expenditure (gross) Council's capital expenditure plans (including HRA)	£27.2m	£41.8m	£56.8m	£29.3m
Capital Financing Requirement Measures the underlying need to borrow for capital purposes	£95.2m	£109.7m	£128.3m	£137.7m
Ratio of financing costs to net revenue stream - General Fund Identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against net revenue stream	2.0%	4.2%	9.2%	13.2%

The Treasury Management Code requires that Local Authorities set a number of indicators for treasury performance in addition to the Prudential Indicators which fall under the Prudential Code. The Treasury Indicators for 2021/22 to 2024/25 are set out in **Table 5** below:

Table 5	**2021/22 Estimate**	**2022/23 Estimate**	**2023/24 Estimate**	**2024/25 Estimate**
Authorised Limit for external debt	**£m**	**£m**	**£m**	**£m**
Borrowing – GF & HRA	115.6	128.1	147.5	158.0
Borrowing – Commercial Activities	11.1	14.6	15.6	15.4
Other long-term liabilities	0.3	0.3	0.2	0.2
Total	**127.1**	**143.0**	**163.3**	**173.6**
The Authorised Limit - The authorised limit represents a limit beyond which external debt is prohibited and it is the maximum amount of debt that the Council can legally owe. This limit is set by Council and can only be revised by Council approval. It reflects the level of external borrowing which, while not desirable, could be afforded in the short term, but is not sustainable in the longer. The current limit is set at 10% above the Operational Boundary. *Note – excludes any required allowances for IFRS 16 – Leasing change from 2022/23.*				

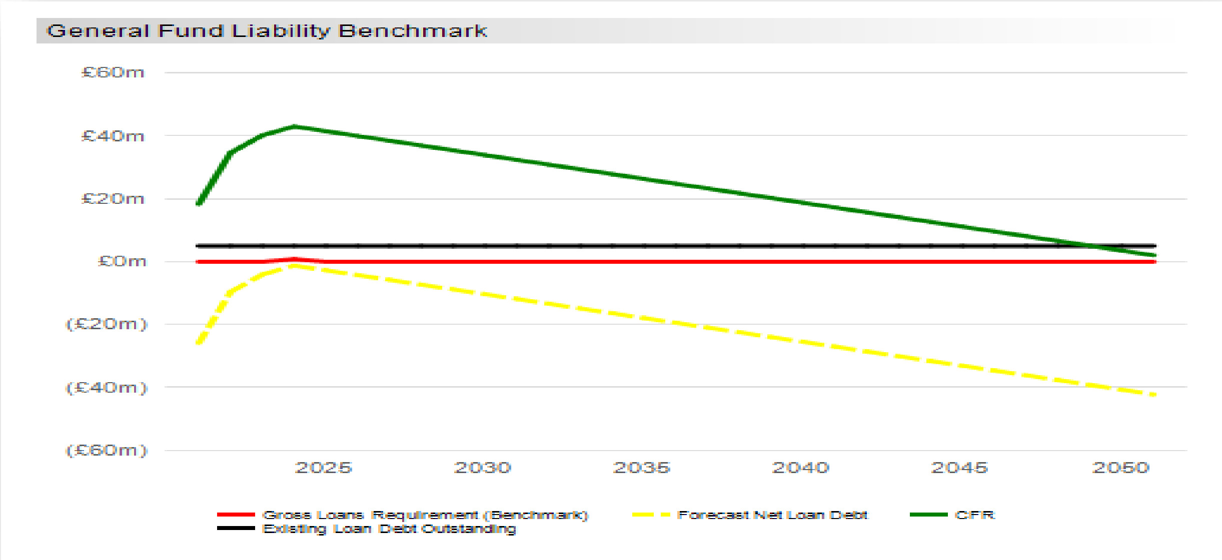
Table 5	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
Operational boundary for external debt	**£m**	**£m**	**£m**	**£m**
Borrowing – GF & HRA	105.1	116.4	134.0	143.7
Borrowing – Commercial Activities	10.1	13.3	14.2	14.0
Other long-term liabilities	0.3	0.3	0.2	0.2
Total	**115.5**	**130.0**	**148.5**	**157.9**
The Operational Boundary - This is the expected borrowing position of the Council during the year, taking account of the timing of various funding streams. The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. This indicator may be breached temporarily for operational reasons.				
Upper limit for fixed interest rate exposure* Identifies a maximum limit for fixed interest rates for borrowing and investments.	100%	100%	100%	100%
Upper limit for variable interest rate exposure* Identifies a maximum limit for variable interest rates for borrowing and investments.	20%	20%	20%	20%
Maturity Structure of Borrowings* The Council needs to set upper and lower limits with respect to the maturity structure of its borrowing:				
Upper limit for under 12 months	*25%*	*25%*	*25%*	*25%*
Lower limit for under 12 months	*0%*	*0%*	*0%*	*0%*
Upper limit for 12 months to 2 years	*40%*	*40%*	*40%*	*40%*
Lower limit for over 12 months to 2 years	*0%*	*0%*	*0%*	*0%*
Upper limit for 2 years to 5 years	*50%*	*50%*	*50%*	*50%*
Lower limit for 2 years to 5 years	*0%*	*0%*	*0%*	*0%*
Upper limit for 5 years to 10 years	*75%*	*75%*	*75%*	*75%*
Lower limit for 5 years to 10 years	*0%*	*0%*	*0%*	*0%*
Upper limit for over 10 years	*100%*	*100%*	*100%*	*100%*
Lower limit for over 10 years	*25%*	*25%*	*25%*	*25%*

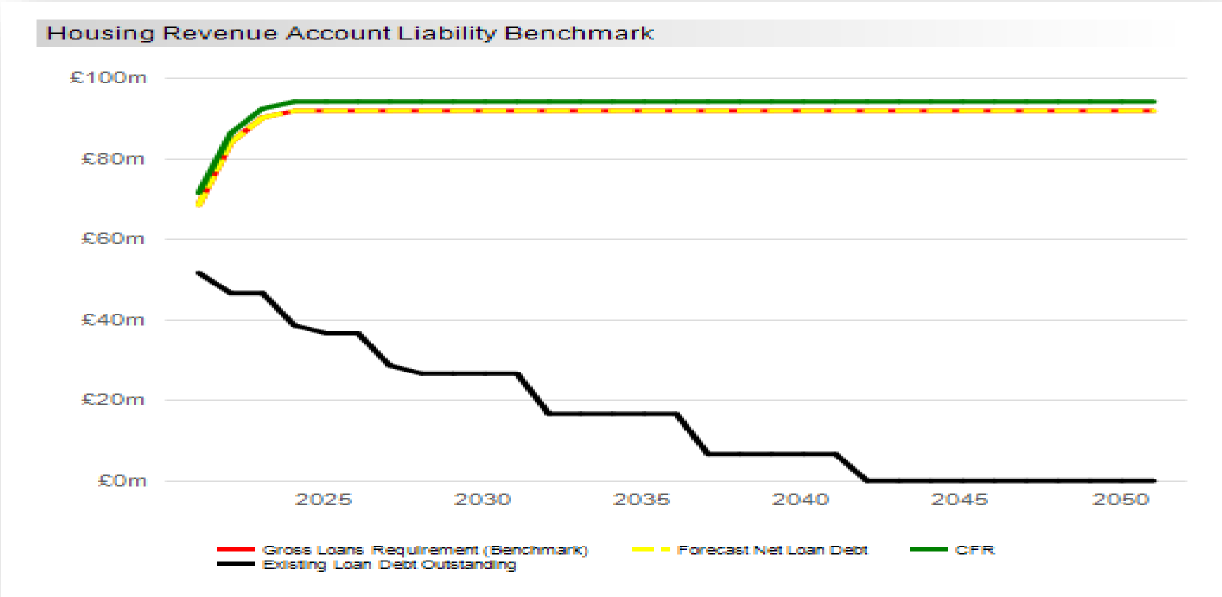
Note-
**the Treasury Indicators above have been calculated and determined by Officers in compliance with the Treasury Management Code of Practice.*

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities.

6.2 Liability Benchmark

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





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

7. ANNUAL INVESTMENT STRATEGY

7.1 Investment Policy

The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy, (Appendix E). The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance");
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code");
- CIPFA Treasury Management Guidance Notes 2018;
- CIPFA Prudential Property Investment.

The Council's investment priorities will be security first, portfolio liquidity second, then yield, (return) and the social impact. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short term to cover cash flow needs. However, where appropriate (from an internal as well as external perspective), the Council will also consider the value available in periods up to 12 months with high credit rated financial institutions, as well as wider range fund options.

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Other information: ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

  To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

- Other information sources used will include the financial press, share price and other such information pertaining to the financial sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

7.2 Investment Strategy for 2022/23

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

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

7.3 Investment returns expectations.

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

Average earnings in each year	
2021/22	0.10%
2022/23	0.25%
2023/24	0.50%
2024/25	0.50%
2025/26	1.00%
Long term later years	2.00%

The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population.

7.4 Investment treasury indicator and limit

Total principal funds invested for greater than 365 days. These limits are set regarding the Council's liquidity requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year-end.

Upper limit for principal sums invested for longer than 365 days			
	2022/23	**2023/24**	**2024/25**
Principal sums invested for longer than 365 days	£4m	£4m	£4m

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

7.5 Specified and Non-Specified Investments

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

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

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

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

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

As a result of the change in accounting standards under IFRS 9, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. The Department for Levelling Up, Housing and Communities, [DLUHC], enacted a statutory over-ride from 1 April 2018 for a five-year period until 31 March 2023 following the introduction of IFRS 9 over the requirement for any unrealised capital gains or losses on marketable pooled funds to be chargeable in year. This has the effect of allowing any unrealised capital gains or losses arising from qualifying investments to be held on the balance sheet until 31 March 2023 with an intention to allow councils to initiate an orderly withdrawal of funds if required.

7.6 Creditworthiness Policy

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

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

The Council as part of its due diligence in managing creditworthiness, uses amongst other information, a tool provided by treasury management advisors. This service employs a sophisticated modelling approach utilising credit ratings from the three credit rating agencies and by using a risk weighted scoring system, does not give undue reliance to just one agency's ratings.

This modelling approach combines credit ratings with the following overlays:

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

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

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

- Yellow *5 years*
- *Purple 2 years*
- *Blue 1 year (only applies to nationalised or semi nationalised UK Banks)*
- *Orange 1 year*
- *Red 6 months*
- *Green 100 days*
- *No Colour Not to be used.*

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

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

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

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

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

In addition to the use of credit ratings, the Council will be advised of information re movements in Credit Default Swap against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

The counterparties in which the Council will invest its cash surpluses is based on officer's assessment of investment security, risk factors, market intelligence, a diverse but manageable portfolio and their participation in the local authority market.

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

7.7 Criteria for Specified Investments:

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

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

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

Table 8	Minimum credit criteria	Maximum investments	Period
UK Local Authorities	Government Backed	£2m	2 years
Green Energy Bonds	Internal and External Due Diligence	£2m	2-5 years

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

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

Alternative investments - it is proposed that a new class of "alternative investments" be added to the Councils list of non-specified investment instruments. The motivation for this is increased diversification from the current concentration of credit risk on financial institutions along with the potential for increased returns in the current low interest rate environment whilst still meeting the DHLUC requirements regarding security, liquidity and yield.

A variety of products are available that are secured against real assets such as green energy, timber, commercial properties, and private real estates. Thorough due diligence will need to be undertaken on any such products before any investment is made. The need for due diligence will likely involve legal advice, the Council treasury management advisors and that of external auditors.

7.9 Non treasury management investments

This Council invests in non-treasury management (policy) investments. These do not form part of the treasury management strategy.

7.10 Risk and Sensitivity Analysis

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

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

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

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

7.11 Lending to third parties

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

7.12 The Climate Change and Sustainability Strategy

The Climate Change and Sustainability Strategy was produced following the Climate Emergency declaration made at Full Council in July 2019 and sets out the district wide strategy and vision for a net zero carbon district by 2030. The visions and actions contained within the strategy have been developed in response to the urgency of the climate emergency being faced. The strategy will enable the Council to work with the community to co-ordinate its response into meaningful and long-lasting action. With limited financial resources the Council needs to ensure it prioritises the right actions to have a lasting positive impact on the district in relation to carbon reduction, sustainability, and a green economic recovery.

The current Corporate Plan prioritises Sustainability and Community Wealth Building. Community wealth building is a key part of the sustainability strategy and forms part of action area 7 Circular Economy and Community Wealth. The Council is considered 'an anchor institution' and can use its substantial spending power and influence to drive investment into the local economy to enable a green economic recovery and local job creation and retention. Community wealth is a thread that runs throughout the climate change and sustainability strategy particularly in relation to procurement but also training and skills. The action plan and strategy refer directly to the 'Reimagining Lewes District Action Plan' that was subject to a cabinet paper in December 2020.

7.13 The Council's Approach to Ethical Investments

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

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

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

Furthermore, the council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values. This would include avoiding direct investment in institutions with material links to:

- Human rights abuse (e.g. child labour, political oppression);
- Environmentally harmful activities (e.g. pollutions, destruction of habitat, fossil fuels);
- Socially harmful activities (e.g. tobacco, gambling).

A small, but growing, number of financial institutions are promoting ESG products and Link Asset Services are currently looking at how these can be incorporated into its creditworthiness assessment service. This is still very much an evolving area and should any investment in ESG products be undertaken by the Council, this would require to be within the approved counterparty and creditworthiness criteria, and with regard to the views of our treasury advisors on any proposals.

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

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

The Council does not invest in equities and therefore does not have influence over the activities of companies that part-ownership might provide. However, as an investor the council can take the following approach:

a. For direct investments, the Council will seek to ensure that counterparties (excluding the UK Government and other UK Local Authorities) have 'Responsible Investment Policies or Environmental, Social and Governance (ESG) policies' in place prior to investing.
b. For indirect investments, the council will seek to ensure that any fund managers used have their own responsible investment policies or have signed up to widely recognised policies such as the United Nations Principles for Responsible Investment.
c. The Council recognises that it has no control or influence over where its counterparties themselves lend money or invest once an investment has been made by the Council.

The investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity, and yield: ethical issues must play a subordinate role to those priorities. Link is looking at ways to incorporate these factors into their creditworthiness assessment service, but with a lack of consistency, as well as coverage, Link continue to review the options and will update the Council as progress is made.

8. MINIMUM REVENUE PROVISION POLICY STATEMENT 2022/23

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

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

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

The guidance also requires an annual review of MRP policy being undertaken and it is appropriate that this is done as part of this annual Treasury Management Policy and Strategy.

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

The policy from 2022/23 and in future years is therefore as follows: -

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

- Annuity basis over a maximum of 50 years.

From borrowing incurred after 1 April 2008, the MRP policy will be:

- Asset Life Method (annuity method) – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations. A maximum useful economic life of 50 years for land and 50 years for other assets. This option will also be applied for any expenditure capitalised under a capitalisation directive.

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

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

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

These options provide for a reduction in the borrowing need over approximately the asset's life. There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place). Repayments included in finance leases are applied as MRP. It is important to note that changes in the Local Government Financial Regulations means that in the future operating leases will be treated in a manner consistent with financial leases.

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

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

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

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

9. SCHEME OF DELEGATION

9.1 Full Council

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

i. Treasury Management Policy and Strategy Report

The report covers:

- the capital plans (including prudential indicators);
- a Minimum Revenue Provision Policy (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

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

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

9.2 Cabinet

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

9.3 Lewes District Council Audit and Standards Committee

- Scrutiny of performance against the strategy.

9.4 Training

Treasury Management training for committee members will be delivered as required to facilitate more informed decision making and challenge processes. The Council further acknowledges the importance of ensuring that all Members and staff involved in the treasury management function receive adequate training and are fully equipped to undertake the duties and responsibilities allocated to them. To assist with this undertaking, a Member training event was provided in October 2021 and similar events will be provided when required. Officers will continue to attend courses/seminars presented by CIPFA and other suitable professional organisations.

10. OTHER TREASURY ISSUES

10.1 Banking Services

Lloyds Bank currently provides banking services for the Council.

10.2 Policy on the use of External Service Providers

The Council uses Link Asset Services as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the Council at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented, and subjected to regular review.

APPENDIX 'B'

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer -

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

Role extended by the revised CIPFA Treasury Management and Prudential Codes 2017 as set out below:

- preparation of a capital strategy to include capital expenditure, capital financing, non-financial investments, and treasury management, with a long-term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury and non-financial investments and is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long-term liabilities
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above.

APPENDIX ‘C’ - COUNTERPARTY LIST

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viab ility	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outl ook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Australia	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	14.37	0.06%	-13.84%	-7.64%	
Australia and New Zealand Banking Group Ltd.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	25.95	-18.29%	-0.65%	11.90%	£5m
Commonwealth Bank of Australia	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	32.21	-1.31%	25.91%	36.65%	£5m
Macquarie Bank Ltd.	SB	A	F1	a	SB	A2	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
National Australia Bank Ltd.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	34.28	-1.21%	29.01%	39.91%	£5m
Westpac Banking Corp.	SB	A+	F1	a+	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths	35.17	-1.34%	27.75%	37.75%	£5m
Belgium	SB	AA-			SB	Aa3		SB	AA		Not Applicable	Not Applicable	7.02	-2.36%	1.44%	-5.26%	£5m
BNP Paribas Fortis	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
KBC Bank N.V.	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
Canada	SB	AA+			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	38.60	-0.05%	-0.10%	0.80%	£5m
Bank of Montreal	NO	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Bank of Nova Scotia	NO	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Canadian Imperial Bank of Commerce	SB	AA-	F1+	aa-	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
National Bank of Canada	SB	A+	F1	a+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
Royal Bank of Canada	SB	AA-	F1+	aa-	PW	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Toronto-Dominion Bank	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Denmark	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	6.33	0.47%	8.57%	8.20%	£5m
Danske A/S	SB	A	F1	a	SB	A2	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	31.69	-1.85%	9.84%	2.22%	£5m

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

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Norddeutsche Landesbank Girozentrale	SB	A-	F1	bb	SB	A3	P-2		NR	NR	G - 100 days	G - 100 days					£5m
NRW.BANK	SB	AAA	F1+		SB	Aa1	P-1	SB	AA	A-1+	P - 24 mths	P - 24 mths					£5m
Netherlands	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.77	-1.27%	-1.01%	9.59%	£5m
ABN AMRO Bank N.V.	SB	A	F1	a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
Bank Nederlandse Gemeenten N.V.	SB	AAA	F1+		SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths					£5m
Cooperatieve Rabobank U.A.	SB	A+	F1	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	23.74	0.00%	-3.25%	10.77%	£5m
ING Bank N.V.	SB	AA-	F1+	a+	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	24.96	-1.88%	0.04%	11.22%	£5m
Nederlandse Waterschapsbank N.V.					SB	Aaa	P-1	SB	AAA	A-1+	P - 24 mths	P - 24 mths					£5m
Qatar	SB	AA-			SB	Aa3		SB	AA-		Not Applicable	Not Applicable	45.55	6.74%	1.08%	12.24%	£5m
Qatar National Bank	NW	A+	F1	bbb+	SB	Aa3	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	75.38	1.94%	0.31%	-6.03%	£5m
Singapore	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable					£5m
DBS Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Oversea-Chinese Banking Corp. Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
United Overseas Bank Ltd.	SB	AA-	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Sweden	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	7.53	-0.39%	-0.92%	6.20%	£5m
Skandinaviska Enskilda Banken AB	SB	AA-	F1+	aa-	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Svenska Handelsbanken AB	SB	AA	F1+	aa	SB	Aa2	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
Swedbank AB	PO	A+	F1	a+	NW	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m

2022/23 Counterparty/Bank List	**Fitch Rating Long Term Status**	**Long Term**	**Short Term**	**Viability**	**Moody's Ratings Long Term Status**	**Long Term**	**Short Term**	**S&P Ratings Long Term Status**	**Long Term**	**Short Term**	**Suggested Duration**	**Suggested Duration (Watch/Outlook Adjusted)**	**CDS Price**	**1 Month % Change**	**3 Month % Change**	**6 Month % Change**	**Invest. Limit**
Switzerland	SB	AAA			SB	Aaa		SB	AAA		Not Applicable	Not Applicable	19.00	0.00%	0.00%	0.00%	£5m
Credit Suisse AG	NO	A	F1	a-	SB	A1	P-1	NO	A+	A-1	R - 6 mths	R - 6 mths	57.94	-2.89%	0.90%	-2.49%	£5m
UBS AG	SB	AA-	F1+	a+	SB	Aa2	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	34.48	-5.45%	7.85%	9.56%	£5m
United Arab Emirates	SB	AA			SB	Aa2		SB	AA		Not Applicable	Not Applicable	44.58	-0.15%	0.08%	-2.04%	£5m
First Abu Dhabi Bank PJSC	SB	AA-	F1+	a-	SB	Aa3	P-1	SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
United Kingdom	SB	AA-			SB	Aa3		SB	AA		Not Applicable	Not Applicable	6.52	-0.30%	-3.26%	-18.09%	£5m
Collateralised LA Deposit*											Y - 60 mths	Y - 60 mths					£5m
Debt Management Office											Y - 60 mths	Y - 60 mths					£5m
Multilateral Development Banks											Y - 60 mths	Y - 60 mths					£5m
Supranationals											Y - 60 mths	Y - 60 mths					£5m
UK Gilts											Y - 60 mths	Y - 60 mths					£5m
Al Rayan Bank Plc					SB	A1	P-1				R - 6 mths	R - 6 mths					£5m
Bank of Scotland PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	49.70	-0.08%	-0.10%	0.02%	£5m
Barclays Bank PLC (NRFB)	SB	A+	F1	a	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths	53.92	2.88%	14.87%	21.33%	£5m
Barclays Bank UK PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	PO	A	A-1	R - 6 mths	R - 6 mths					£5m
Close Brothers Ltd	SB	A-	F2	a-	NO	Aa3	P-1				R - 6 mths	R - 6 mths					£5m
Clydesdale Bank PLC	SB	A-	F2	bbb+	SB	Baa1	P-2	SB	A-	A-2	G - 100 days	G - 100 days					£5m
Co-operative Bank PLC (The)	SB	B+	B	b	PO	Ba3	NP				N/C - 0 mths	N/C - 0 mths					£5m
Goldman Sachs International Bank	SB	A+	F1		SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	65.22	8.48%	18.71%	21.72%	£5m

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viab ility	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outl ook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Handelsbanken Plc	SB	AA	F1+					SB	AA-	A-1+	O - 12 mths	O - 12 mths					£5m
HSBC Bank PLC (NRFB)	NO	AA-	F1+	a	SB	A1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	33.50	-15.06%	-10.57%	4.68%	£5m
HSBC UK Bank Plc (RFB)	NO	AA-	F1+	a	SB	A1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths					£5m
Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1		SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
Lloyds Bank Plc (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	34.49	-2.76%	4.51%	4.54%	£5m
National Bank Of Kuwait (International) PLC	NO	AA-	F1+					NO	A	A-1	O - 12 mths	O - 12 mths					£5m
NatWest Markets Plc (NRFB)	SB	A+	F1	WD	PO	A2	P-1	SB	A-	A-2	R - 6 mths	R - 6 mths	48.46	-3.86%	4.30%	10.13%	£5m
Santander Financial Services plc (NRFB)	SB	A+	F1		SB	A1	P-1	SB	A-	A-2	R - 6 mths	R - 6 mths					£5m
Santander UK PLC	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths					£5m
SMBC Bank International Plc	NO	A	F1		SB	A1	P-1	SB	A	A-1	R - 6 mths	R - 6 mths	30.16	1.00%	1.20%	7.14%	£5m
Standard Chartered Bank	NO	A+	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths	34.98	-11.28%	-6.62%	14.68%	£5m
Coventry Building Society	SB	A-	F1	a-	SB	A2	P-1				R - 6 mths	R - 6 mths					£5m
Leeds Building Society	SB	A-	F1	a-	SB	A3	P-2				G - 100 days	G - 100 days					£5m
Nationwide Building Society	SB	A	F1	a	SB	A1	P-1	SB	A+	A-1	R - 6 mths	R - 6 mths					£5m
Nottingham Building Society					SB	Baa3	P-3				N/C - 0 mths	N/C - 0 mths					£5m
Principality Building Society	SB	BBB+	F2	bbb +	SB	Baa2	P-2				N/C - 0 mths	N/C - 0 mths					£5m
Skipton Building Society	SB	A-	F1	a-	SB	A2	P-1				R - 6 mths	R - 6 mths					£5m
West Bromwich Building Society					SB	Ba3	NP				N/C - 0 mths	N/C - 0 mths					£5m

2022/23 Counterparty/Bank List	Fitch Rating Long Term Status	Long Term	Short Term	Viability	Moody's Ratings Long Term Status	Long Term	Short Term	S&P Ratings Long Term Status	Long Term	Short Term	Suggested Duration	Suggested Duration (Watch/Outlook Adjusted)	CDS Price	1 Month % Change	3 Month % Change	6 Month % Change	Invest. Limit
Yorkshire Building Society	SB	A-	F1	a-	SB	A3	P-2				G - 100 days	G - 100 days					£5m
National Westminster Bank PLC (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths					£5m
The Royal Bank of Scotland Plc (RFB)	SB	A+	F1	a	SB	A1	P-1	SB	A	A-1	B - 12 mths	B - 12 mths					£5m
United States	NO	AAA				Aaa		SB	AA+		Not Applicable	Not Applicable	5.50	-61.07%	-1.96%	-1.96%	£5m
Bank of America N.A.	SB	AA	F1+	aa-	PO	Aa2	P-1	PO	A+	A-1	O - 12 mths	O - 12 mths					£5m
Bank of New York Mellon, The	SB	AA	F1+	aa-	SB	Aa1	P-1	SB	AA-	A-1+	P - 24 mths	P - 24 mths	40.35	0.00%	0.00%	0.00%	£5m
Citibank N.A.	SB	A+	F1	a	SB	Aa3	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	57.72	4.71%	18.93%	14.91%	£5m
JPMorgan Chase Bank N.A.	SB	AA	F1+	aa-	SB	Aa1	P-1	PO	A+	A-1	O - 12 mths	O - 12 mths					£5m
Wells Fargo Bank, NA	NO	AA-	F1+	a+	NO	Aa1	P-1	SB	A+	A-1	O - 12 mths	O - 12 mths	51.68	4.67%	14.18%	9.07%	£5m

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

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

Non-Specified Investments:			
	Minimum credit Criteria	**Maximum Investments**	**Period**
UK Local Authorities	Government Backed	£2m	2 years
Green Energy Bonds	Internal and External Due Diligence	£2m	2-5 years

APPENDIX ‘D’

Link Treasury Services Limited Economic Background & Interest Rate Forecast

COVID-19 vaccines

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

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

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

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- In December, the Bank of England became the first major western central bank to put interest rates up in this upswing in the current business cycle in western economies as recovery progresses from the Covid recession of 2020.
- The next increase in Bank Rate could be in February or May, dependent on how severe an impact there is from Omicron.
- If there are lockdowns in January, this could pose a barrier for the MPC to putting Bank Rate up again as early as 3rd February.
- With inflation expected to peak at around 6% in April, the MPC may want to be seen to be active in taking action to counter inflation on 5th May, the release date for its Quarterly Monetary Policy Report.
- The December 2021 MPC meeting was more concerned with combating inflation over the medium term than supporting economic growth in the short term.
- Bank Rate increases beyond May are difficult to forecast as inflation is likely to drop sharply in the second half of 2022.

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

MPC MEETING 16th DECEMBER 2021

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

However, the advent of Omicron potentially threw a spanner into the works as it poses a major headwind to the economy which, of itself, will help to cool the economy. The financial markets, therefore, swung round to expecting no change in Bank Rate.

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

"Modest" seems slower than that. As such, the Bank could be thinking about raising interest rates two or three times next year to 0.75% or 1.00%.

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

It did not see Omicron as being a major impediment to the need to take action now to curtail the level of inflationary pressures that have built up, although Fed officials did note that it has the potential to exacerbate supply chain problems and add to price pressures.

- **EU.** The slow role out of vaccines initially delayed **economic recovery** in early 2021 but the vaccination rate then picked up sharply. After a contraction of -0.3% in Q1, Q2 came in with strong growth of 2%. With Q3 at 2.2%, the EU recovery was then within 0.5% of its pre Covid size. However, the arrival of Omicron is now a major headwind to growth in quarter 4 and the expected downturn into weak growth could well turn negative, with the outlook for the first two months of 2022 expected to continue to be very weak.

- **November's inflation figures** breakdown shows that the increase in price pressures is not just due to high energy costs and global demand-supply imbalances for durable goods as services inflation also rose. Headline inflation reached 4.9% in November, with over half of that due to energy. However, oil and gas prices are expected to fall after the winter and so energy inflation is expected to plummet in 2022. Core goods inflation rose to 2.4% in November, its second highest ever level, and is likely to remain high for some time as it will take a long time for the inflationary impact of global imbalances in the demand and supply of durable goods to disappear. Price pressures also increased in the services sector, but wage growth remains subdued and there are no signs of a trend of faster wage growth which might lead to *persistently* higher services inflation - which would get the ECB concerned. The upshot is that the euro-zone is set for a prolonged period of inflation being above the ECB's target of 2% and it is likely to average 3% in 2022, in line with the ECB's latest projection.

- **ECB tapering.** The ECB has joined with the Fed by also announcing at its meeting on 16th December that it will be reducing its QE purchases - by half from October 2022, i.e., it will still be providing significant stimulus via QE purchases for over half of next year. However, as inflation will fall back sharply during 2022, it is likely that it will leave its central rate below zero, (currently -0.50%), over the next two years. The main struggle that the ECB has had in recent years is that inflation has been doggedly anaemic in sticking below the ECB's target rate despite all its major programmes of monetary easing by cutting rates into negative territory and providing QE support.

- The ECB will now also need to consider the impact of **Omicron** on the economy, and it stated at its December meeting that it is prepared to provide further QE support if the pandemic causes bond yield spreads of peripheral countries, (compared to the yields of northern EU countries), to rise. However, that is the only reason it will support peripheral yields, so this support is limited in its scope.

- The EU has entered into a **period of political uncertainty** where a new German government formed of a coalition of three parties with Olaf Scholz replacing Angela Merkel as Chancellor in December 2021, will need to find its feet both within the EU and in the three parties successfully working together. In France there is a presidential election coming up in April 2022 followed by the legislative election in June. In addition, Italy needs to elect a new president in January with Prime Minister Draghi being a favourite due to having suitable gravitas for this post. However, if he switched office, there is a significant risk that the current government coalition could collapse. That could then cause differentials between Italian and German bonds to widen when 2022 will also see a gradual running down of ECB support for the bonds of weaker countries within the EU. These political uncertainties could have repercussions on economies and on Brexit issues.

- **CHINA.** After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of **2020**; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China's economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021.
- However, the pace of economic growth has now fallen back in **2021** after this initial surge of recovery from the pandemic and looks likely to be particularly weak in 2022. China has been struggling to contain the spread of the Delta variant through using sharp local lockdowns - which depress economic growth. Chinese consumers are also being very wary about leaving home and so spending money on services. However, with Omicron having now spread to China, and being much more easily transmissible, this strategy of sharp local lockdowns to stop the virus may not prove so successful in future. In addition, the current pace of providing boosters at 100 billion per month will leave much of the 1.4 billion population exposed to Omicron, and any further mutations, for a considerable time. The **People's Bank of China** made a start in December 2021 on cutting its key interest rate marginally so as to stimulate economic growth. However, after credit has already expanded by around 25% in just the last two years, it will probably leave the heavy lifting in supporting growth to fiscal stimulus by central and local government.
- Supply shortages, especially of coal for power generation, were causing widespread power cuts to industry during the second half of 2021 and so a sharp disruptive impact on some sectors of the economy. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.
- **WORLD GROWTH.** World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum in the second half of the year, though overall growth for the year is expected to be about 6% and to be around 4-5% in 2022. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. While headline inflation will fall sharply, core inflation will probably not fall as quickly as central bankers would hope. It is likely that we are heading into a period where there will be a **reversal of world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.
- **SUPPLY SHORTAGES**. The pandemic and extreme weather events, followed by a major surge in demand after lockdowns ended, have been highly disruptive of extended worldwide supply chains. Major queues of ships unable to unload their goods at ports in New York, California and China built up rapidly during quarters 2 and 3 of 2021 but then halved during quarter 4. Such issues have led to a misdistribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. The latest additional disruption has been a shortage of coal in China leading to power cuts focused primarily on producers (rather than consumers), i.e., this will further aggravate shortages in meeting demand for goods. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods available to purchase.

APPENDIX ‘E’

Capital Strategy

1) Introduction

1.1 This Capital Strategy provides high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in Lewes District Council (LDC), along with an overview of how associated risk is managed and the implications for future financial sustainability. It has purposely been written in an accessible style to enhance understanding of what can be very technical areas, and the key objectives are to deliver a capital programme that:

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

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

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

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

2. Capital Expenditure and Financing

2.1 Expenditure

2.1.1 Capital expenditure occurs when the Council spends money on assets such as property or vehicles, which will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below a de-minimis level are not capitalised and are charged to revenue in year.

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

2.1.3 In 2022/23, the Council is planning capital expenditure of £41.8 million and £127.8 million over the next three years as summarised in Table 1 below:

Table 1: Prudential Indicator: Estimates of Capital Expenditure

Capital Expenditure	**2021/22 budget**	**2022/23 budget**	**2023/24 budget**	**2024/25 budget**
	£m	**£m**	**£m**	**£m**
General Fund	15.4	25.5	40.2	17.2
HRA	11.1	12.9	15.5	12.0
Commercial Activities	0.8	3.4	1.1	-
TOTAL	**27.2**	**41.8**	**56.8**	**29.2**

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

- New Business Unit, Newhaven;
- Newhaven Town Centre;
- UTC, Newhaven;
- Local Energy Schemes;
- New Crematorium.

2.1.5 The main Commercial Activity capital projects scheduled for 2022/23+ are as follows:

- The Friars, Lewes;
- Caburn House, Lewes;
- Newhaven Square, Newhaven

2.1.6 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that the Council's housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately.

2.2 Governance

2.2.1 The evaluation, prioritisation and acceptance of capital schemes onto the Capital Programme is carried out in accordance with strict criteria that ensures that added schemes reflect Council priorities and can be delivered within available resources (e.g. due priority is given to schemes yielding savings and/or generating income as well as meeting a Council priority).

2.2.2 The draft Capital Programme is subject to formal scrutiny prior to setting the budget (and followed by Cabinet and Full Council approval).

2.3 Financing

2.3.1 All capital expenditure must be financed, either from external sources (Government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is presented in **Table 2** below.

Table 2: Capital Financing Sources

	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
	£m	**£m**	**£m**	**£m**
External sources	10.4	10.3	20.6	11.5
Own resources	10.5	16.5	16.7	7.2
Debt	6.3	15.0	19.5	10.5
TOTAL	**27.2**	**41.8**	**56.8**	**29.2**

2.3.2 Debt is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as "Minimum Revenue Provision" (MRP). Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. Planned MRP and use of capital receipts are presented in **Table 3** below.

Table 3: Repayment of Debt Finance

	2021/22 budget	2022/23 budget	2023/24 budget	2024/25 budget
	£m	**£m**	**£m**	**£m**
Own resources	0.3	0.5	0.9	1.2

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

2.3.4 The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt. The CFR is expected to increase by £14.5 million in 2022/23. Based on the above figures for expenditure and financing, the Council's estimated CFR is presented in **Table 4** below.

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement (CFR)

	31 March 2022	31 March 2023	31 March 2024	31 March 2025
	£m	**£m**	**£m**	**£m**
General Fund	15.6	26.9	39.9	47.1
HRA	71.6	71.5	76.2	78.6
Commercial Activities	8.1	11.3	12.2	12.0
TOTAL CFR	**95.2**	**109.7**	**128.3**	**137.7**

3. Asset Management

3.1 Asset Management Strategy

3.1.1 The Council recognises the importance of ensuring that capital assets continue to be of long-term use especially in a rapidly changing operational and technological backdrop. Consequently, at the time of preparing this Capital Strategy, a new Asset Management Strategy (AMS) is under development. Led by the Asset Management team and backed by a comprehensive review of Council assets, the AMS will take a longer-term view comprising:

- 'Good' information about existing assets;
- The optimal asset base for the efficient delivery of Council objectives;
- The gap between existing assets and optimal assets;
- Strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets; and
- Plans for individual assets.

3.2 Asset Disposals

3.2.1 When a capital asset is no longer needed, it may be sold so that the proceeds (known as capital receipts) can be spent on new assets or to repay debt. The Council is also permitted to spend capital receipts on service transformation projects until 2022/23. Repayments of capital grants, loans and investments also generate capital receipts. The Council takes a prudent approach of assuming future capital receipts only when there is a high probability of realisation.

4. Treasury Management

4.1 Introduction

4.1.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Council's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council is not cash rich as it utilises all its available cash before borrowing which in the current climate is more economic.

4.1.2 As at 31 December 2021, the Council had borrowing of £56.7 million at an average interest rate of 3.08% and cash balances of £40.4 million including money market funds, local authority and bank deposits deposit's with rates in the range of 0.02% - 0.11%.

4.2 Borrowing

4.2.1 The Council's main objectives when borrowing is to achieve a low but certain cost of finance while retaining flexibility should plans change in the future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently around 1.4%) and long-term fixed rate loans where the future cost is known but higher (e.g. 2.1% for a 25 year term).

4.2.2 Projected levels of the Council's total outstanding debt (which comprises borrowing and leases) are shown below in **Table 5**, compared with the Capital Financing Requirement (Table 4 above).

Table 5: Prudential Indicator: Estimates of Gross Debt and the Capital Financing Requirement

	31 March 2022	31 March 2023	31 March 2024	31 March 2025
	£m	£m	£m	£m
External Debt	63.0	78.0	92.8	101.0
Capital Financing Requirement	95.2	109.7	128.3	137.7

4.2.3 Statutory guidance is that debt should remain below the Capital Financing Requirement, except in the short-term. As can be seen from **Table 5**, the Council expects to comply with this in the medium term.

Affordable Borrowing Limit

4.2.4 The Council is legally obliged to set an affordable borrowing limit (also termed the "Authorised Limit" for external debt) each year. In line with statutory guidance, a lower "Operational Boundary" is also set as a warning level should debt approach the limit.

Table 6: Prudential Indicators: Authorised Limit and Operational Boundary for External Debt

	2021/22 limit	2022/23 limit	2023/24 limit	2024/25 limit
	£m	£m	£m	£m
Authorised limit	127.1	143.0	163.3	173.6
Operational boundary	115.5	130.0	148.5	157.9

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

4.3 PWLB Loan

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

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

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

- Service spending, i.e. activities that would normally be captured in the following areas in the DLUHC Capital Outturn Return (COR): culture & related services, environmental & regulatory services, etc.
- Housing, i.e., activities normally captured in the HRA and General Fund housing sections of the COR, or housing delivered through a local authority housing company.

- Regeneration projects would usually have one or more of the following characteristics:
    - the project is addressing an economic or social market failure by providing services, facilities, or other amenities;
    - the Council is making a significant investment in the asset beyond the purchase price:
    - the project involves or generates significant additional activity that would not otherwise happen without the Council's intervention;
    - the project may generate rental income, these rents are recycled within the project or applied to related regeneration projects, rather than being applied to wider services.

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

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

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

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

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

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

4.4 Investments

4.4.1 Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management.

4.4.2 The Council's Investment Strategy is to prioritise security and liquidity over yield and social/ethical impact, focussing on minimising risk rather than maximising returns. Cash that is likely to be spent in the near term is invested securely in selected high-quality banks, to minimise the risk of loss.

4.5 The Climate Change and Sustainability Strategy

4.5.1 The Climate Change and Sustainability Strategy was produced following the Climate Emergency declaration made at Full Council in July 2019 and sets out the district wide strategy and vision for a net zero carbon district by 2030. The visions and actions contained within the strategy have been developed in response to the urgency of the climate emergency being faced. The strategy will enable the Council to work with the community to co-ordinate its response into meaningful and long-lasting action. With limited financial resources the Council needs to ensure it prioritises the right actions to have a lasting positive impact on the district in relation to carbon reduction, sustainability and a green economic recovery.

4.5.2 The current Corporate Plan prioritises Sustainability and Community Wealth Building. Community wealth building is a key part of the sustainability strategy and forms part of action area 7 Circular Economy and Community Wealth. The Council is considered 'an anchor institution' and can use its substantial spending power and influence to drive investment into the local economy to enable a green economic recovery and local job creation and retention. Community wealth is a thread that runs throughout the climate change and sustainability strategy particularly in relation to procurement but also training and skills.

4.5.3 The policy framework below provides insight into major pieces of policy and how they link to our climate change and sustainability strategy.

4.6 The Council's Approach to Ethical Investments

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

4.6.2 Furthermore, the council will not knowingly invest directly in businesses whose activities and practices pose a risk of serious harm to individuals or groups, or whose activities are inconsistent with the council's mission and values. This would include avoiding direct investment in institutions with material links to:

- Human rights abuse (e.g. child labour, political oppression);
- Environmentally harmful activities (e.g. pollutions, destruction of habitat, fossil fuels);
- Socially harmful activities (e.g. tobacco, gambling).

4.6.3 The investment guidance, both statutory and from CIPFA, makes clear that all investing must adopt SLY principles – security, liquidity and yield: ethical issues must play a subordinate role to those priorities. Link is looking at ways to incorporate these factors into their creditworthiness assessment service, but with a lack of consistency, as well as coverage, Link continue to review the options and will update the Council as progress is made.

4.7 Governance

4.7.1 Treasury management decisions are made daily and are therefore delegated to the CFO, who must act in line with the Treasury Management Strategy approved by the Council. Annual outturn reports on treasury management are also approved by the Council (following recommendation from Audit and Standard Committee), whereas mid-year updates are reported exclusively to the Audit and Standard Committee. Quarterly performance reports are also submitted to Cabinet.

5. Investments for Service Purposes

5.1 The Council will sometimes make investments for service delivery purposes where there is a strategic case for doing so, for example the new Waste Company. Given its public service objectives, the Council is willing to take more risk than with treasury investments, nevertheless the arrangements feature cost reduction incentives, from which the Council will benefit.

5.2 Decisions on service investments are made by the Council's Cabinet and require the support of a full business case.

6. Commercial Investments

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

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

6.1.3 The Council can fund the purchase of investment property through various means **excluding borrowing** money, normally from the Debt Management Office as part of HM Treasury. The rental income paid by the tenant/annual surplus then supports the council's budget position and enables the council to continue to provide services for local people. The reasons for buying and owning property investments are primarily

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

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

6.2 Current Investments

6.2.1 In recent years, the Council has invested in commercial property in the District on a selective basis, usually where there is a fit with corporate priorities and a positive financial return that can be used to contribute towards the protection of local services.

6.3 Commercial Investment Strategy

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

6.3.2 CIPFA's has made clear that Councils should not borrow to invest commercially, and their Capital Investment Strategy must make it clear as to where they depart from this principle and why. However, it has been recognised that local investments that are primarily designed for regeneration or service delivery purposes and which have a knock-on positive impact to the revenue budgets are not intended to be covered by this principle.

6.3.3 Councils must demonstrate that such investments are "proportionate" to their resources. The Council's approach will incorporate the revised CIPFA guidance when it is published; this will enhance the other risk management features that are being developed, which includes a strict governance framework, the use of real estate investment experts and diversified portfolios. The aim is to offset principle risks such as falling capital values and 'voids'. However, (within a tightly controlled framework) the Council ultimately accepts a higher risk on commercial investments compared to its prudent treasury investment that has primarily focused to date on protecting the principal.

6.3.4 The Council considers investing in housing properties and commercial investments within the District to be related to its temporary accommodation strategy and local regeneration. It will invest commercially but in relation to the services it provides or to build and strengthen the local economy, with the related benefit of increased business rates.

6.4 Governance

6.4.1 The Governance arrangements are stipulated within the Commercial Investment Strategy.

7. Other Liabilities

7.1 Outstanding Commitments

7.1.1 The Council also has the following outstanding commitments:

- The Council has also set aside £0.33million at 31st March 2021 to cover the financial risk associated with Business Rates appeals lodged with the Valuation Office Agency (VOA).

7.2 Guarantees

7.2.1 A 30-year Business Plan for the Council's HRA has been developed, which is currently generating sufficient rental income each year to run an efficient and effective housing management service, whilst at the same time servicing the outstanding debt. However, if the HRA is unable to repay the outstanding debt at any point in the future, the Council (through its General Fund) is liable to repay any remaining balance. The remaining balance on HRA debt as at 31st March 2021 was £56.7 million).

7.3 Governance

7.3.1 Decisions on incurring new discretionary liabilities are taken by Directors and Heads of Service in consultation with the CFO. For example, in accordance with the Financial Procedure Rules credit arrangements, such as leasing agreements, cannot be entered into without the prior approval of the CFO.

8. Revenue Implications

8.1 Financing Cost

8.1.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general Government grants.

Table 7: Prudential Indicator: Estimate of Proportion of Financing Costs to Net Revenue Stream (General Fund)

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Financing Costs (£m)	0.3	0.6	1.3	1.9
Proportion of Net Revenue Stream	2.0%	4.2%	9.2%	13.2%

Table 8: Prudential Indicator: Estimate of Proportion of Financing Costs to Net Revenue Stream (HRA)

	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m
Financing Costs (£m) [excl. depreciation]	1.7	1.7	1.7	1.7
Proportion of Net Revenue Stream	11.1%	11.0%	10.8%	10.3%

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

8.2 Prudence, Affordability and Sustainability

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

<u>*Prudence*</u>

- Prudential indicators 7 and 8 presented above (Paragraph 8.1.1) are within expected and controllable parameters. Thus:
  - *Prudential Indicator 7 (General Fund) - Proportion of Financing Costs to Net Revenue Stream* – the growth in financing costs reflects the Council's ambitions for capital investment in its strategic priorities over the medium-term.
  - *Prudential Indicator 8 (HRA) - Proportion of Financing Costs to Net Revenue Stream* – the indicator profile mirrors the HRA 30-Year Business Plan.
- *Underlying Prudent Assumptions* – a prudent set of assumptions have been used in formulating the Capital Programme. This is illustrated in the approach to capital receipts whereby the proceeds are not assumed within projections until the associated sale is completed and the money received by the Council; and
- *Repairs and Maintenance* – the approach to asset maintenance is professionally guided with assets maintained in a condition commensurate with usage and expected life, addressing those items that could affect ongoing and future maintenance, in the most appropriate and cost effective manner.

<u>*Affordability*</u>

- The estimated 'revenue consequences' of the Capital Programme (£127.8 million over three years) have been included in the 2022/23 Budget and Medium-Term Financial Strategy (MTFS), extending to 2024/25; and
- The MTFS includes a reserves strategy, which includes contingency funds in the event that projections are not as expected (further supported by CFO report to Council under Section 25 of the Local Government Act 2003 on the robustness of estimates and the adequacy of financial reserves and balances).

Sustainability

- Capital schemes that are expected to deliver long-term revenue savings/generate income are given due priority.
- As explained in Section 3.1 above, the Asset Management Strategy will represent an enhancement to the Council approach to asset planning through (especially) taking a longer-term view. This includes providing for future operational need, balancing the requirement to achieve optimal performance, whilst taking account of technological change and managing the risk of obsolescence.

9. Prioritisation Principles and Obligations to deliver a scheme

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

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

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

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

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

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

10. Knowledge and Skills

10.1 Officers

10.1.1 The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. Most notably:

- *Finance* - the Chief Finance Officer (CFO) and the Deputy Chief Finance Officers (DCFO's) are qualified (ACCA/ CIPFA) accountants with many years of public and private sector experiences. The Council sponsors junior staff to study for relevant professional qualifications including AAT, CIPFA and ACCA. The Council also supports training courses and conferences across all aspects of accounting.

- *Property* – the Head of Property and Facilities Shared Service (PFSS) – a qualified property expert - is responsible for Asset Management within the Council. PFSS comprises the Asset Development, Building and Maintenance, Corporate Landlord and development functions of the Council. Each area has appropriately qualified professionals within their individual specialism. The Head of PFSS plays a key role in the Council's approach to commercial investment and trading (highlighted above in Section 6).

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

10.2 External Advisors

10.2.1 Where the Council does not have the relevant knowledge and skills required, judicious use is made of external advisers and consultants that are experts/specialists in their field. The Council currently employs Link Asset Services as advisers, and the Asset Management team will commission advisors as appropriate (e.g. development managers, valuers etc.) to support their work where required to ensure that the Council has access to knowledge and skills commensurate with risk.

10.3 Councillors

10.3.1 May 2023 is the next date for district council elections. Duly elected councillors will receive training appropriate to their role in the new Council.

10.3.2 Specifically with regard to Treasury Management, the Council acknowledges the importance of ensuring that members have appropriate capacity, skills and information to effectively undertake their role. To this end, newly elected Lewes councillors with Treasury Management responsibilities will receive tailored training sessions from the Council's Treasury Management advisors (Link Asset Services).

11. CFO Statement on the Capital Strategy

11.1 Prudential Code

11.1.1 Paragraph 24 of the recently updated Prudential Code determines that….” the Chief Finance Officer should report explicitly on the affordability and risk associated with the Capital Strategy”.

11.1.2 Accordingly, it is the opinion of the CFO that the Capital Strategy as presented is affordable, and associated risk has been identified and is being adequately managed.

11.2 Affordability

11.2.1 The Capital Strategy is affordable and there is a range of evidence to support this assertion, including:

- *Capital Programme* – the Programme as presented above (in Section 2.1) is supported by a robust and resilient MTFS extending through until 2024/25 that contains adequate revenue provision, including sufficient reserves in the event that plans and assumptions do not materialise as expected.
- *Asset Management* – as presented above (in Section 3.1) a new Asset Management Strategy is under development, which is taking a strategic longer-term (i.e. beyond 2024/25) view of the Council's asset base. A fundamental aim of the Strategy is to achieve the optimum balance between future operational need and affordability, which will be reflected in its component parts including strategies for purchasing and constructing new assets, investment in existing assets, transferring of assets to other organisations and the disposal of surplus assets.
- *Commercial Investment* – as presented above (in Section 6.3) the Commercial Investment Strategy is also under development. The primary aim of the Strategy long-term is income generation to replace the shortfall in Government funding. The Strategy is progressing positively towards the delivery stage and its success will be critical to the long-term affordability of the Capital Strategy.

11.3 Risk

11.3.1 The risk associated with the Capital Strategy has been identified and is being adequately managed. Evidence to support this assertion includes:

- *Treasury Management St*rategy – the Council will formally approve the Treasury Management Strategy for 2022/23, at the Lewes District Council – Full Council meeting on 21 February 2022, in accordance with CIPFA's “Treasury Management in the Public Services: Code of Practice 2017”. That Strategy was developed by the Council's (professionally qualified and experienced) Finance team and informed by specialist advisors Link Asset Services and other relevant and extant professional guidance.

- *Investment Strategy* – the Council will also formally approve an Investment Strategy for 2022/23, at the Council meeting on 21 February 2022, in accordance with DLUHC's "Statutory Guidance on Local Government Investments (3rd Edition) 2017". As with the Treasury Management Strategy, the Investment Strategy was developed by the Finance team and informed by specialist advisors Link Asset Service and other relevant and extant professional guidance.

- *Commercial Activities* – as noted above (in Paragraph 6.2) the Council is committed to significantly expanding the scale of its commercial activities in the medium-term as part of its Commercial Investment Strategy. It is recognised and accepted that increased commercial activity brings with its additional risk. The Strategy is therefore being developed in accordance with contemporary best practice. This includes the engagement of professional advisors on the commercial, financial and legal aspects of the project and the preparation of full supporting business cases prior to the commencement of both in-house and arm's length trading activities, strictly in accordance with HM Treasury's 'five-case model' ("The Green Book: Central Government Guidance on Appraisal and Evaluation").

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Report to:	**Cabinet**
Date:	**3 February 2022**
Subject:	**Housing Revenue Account (HRA) Revenue Budget and Rent Setting 2022/2 and HRA Capital Programme 2021-25**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets**
Ward(s):	**All**
Purpose of the report:	**To agree the detailed HRA budget proposals, rent levels, service charges for 2022/23 and the HRA Capital Programme 2021-25**
Decision type:	**Budget and policy framework**
Recommendation:	**Members are asked to recommend the following proposals to Full Council:** **i) The HRA budget for 2022/23 and revised 2021/22 budget as set out in Appendix 1** **ii) That social and affordable rents (including Shared Ownership) are increased by 4.1% in line with government policy** **iii) That private sector leased property rents are increased by 4.1% (CPI+1%).** **iv) That the revised service charges are implemented** **v) That garage rents are increased by 4.86% (RPI).** **vi) The HRA Capital Programme as set out in Appendix 2**
Reasons for recommendations:	**The Cabinet has to recommend to Full Council the setting of the HRA revenue and capital budget and the level of social and affordable housing rents for the forthcoming year.**
Contact Officer(s)	**Name: Helen Waring** **Post Title: Consultant – HRA Business Plan** **E-mail: Helen.waring@lewes-eastbourne.gov.uk** **Telephone Number: 07522 186807**

1.0 Introduction

1.1 The HRA is a statutory ring-fenced account that represents all landlord functions. The HRA is required to be self-financing, which means that expenditure has to be entirely supported from rental and other HRA-related income. The main tool for the future financial management of the HRA is the 30-Year Business Plan.

1.2 Any significant changes to the assumptions underpinning the 30-Year Business Plan will trigger a full review to assess the impact, but, in any event, there will be an annual review and update.

2 Proposal

2.1 2022/23 HRA Revenue Budget

2.1.1 The 2022/23 budget is attached at **Appendix 1**

2.1.2 The 2022/23 budget is showing a deficit of £326k compared to a deficit of £312k in the 2021/22 revised budget, an increase of £14k. It should be noted that these deficits are short-term and sustainable in the context of the HRA 30-Year Business Plan and that, based on current projections, the account will be in surplus again with effect from 2023/24.

2.1.3 Rent, Service Charges and other inflationary income increases of £786k are offset by inflationary increases in costs of £795k. There has also been a decrease in interest receivable of £5k.

2.1.4 The Major Repairs Reserve is funded from cash backed depreciation of £5.4m plus inflation per year and is expected to breakeven in the short, medium and long term. Setting depreciation at this level may require review now that the results of the stock survey have been received and the demands of the asset management plan in the longer term are better understood.

2.1.5 The HRA external debt outstanding at 31.03.21 was £56.673m which was the maximum borrowing permitted under the self-financing settlement. The outstanding debt at 31.03.23 is estimated to be the same. In later years, debt levels will increase as the Authority begins to borrow more to fund property acquisitions and new build. The average debt per property is currently approximately £18k.

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

2.1.7 The HRA outturn for 2021/22 is expected to deliver a £312k deficit, an improvement of £383k over the original budget. This is mainly due to:

- the deletion of a revenue contribution to the Capital Programme (£992k) – this is no longer required as the Capital Programme has reduced
- a net increase in costs of £549k – this has arisen as a result of a review of management costs
- a net reduction in expected income of £60k

2.1.8 The HRA Business Plan is based on a policy of maintaining a minimum level of HRA balance at £2.275m. This is deemed to be a prudent level of reserve to ensure that the HRA remains sustainable in the event of any unforeseen risk arising.

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

	HRA Working Balance £'000	**Major Repairs Reserve (MRR)** £'000
Balance at 1.4.21	**3,322**	**9,359**
Surplus/(Deficit)	(312)	
Depreciation		5,185
Expenditure Financed from MRR		(8,084)
Estimated Balance 31.3.22	**3,010**	**6,460**
Surplus/(Deficit)	(326)	
Depreciation		5,453
Expenditure Financed from MRR		(10,825)
Estimated Balance 31.3.23	**2,684**	**1,088**

The Major Repairs Reserve is used to fund the Capital Programme and it can be seen from Appendix 2 that the use of this reserve prevents the necessity for the Council to borrow in either 2021/22 or 2022/23.

2.2 Rent Levels for 2022/23

2.2.1 The Council has been following the Government's guidance for rents for social housing since December 2001. This has been subject to various legislative changes in recent years and, in 2022/23, rents can be increased by Consumer Prices Index (CPI) + 1% which equates to 4.1%. The average weekly social rent will be £94.26 and average affordable weekly rent will be £168.48

2.2.2 Although rents for Shared Ownership properties are excluded from Government guidance, the terms of the lease for these properties determine that we should set their rents in line with the socially rented properties. Therefore, it is recommended that rents for all Shared Ownership properties are increased by 4.1%.

2.3 Service Charges

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

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

2.3.2 **The Communal Service Charges** recover the cost of communal services provided to non-sheltered flats. The various services provided include grounds maintenance, maintenance of lifts, cleaning, door entry & alarm systems, TV aerials, laundry services and communal lighting.

The average service charge is £5.34 (2021/22: £5.15) with the lowest at £0.94 and the highest at £20.84. The communal element of the service charge is eligible for housing benefit and Universal Credit.

2.3.3 **The Homeless Accommodation Service Charge**: The service charge relates to the services provided at homelessness accommodation held within the Housing Revenue Account.

The Homeless Accommodation Service Charge for 2022/23 has been reviewed, in accordance with agreed Council policy, to achieve full cost recovery. The communal element of the service charge is eligible for housing benefit and Universal Credit.

2.3.4 **Support Charge for Sheltered Housing**: Following the withdrawal of East Sussex County Council from the Supporting People scheme, the Council introduced, from May 2016, a redesigned Support Scheme for tenants in sheltered accommodation.

The charge for 21/22 was £3.23 per week. The charge for 2022/23 will be £2.83. This service charge is not eligible for housing benefit.

2.3.5 **Sheltered Accommodation Service Charge**: The service charge has been updated to reflect the 2022/23 budget to achieve full cost recovery.

The communal elements of the service charges are eligible for housing benefit and Universal Credit.

2.3.6 All other service charges have been updated to reflect the 2021/22 actuals and achieve full cost recovery. This includes charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.

2.4 Garage Rents

2.4.1 It is recommended that garage rents increase by September RPI which amounts to 4.86%.

2.5 Capital Programme

2.5.1 The Capital Programme set out in Appendix 2 reflects the proposals contained within the HRA 30-Year Business Plan. Total budgeted expenditure for 2022/23 is £12.901m.

2.5.2 The budget for the major works element of the programme (£3.1m) has been set following a comprehensive stock survey that has taken place during the past year. This sum and all sums required over the next 30 years are deemed to be the level of investment needed to ensure that Lewes' housing stock is well maintained. The annual budget provision for major works was previously set at around £4.5m. The results of the new stock survey have been modelled into the latest version of the Business Plan. Funding for the major works programme comes mainly from the Major Repairs Reserve, topped up by Revenue Contributions when required. Annual allocations of £415k for disabled adaptations and £50k for recreation and play areas are added to the programme, since these would not be included in the stock survey figures.

2.5.3 The Capital Programme continues to include sums for the acquisition of properties and new builds. In the case of acquisition, each proposed acquisition will be modelled to ensure "viability" (that the annual costs associated with the purchase and upkeep of the property will not exceed the rental income). New build schemes either have been brought or will need to be brought to Cabinet for individual approval. The reports will include an analysis of the effects on the Business Plan.

2.5.4 The Council is committed to meeting its target of achieving zero carbon emissions and full climate resilience by 2030. Recognising that is an integral part of its sustainability plans, the Capital Programme includes a provision of £100k in 2021/22 and £170k in 2022/23 to be invested in emerging initiatives. Sustainability will be a key driver in developing capital repairs schemes going forwards.

3 Outcome Expected and Performance Management

3.1 The HRA budget will be monitored regularly during 2022/23 and performance will be reported to members quarterly.

3.2 The Council is obliged to ensure that all tenants are given 28 days' notice of any changes to their tenancy including changes to the rent they pay.

4 Consultation

4.1 The Tenants of Lewes District (TOLD) have been consulted on this report. The proposed rent increase reflects the requirements under The Direction on the Rent Standard 2019 together with the Rent Policy Statement for Social Housing February 2020.

5 Corporate Plan and Council Policies

5.1 Delivering Homes is one of the key priorities in the 2020-2024 Corporate Plan – Re-imagining Lewes District. The proposals contained within this report flow directly from the HRA 30-Year Business Plan, which itself aligns with the Corporate Plan. Key (current and future) Council policies, plans and strategies will all be aligned to help deliver the objectives and goals of the HRA 30-Year Business Plan, including the Housing Strategy, Commercial Strategy, Allocations Policy, Homelessness Strategy, Local Plan, Tenancy Policy and Town Centre Strategy.

6 Business Case and Alternative Option(s) Considered

6.1 The capital and revenue budgets, rents and service charges have been set in line with Government policy and with the HRA 30-Year Business Plan.

7 Financial Appraisal

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

8 Legal Implications

8.1 Local housing authorities are required by Section 74 of the Local Government and Housing Act 1989 to keep a Housing Revenue Account (HRA) unless the Secretary of State has consented to their not doing so. The account must show credits and debits arising from the authorities' activities as landlord. The HRA identifies the major elements of housing revenue expenditure, such as maintenance, administration and contributions to capital costs, and how there are funded by rents and other income.

8.2 Section 76 of the 1989 Act states that budgets must be set for the HRA on an annual basis in January or February before the start of the financial year. A local authority may not budget for an overall deficit on the HRA and all reasonable steps must be taken to avoid a deficit.

8.3 Section 24 of the Housing Act 1985 gives local authorities the power to make reasonable charges for the tenancy or occupation of dwellings. Rent setting must be seen in the context of the statutory duty to set a balanced HRA budget.

8.4 The Welfare Reform and Work Act 2016, passed in March 2016, set the rent setting policy for 4 years whereby social rents in England were to be reduced by 1%. In October 2017 the government confirmed details for future social rents and from 2020/21 providers will be able to increase rents up to a limit of CPI plus 1% each year. This policy is designed to provide more certainty over rent levels.

8.5 Under the Local Authorities (Functions and Responsibilities) Regulations 2000, the task of formulating a plan for determining the Council's minimum revenue provision (i.e. its budget) is the responsibility of Cabinet, whilst the approval or adoption of that plan is the responsibility of the full Council. This explains why Cabinet is being asked to recommend its budget proposals to Council.

Lawyer consulted 12.01.21 *Legal ref: 010744-LDC-KS*

9 Risk Management Implications

9.1 The 2022/23 Budget and Capital Programme will require close monitoring in the forthcoming year to ensure that they, and therefore the 30-Year HRA Business Plan, remain on track. Any large variances to expenditure or income will need to be reviewed and, if significant or ongoing, modelled into the Business Plan to assess the impact and likely mitigation.

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

10 Equality Analysis

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

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

11 Sustainability Implications

11.1 Setting aside £500k (of which £442k will be spent in 2021/22 and 2022/23) in the HRA Business Plan will help Lewes District Council move towards meeting its target of achieving zero carbon emissions and full climate resilience by 2030. The remaining £442k is broken down as follows:

- 2021/22 revenue spend = £45k, capital spend = £100k
- 2022/23 revenue spend = £127k, capital spend = £170k

12 Appendices

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

13 Background Papers

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

APPENDIX 1 - HOUSING REVENUE ACCOUNT

2021-22 Original Budget £' 000	2021-22 Revised Budget £'000		2022-23	2022-23 BUDGET £' 000
		INCOME		
(15,177)	(15,104)	Dwelling Rents	(15,798)	
(461)	(461)	Non-Dwelling Rents	(484)	
(1,216)	(1,216)	Charges for Services and Facilities	(1,276)	
(185)	(185)	Contributions towards Expenditure	(194)	
(17,039)	**(16,966)**	**GROSS INCOME**		**(17,752)**
4,610	4,637	Repairs and Maintenance	4,859	
2,489	3,305	Supervision and Management	3,465	
1,389	1,389	Special Services	1,454	
214	259	Rents, Rates, Taxes and Other Charges	320	
141	143	Increase in Impairment of Debtors	148	
5,182	5,182	Depreciation of Fixed Assets	5,450	
3	3	Amortisation of Intangible Assets	3	
52	52	Debt Management Costs	52	
14,080	**14,970**	**GROSS EXPENDITURE**		**15,751**
(2,959)	**(1,996)**	**NET COST OF HRA SERVICES**		**(2,001)**
596	**282**	HRA share of Corporate and Democratic Core		**296**
(2,363)	**(1,714)**	**NET OPERATING COST OF HRA**		**(1,705)**
		Capital Financing and Interest Charges		
2,070	2,043	Interest Payable	2,043	
(4)	(17)	Interest Receivable	(12)	
2,066	**2,026**	Total Capital Financing and Interest Charges		**2,031**
992	**0**	Revenue Contribution to Captal Expenditure		**0**
695	**312**	**HOUSING REVENUE ACCOUNT (SURPLUS) / DEFICIT**		**326**
		HOUSING REVENUE ACCOUNT WORKING BALANCE		
(2,973)	**(3,322)**	**Working Balance at 1 April**		**(3,010)**
695	**312**	**(Surplus) or Deficit for the year**		**326**
(2,278)	**(3,010)**	**Working Balance at 31 March**		**(2,684)**

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HRA CAPITAL PROGRAMME 2021/22 to 2024/25

Expenditure	Original Programme 2021/22 £	Projected Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £	Proposed Programme 2024/25 £
HRA HOUSING INVESTMENT CAPITAL PROGRAMME					
Acquisition and Construction of New Dwellings	18,812,000	5,943,000	9,166,000	12,553,000	8,760,000
Improvements to Stock (Stock Condition Survey)	4,554,000	4,554,000	3,100,000	2,432,000	2,817,000
Improvements to Stock (Non-Stock Condition Survey)	415,000	415,000	415,000	415,000	415,000
Housing Estates Recreation and Play Areas	50,000	50,000	50,000	50,000	50,000
Sustainability Initiatives Pilot		100,000	170,000	-	-
Total HRA Capital Programme	**23,831,000**	**11,062,000**	**12,901,000**	**15,450,000**	**12,042,000**

Funding Availability	Original Programme 2021/22 £	Projected Programme 2021/22 £	Proposed Programme 2022/23 £	Proposed Programme 2023/24 £	Proposed Programme 2024/25 £
HRA					
Capital Receipts	1,601,000	2,028,000	2,076,000	2,419,000	640,000
Capital Grants	-	950,000		1,354,000	3,100,000
Major Repairs Reserve	6,428,000	8,084,000	10,825,000	6,702,000	5,769,000
Revenue Contributions	992,000	-	-	344,000	171,000
Borrowing Need	14,810,000	-	-	4,631,000	2,362,000
Total HRA	**23,831,000**	**11,062,000**	**12,901,000**	**15,450,000**	**12,042,000**

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Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Annual Review of Fees and Charges**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets**
Ward(s):	**All**
Purpose of report:	**To propose the schedule of Fees and Charges to apply from 1 April 2022.**
Decision type:	**Key Decision**
Officer recommendation(s):	**(1) To approve the scale of Fees and Charges proposed within Appendix 1 to apply from 1 April 2022.** **(2) To implement changes to statutory fees and charges for services shown within Appendix 1 as and when notified by Government.**
Reasons for recommendations:	**The Council's Constitution requires that all fees and charges, including nil charges, be reviewed at least annually and agreed by Cabinet.**
Contact Officer(s):	**Name: Isabel Brittain** **Post title: Deputy Chief Finance Officer** **E-mail: Isabel.Brittain@lewes-eastbourne.gov.uk**

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1 Introduction

1.1 Following a systematic review in light of an Audit Commission report entitled 'Positively Charged' Cabinet approved guiding principles for setting fees and charges. A copy is included in Background Papers**.**

1.2 The guiding principle and the recommended actions arising from the systematic review of services have been applied in reviewing and proposing a scale of fees and charges to apply from 1 April 2022.

2 Fees and Charges Proposals to apply from 1 April 2022

2.1 Fees and Charges are reviewed by Cabinet at least once each year, principally during the winter prior to the next financial year. This enables Cabinet's decision to be incorporated in the coming budget cycle. Cabinet is not restricted to an annual review; it can conduct further reviews at any time in the year with implementation of decisions from any point in the year

2.2 As in previous years all the fees and charges are covered, so far as is practicable, within a single report. In this way Cabinet is able to consider all the fees and charges which apply to the Council's services as an overall package. There is only one exception to this and that is licensing fees which are excluded from this report because they are set by the Licensing Committee.

2.3 Cabinet will be aware that fees and charges applicable at the Council-owned indoor leisure facilities and at Newhaven Fort are set by Wave Leisure under the terms of the management agreements it has with the Council.

2.4 Within Appendix 1 to this report there are some significant services, with significant income estimates, where the Council has discretion to set the level of fees and charges. There are currently no changes proposed to fees and charges and budgets have been amended, where necessary, to reflect any increases or decreases in volume. These are summarised below.

2.5 In addition, Appendix 1 includes those services where fees are statutory and where any changes can only be made by Government.

3 Services where budgets have changed but no changes to fee and charges are proposed

3.1

Service	**Car Parks**
Appendix ref	lines 1 to 33
Reason for no fee change	Cabinet agreed the current pricing tariff in January 2018 to apply from 1 April 2018. This was consistent with the principle established by Cabinet that future increases would be based on inflation and implemented only when accumulated inflation increased fees to easily collectable amounts. These has been a significant reduction in income this year due to a reduction in usage and this is expected to continue into 2022-23.
Financial impact	The 2022-23 income budget has been reduced to £672,000

3.2

Service	**Arts Development**
Appendix ref	lines 59 to 69
Reason for no fee change	There has been a reduction in usage of this service and it is proposed for the current pricing structure to remain in place for another year to try to encourage growth.
Financial impact	The 2022-23 income budget has been reduced to £22,500.

3.3

Service	Tourism
Appendix ref	lines 71 to 79
Reason for no fee change	Fees and Charges have increased in line with increased costs but these will have limited impact upon the amount of fee income collected
Financial impact	The 2022-23 income budget has been reduced to £13,000

3.4

Service	Waste Collection (excluding Commercial Trade Waste)
Appendix ref	lines 381 to 432
Reason for no fee change	Delegated authority was previously given to the Director of Service Delivery, in consultation with the Portfolio holder for Waste and Recycling, to vary commercial trade waste charges upwards or downwards by up to 10% to respond to developing market conditions.
Financial impact	The 2022-23 income budget will become £623,100, an increase of £24,800.

3.5

Service	Land Charges
Appendix ref	Lines 456 to 462
Reason for no fee change	A review of the current levels of fees and the current volume of activity suggests that charges remain appropriate to recover costs as permitted by Government regulation.
Financial impact	The 2022-23 income budget will become £125,000.

4 Services where statutory fees and charges apply

4.1 The current level of fees and charges will continue to apply until such time as the Council is notified by Government of changes. Such changes will be implemented in accordance with the relevant statutory notices.

4.2

Service	Animal Wardens
Appendix ref	lines 81 to 86
Financial impact	No budget for 2022-23 is proposed because of the very low levels of income generated from this service

4.3

Service	Port Health
Appendix ref	lines 88 to 99
Financial impact	Income budget for 2022-23 will remain at £2,000.

4.4

Service	Development Control
Appendix ref	lines 212 to 229
Financial impact	Income budget for 2022-23 will remain at £429,000

4.5

Service	Community Infrastructure Levy (CIL)

Appendix ref	lines 231 to 239
Financial impact	The Charging Schedule implemented on 1 December 2015 under The Community Infrastructure Levy Regulations 2010 remains appropriate and provides the baseline for the levy. CIL regulations require that fees are uplifted annually in line with the change in a national price index. This change is applied each year once the index data becomes available.

4.6

Service	**Register of Electors**
Appendix ref	lines 464 to 479
Financial impact	The income budget for 2022-23 will remain at £1,500

5 Financial appraisal

5.1 The effect of the proposed changes in budgets due to variations in demand, is set out at service level below:

5.2

	2021/22 income estimate £	Financial impact of: change in usage £	change in fees £	2022/23 income forecast £
Car Parking	1,002,000	-330,000	0	672,000
Electric Vehicle Charges	4,000	0	0	4,000
Lewes House	10,000	0	0	10,000
Arts Development	28,000	-5,500	0	22,500
Tourism	18,000	-5,000	0	13,000
Private Sector Housing	2,000	0	0	2,000
Building Control	281,500	0	0	281,500
Planning Services	30,000	0	0	30,000
Allotments	1,000	0	0	1,000
Cemeteries	141,000	0	0	141,000
Parks and Open Spaces	57,150	0	0	57,150
Waste Collection	598,300	24,800	0	623,100
Council Tax and Business Rates	170,850	0	0	170,850
Legal Services	24,100	0	0	24,100
Estate Surveyor Services	15,000	0	0	15,000
Land Charges	105,000	20,000	0	125,000
Register of Electors	1,500	0	0	1,500
Discretionary fees – set by LDC	**2,489,400**	**-295,700**	**0**	**2,193,700**
Port Health	2,000	0	0	2,000
Development Control	429,000	0	0	429,000
Statutory fees – set by Government	**431,000**	**0**	**0**	**431,000**
Total income estimates	**2,920,400**	**-295,700**	**0**	**2,624,700**

5.3 If Cabinet chooses to amend the proposed charges the impact will be reflected in the final budget report to be presented to Cabinet on 3 February 2022.

6 Legal implications

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

7 Risk management implications

7.1 The recommendations of this report are not significant in terms of risk. However, there is a possibility that forecast income for demand led services may be adversely affected by economic factors outside of the council's control.

8 Equality analysis

8.1 An Equalities and Fairness Impact Assessment has not been undertaken as it is recommended not to increase any fees and charges for 2022/23.

9 Appendices

Appendix 1 – Fees and Charges proposals 2022/23

10 Background papers

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

Guiding principles for setting fees and charges

Equalities and Fairness Impact Assessment

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Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
CAR PARKING (OFF STREET)					
Central Lewes - short stay	up to 30 mins	0.60	0.60	i	0.00
	up to 1 hour	0.80	0.80	i	0.00
	up to 2 hours	1.80	1.80	i	0.00
Central Lewes - medium stay	up to 1 hour	0.80	0.80	i	0.00
	up to 2 hours	1.70	1.70	i	0.00
	up to 3 hours	2.60	2.60	i	0.00
	up to 4 hours	3.50	3.50	i	0.00
Outer Lewes - long stay	up to 1 hour	0.70	0.70	i	0.00
	up to 2 hours	1.40	1.40	i	0.00
	up to 3 hours	2.20	2.20	i	0.00
	up to 4 hours	2.90	2.90	i	0.00
	over 4 hours	4.10	4.10	i	0.00
Brook Street, Lewes	all day	1.90	1.90	i	0.00
Newhaven and Seaford (including multi-storey)	up to 30 mins	0.60	0.60	i	0.00
	up to 1 hour	0.80	0.80	i	0.00
	up to 2 hours	1.10	1.10	i	0.00
	up to 3 hours	1.30	1.30	i	0.00
	up to 4 hours	1.80	1.80	i	0.00
	over 4 hours	2.20	2.20	i	0.00
All Sites					
Commercial vendors	per day (sliding scale)	£0 - £501	£0 - £501	e	0.00
All Sites					
Infringement of Parking Order	Penalty Charge Notices	50.00	50.00	e	0.00
	- if paid in 14 days	25.00	25.00	e	0.00
Total Current Estimated Annual Income (Car Parking)		**1,002,000**	**672,000**		**-330,000**
ELECTRIC VEHICLE CHARGERS	for the first 10 minutes	3.50	3.50	i	0.00
	per minute thereafter	0.25	0.25	i	0.00
Total Current Estimated Annual Income (Electric Vehicle Chargers)		**4,000**	**4,000**		**0**
LEWES HOUSE					
Venue Hire (minimum 2 hours Monday to Friday from 9am to 6pm)					

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
41	Garden Room and Garden - up to 100 people	per hour	75.00	75.00	e	0.00
42	Garden Room only - up to 30 people (November to March)	per hour	40.00	40.00	e	0.00
43	Warren Room - up to 50 people	per hour	55.00	55.00	e	0.00
44	Business Room - up to 40 people	per hour	40.00	40.00	e	0.00
45	Plus surcharge from 6pm to 11pm	per hour	15.00	15.00	e	0.00
46	Weekend surcharge	one-off fee	30.00	30.00	e	0.00
47						
48	*Exhibition Rate (minimum 2 days Monday to Sunday 9am to 6pm)*					
49	Warren Room	per day	100.00	100.00	e	0.00
50	Business Room	per day	100.00	100.00	e	0.00
51	Warren Room and Business Room	per day	150.00	150.00	e	0.00
52	Complete Suite excluding garden	per day	200.00	200.00	e	0.00
53	Plus surcharge from 6pm to 11pm	per hour	15.00	15.00	e	0.00
54	Weekend surcharge	per day	30.00	30.00	e	0.00
55						
56	Charges for other arrangements by application and negotiation					
57	**Total Current Estimated Annual Income (Lewes House Venue Hire)**		**10,000**	**10,000**		**0**
58						
59	**ARTS DEVELOPMENT**					
60		Artwave Artist Advert (Single)	85.00	85.00	s	0.00
61		Artwave Artist Advert (Double)	170.00	170.00	s	0.00
62		Artwave Artist Advert (Full Page)	400.00	400.00	s	0.00
63		Artwave Business Advert (Single)	105.00	105.00	s	0.00
64		Artwave Business Advert (Double)	210.00	210.00	s	0.00
65		Artwave Business Advert (Full Page)	500.00	500.00	s	0.00
66		Artwave Charity/School Advert (Single)	65.00	65.00	s	0.00
67		Artwave Charity/School Advert (Double)	130.00	130.00	s	0.00
68		Artwave Charity/School Advert (Full Page)	300.00	300.00	s	0.00
69	**Total Current Estimated Annual Income (Arts Development)**		**28,000**	**22,500**		**-5,500**
70						
71	**TOURISM**					
72		Visit Lewes Silver Member	99.00	99.00	s	0.00
73		Visit Lewes Gold Member	149.00	149.00	s	0.00
74		Gin & Fizz Exhibitor Fee	60.00	60.00	s	0.00
75		Gin & Fizz Hot Food Traders Fee	175.00	175.00	s	0.00
75		Gin & Fizz Other Food Traders Fee	140.00	140.00	s	0.00
76		Gin & Fizz Other Food - 1 Session only	85.00	85.00	s	0.00
76		Gin & Fizz Bar Traders Fee	175.00	175.00	s	0.00
77		Gin & Fizz Bar - 1 Session only	90.00	90.00	s	0.00
78		Gin & Fizz Programme Ad	100.00	100.00	s	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
79	**Total Current Estimated Annual Income (Tourism)**		**18,000**	**13,000**		**-5,000**
80						
81	**ANIMAL WARDENS**					
82	Statutory Charge per stray dog		30.00	30.00	e	0.00
83	Seizure Charge per stray dog	In addition to statutory charge	30.00	30.00	i	0.00
84	Return of Dog		45.00	45.00	i	0.00
85	Kennelling	per day	25.00	25.00	i	0.00
86	**Total Current Estimated Annual Income (Animal Wardens)**		**0**	**0**		**0**
87						
88	**PORT HEALTH**					
89	Ship Sanitation Certificates (Statutory Fee)	Ships up to 1000 gross tonnage	100.00	100.00	e	0.00
90		Ships 1001 to 3000 gross tonnage	135.00	135.00	e	0.00
91		Ships 3001 to 10000 gross tonnage	205.00	205.00	e	0.00
92		Ships 10001 to 20000 gross tonnage	265.00	265.00	e	0.00
93		Ships 20001 to 30000 gross tonnage	340.00	340.00	e	0.00
94		Ships > 30001 gross tonnage	400.00	400.00	e	0.00
95		Vessels with 50 - 1000 persons	400.00	400.00	e	0.00
96		Vessels with more than 1000 persons	680.00	680.00	e	0.00
97		Extensions	70.00	70.00	e	0.00
98		Additional sampling costs	80.00	80.00	e	0.00
99	**Total Current Estimated Annual Income (Port Health)**		**2,000**	**2,000**		**0**
100						
101	**PUBLIC HEALTH**					
102	Food Hygiene Courses	Currently not available	n/a	n/a	s	0.00
103	Private Water Supplies		Cost	Cost	s	
104	**Total Current Estimated Annual Income (Public Health)**		**0**	**0**		**0**
105						
106	**PRIVATE SECTOR HOUSING**					
107	**Houses in Multiple Occupation**					
108	*Initial fees*					
109	Shared House					
110	5 Persons		848	848	e	0.00
111	6 Persons		861	861	e	0.00
112	7 Persons		875	875	e	0.00
113	8 Persons		888	888	e	0.00
114	9 Persons		902	902	e	0.00
115						
116	Bedsit Type of Accomodation					
117	2 Bedsits		955	955	e	0.00
118	3 Bedsits		1,009	1,009	e	0.00
119	4 Bedsits		1,063	1,063	e	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity	2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
120	5 Bedsits	1,116	1,116	e	0.00
121	6 Bedsits	1,170	1,170	e	0.00
122					
123	Hostel Type Accomodation				
124	Up to 10 Persons	848	848	e	0.00
125	11 to 20 Persons	1,116	1,116	e	0.00
126	21 to 40 Persons	1,385	1,385	e	0.00
127	41 to 60 Persons	1,653	1,653	e	0.00
128	61 to 80 Persons	1,922	1,922	e	0.00
129	More than 81 Persons	2,190	2,190	e	0.00
130					
131	*Renewal fees*				
132	Shared House				
133	5 Persons	595	595	e	0.00
134	6 Persons	606	606	e	0.00
135	7 Persons	617	617	e	0.00
136	8 Persons	628	628	e	0.00
137	9 Persons	639	639	e	0.00
138					
139	Bedsit Type of Accomodation				
140	2 Bedsits	682	682	e	0.00
141	3 Bedsits	726	726	e	0.00
142	4 Bedsits	769	769	e	0.00
143	5 Bedsits	812	812	e	0.00
144	6 Bedsits	856	856	e	0.00
145					
146	Hostel Type Accomodation				
147	Up to 10 Persons	595	595	e	0.00
148	11 to 20 Persons	812	812	e	0.00
149	21 to 40 Persons	1,030	1,030	e	0.00
150	41 to 60 Persons	1,247	1,247	e	0.00
151	61 to 80 Persons	1,464	1,464	e	0.00
152	More than 81 Persons	1,681	1,681	e	0.00
153	**Total Estimated Annual Income (Houses in Multiple Occupation)**	**2,000**	**2,000**		**0**
154					
155	**Mobile Homes Act 2013**				
156	New Application Fee				
157	Band A 2-5 units	175	175	e	0.00
158	Band B 6-24 units	234	234	e	0.00
159	Band C 25-99 units	269	269	e	0.00
160	Band D 100+ units	316	316	e	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
Band E single unit at family site		100	100	e	0.00
Transfer of site license					
Band A 2-5 units		69	69	e	0.00
Band B 6-24 units		69	69	e	0.00
Band C 25-99 units		69	69	e	0.00
Band D 100+ units		69	69	e	0.00
Band E single unit at family site		25	25	e	0.00
Variation of site license					
Band A 2-5 units		104	104	e	0.00
Band B 6-24 units		104	104	e	0.00
Band C 25-99 units		104	104	e	0.00
Band D 100+ units		104	104	e	0.00
Band E single unit at family site		50	50	e	0.00
Annual Fee					
Band A		117	117	e	0.00
Band B		139	139	e	0.00
Band C		172	172	e	0.00
Band D		211	211	e	0.00
Band E		0	0	e	0.00
Deposit of park rules with LA (not applicable to single unit)				e	0.00
Total Estimated Annual Income (Mobile Homes Act 2013)		**0**	**0**		**0**
BUILDING CONTROL (Building Regulations)					
An illustrative set of charges is listed below.	The full list of fees and charges is available from the Council web site at www.lewes.gov.uk				
Dwelling-houses and Flats not exceeding 250m2 or more than 3 storeys:					
1 dwelling-house	Plan charge	280.00	280.00	s	0.00
	Inspection charge	510.00	510.00	s	0.00
	Building Notice charge	850.00	850.00	s	0.00
2 dwelling-houses	Plan charge	380.00	380.00	s	0.00
	Inspection charge	680.00	680.00	s	0.00
	Building Notice charge	1,190.00	1,190.00	s	0.00
3 dwelling-houses	Plan charge	450.00	450.00	s	0.00
	Inspection charge	890.00	890.00	s	0.00
	Building Notice charge	1,460.00	1,460.00	s	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
202						
203	2 flats	Plan charge	360.00	360.00	s	0.00
204		Inspection charge	650.00	650.00	s	0.00
205		Building Notice charge	1,120.00	1,120.00	s	0.00
206						
207	3 flats	Plan charge	450.00	450.00	s	0.00
208		Inspection charge	850.00	850.00	s	0.00
209		Building Notice charge	1,350.00	1,350.00	s	0.00
210	**Total Current Estimated Annual Income (Building Control)**		**281,500**	**281,500**		**0**
211						
212	**DEVELOPMENT CONTROL (Planning applications)**	Statutory fees				
213	An illustrative set of charges is listed below.	The full list of fees and charges is available from the Council web site at www.lewes.gov.uk				
214						
215	New dwellings	Outline application (per 0.1ha)	385.00	385.00	e	0.00
216		Outline application (max.for 2.5ha)	9,527.00	9,527.00	e	0.00
217		Outline application (per 0.1ha over 2.5)	115.00	115.00	e	0.00
218		Outline application (maximum fee)	125,000.00	125,000.00	e	0.00
219						
220		Full application (per dwelling unit)	385.00	385.00	e	0.00
221		Full application (max. for 50 dwellings)	19,049.00	19,049.00	e	0.00
222		Full application (per dwelling over 50)	115.00	115.00	e	0.00
223		Full application (maximum fee)	250,000.00	250,000.00	e	0.00
224						
225		Reserved matters (per dwelling unit)	385.00	385.00	e	0.00
226		Reserved matters (max.for 50 dwellings)	19,049.00	19,049.00	e	0.00
227		Reserved matters (per dwelling <50)	115.00	115.00	e	0.00
228		Reserved matters (maximum fee)	250,000.00	250,000.00	e	0.00
229	**Total Current Estimated Annual Income (Development Control)**		**429,000**	**429,000**		**0**
230						
231	**COMMUNITY INFRASTRUCTURE LEVY (CIL)**	Regulations specify that fees are subject to annual indexation				
232	Residential Development	Low Zone (South of the South Downs National Park) per m^2	115.61	115.61	e	0.00
233		High Zone (North of the South Downs National Park) per m^2	192.69	192.69	e	0.00
234						
235	Retail Development	per m^2	128.46	128.46	e	0.00
236						
237	**SECTION 106 DEVELOPER CONTRIBUTIONS**					

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
238	Recycling	Kerbside per dwelling	19.00	19.00	e	0.00
239						
240	**PLANNING SERVICES**					
241	Planning research for third parties	per hour	50.00	50.00	s	0.00
242	Compliance checks for planning applications	Householder application - per hour	27.00	27.00	e	0.00
243		Non-householder application - per hour	92.00	92.00	e	0.00
244	Pre-application service (in the Lewes district except the SDNP area)					
245	- large scale major applications	up to 6 meetings	3,600.00	3,600.00	s	0.00
246		per additional meeting	500.00	500.00	s	0.00
247	- medium scale major applications	up to 4 meetings	1,800.00	1,800.00	s	0.00
248		per additional meeting	360.00	360.00	s	0.00
249	- small scale major applications	up to 2 meetings	900.00	900.00	s	0.00
250		per additional meeting	200.00	200.00	s	0.00
251	- minor applications	up to 2 meetings	450.00	450.00	s	0.00
252		per additional meeting	120.00	120.00	s	0.00
253	- small minor applications	initial meeting	250.00	250.00	s	0.00
254		per additional meeting	60.00	60.00	s	0.00
255	- residential schemes for 1-2 dwellings	initial meeting	150.00	150.00	s	0.00
256		per additional meeting	60.00	60.00	s	0.00
257	- telecommunications, change of use, renewable energy	initial meeting	75.00	75.00	s	0.00
258		per additional meeting	60.00	60.00	s	0.00
259	- householder schemes	written advice and site visits	12.50	12.50	s	0.00
260	- listed building schemes	written advice and site visits	12.50	12.50	s	0.00
261	Publications	e.g. Local Plan	50.00	50.00	e	0.00
262		e.g. Local Plan on Cdrom	15.00	15.00	e	0.00
263		Emerging Core Strategy	12.00	12.00	e	0.00
264	Document search and retrieval	per document	0.60	0.60	s	0.00
265	Electronic copy of document	Building Control document	55.00	55.00	s	0.00
266		Planning legal document	12.50	12.50	s	0.00
267	Standard copying charges	Minimum charge for 3 pages	1.20	1.20	s	0.00
268		A4 size per page	0.10	0.10	s	0.00
269		A3 size per page	0.20	0.20	s	0.00
270		A2 size per page	1.80	1.80	s	0.00
271		A1 size per page	2.40	2.40	s	0.00
272		A0 size per page	3.00	3.00	s	0.00
273	Colour copying charges	A4 size per page	1.25	1.25	s	0.00
274		A3 size per page	2.50	2.50	s	0.00
275		A2 size per page	6.00	6.00	s	0.00
276		A1 size per page	12.00	12.00	s	0.00
277		A0 size per page	18.00	18.00	s	0.00
278	Services for Solicitors:	priority service	12.50	12.50	s	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
279		Compliance checks for Enforcement (per site)	50.00	50.00	e	0.00
280		Building Control file retrieval fee	50.00	50.00	s	0.00
281		Compliance checks for Building Control (per site)	75.00	75.00	s	0.00
282		Building Control database information - where reference quoted	5.00	5.00	s	0.00
283	**Total Current Estimated Annual Income (Planning)**		**30,000**	**30,000**		**0**
284						
285	**STREET NAMING AND NUMBERING**					
286	New individual property	per application	50.00	50.00	e	0.00
287	New Development or Re-development	per plot/unit	50.00	50.00	e	0.00
288	New Development or Re-development (3-10 New Addresses)	per application	150.00	150.00	e	0.00
289	New Development or Re-development (11-19 New Addresses)	per application	250.00	250.00	e	0.00
290	New Development or Re-development (20+ New Addresses)	per application	350.00	350.00	e	0.00
291	Change of House Name or Commercial Property Name	per application	50.00	50.00	e	0.00
292	Change of Building Name (eg block of flats)	per application	100.00	100.00	e	0.00
293	Street Renaming	per application	200.00	200.00	e	0.00
294		plus per property	25.00	25.00	e	0.00
295	Alterations to SNN Scheme after SNN confirmation	per application	350.00	350.00	e	0.00
296		per plot/unit	25.00	25.00	e	0.00
297	Confirmation of postal address to solicitors or conveyancers		25.00	25.00	e	0.00
298	**Total Current Estimated Annual Income (Street Naming and Numbering)**		**0**	**0**		**0**
299						
300	**ALLOTMENTS**	per year per plot (253 square metres)	73.00	73.00	e	0.00
301	**Total Estimated Annual Income (Allotments)**		**1,000**	**1,000**		**0**
302						
303	**CEMETERIES**					
304	Internment	1.83m (equivalent to 6 feet)	925.00	925.00	e	0.00
305		2.29m (equivalent to 7 feet 6 inches)	1,220.00	1,220.00	e	0.00
306		2.74m (equivalent to 9 feet)	1,622.00	1,622.00	e	0.00
307		cremated remains	280.00	280.00	e	0.00
308		stillborn child (under 1 month)	free	free		n/a
309		child (under 12 years)	free	free		n/a
310		in existing vault	actual cost	actual cost	e	n/a
311	Interred ashes in Garden of Rest		276.00	276.00	e	0.00
312	Purchase of Burial Rights	ordinary 50 years	1,169.00	1,169.00	e	0.00
313		special 50 years	1,199.00	1,199.00	e	0.00
314	Designated child space	50 years	free	free	e	n/a
315	Garden of Rest		310.00	310.00	e	0.00
316	Right to erect/place on grave or vault	Headstone	223.00	223.00	e	0.00
317		Kerbstone or Border	276.00	276.00	e	0.00
318		Flatstone or Wall Tablet	222.00	222.00	e	0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
319		Additional Inscription	106.00	106.00	e	0.00
320	Chapel		98.00	98.00	i	0.00
321	Searches		32.00	32.00	i	0.00
322	Transfer of Grant Ownership		75.00	75.00	e	0.00
323	Exhumation		actual cost	actual cost	e	n/a
324	**Total Current Estimated Annual Income (Cemeteries)**		**141,000**	**141,000**		**0**
325						
326	**PARKS AND OPEN SPACES**					
327	Hire of Sports Pitches	per game or session				
328	- Football and Rugby	adult rate	70.00	70.00	s	0.00
329		adult training rate	34.00	34.00	s	0.00
330		juniors rate	34.00	34.00	s	0.00
331		juniors training rate	18.00	18.00	s	0.00
332						
333		Malling				
334		adult rate	50.00	50.00	s	0.00
335		adult training rate	25.00	25.00	s	0.00
336		juniors rate	25.00	25.00	s	0.00
337		juniors training rate	12.00	12.00	s	0.00
338						
339		Telscombe minis	12.00	12.00	s	0.00
340						
341		Changing rooms only	38.00	38.00	s	0.00
342						
343	- Cricket	grass day rate	75.00	75.00	s	0.00
344		grass evening rate	32.00	32.00	s	0.00
345		grass juniors rate	38.00	38.00	s	0.00
346						
347		artificial day rate	56.00	56.00	s	0.00
348		artificial evening rate	25.00	25.00	s	0.00
349		artificial juniors rate	28.00	28.00	s	0.00
350						
351		changing rooms only	41.00	41.00	s	0.00
352						
353	- Stoolball	day rate	50.00	50.00	s	0.00
354		evening rate	27.00	27.00	s	0.00
355						
356	- Bowling	season ticket				
357		- adult	122.00	122.00	s	0.00
358		- junior	62.00	62.00	s	0.00
359		- concessions	82.00	82.00	s	0.00

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Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
360						
361		per hour per person				
362		- adult	3.50	3.50	s	0.00
363		- juniors and concessions	2.50	2.50	s	0.00
364						
365		visiting teams per rink	16.00	16.00	s	0.00
366						
367	- Croquet	croquet field	20.00	20.00	s	0.00
368						
369	Hire of Open Spaces					
370	- Commercial Organisations	small event - per day	710.00	710.00	e	0.00
371		small event - half day (maximum 4 hours)	355.00	355.00	e	0.00
372		medium event - per day	1,328.00	1,328.00	e	0.00
373		medium event - half day (maximum 4 hours)	665.00	665.00	e	0.00
374		large event - per day	negotiable	negotiable	e	n/a
375		Fitness / Exercise classes per hour (4+ persons)	57.00	57.00	e	0.00
376	- Not For Profit Organisations (per day)	Within District - up to 100% discount	free	free		0.00
377		Outside District - discounts from 0% - 50% on commercial fees shown above				
378		Abseil events - Charity fundraising	free	free		0.00
379	**Total Current Estimated Annual Income (Parks & Open Spaces)**		**57,150**	**57,150**		**0**
380						
381	**WASTE COLLECTION**					
382	**Domestic**					
383	Bulky waste	5 items or 10 bags	55.00	55.00	e	0.00
384		10 items or 20 bags	85.00	85.00	e	0.00
385						
386	Fridges and freezers		40.00	40.00	e	0.00
387						
388	All other domestic charges by application					
389						
390	**Prescribed household**					
391	Clinical waste	in multiples of 10 bags and labels	35.00	35.00	s	0.00
392						
393	**Other**					
394	Dog bin emptying	on street collections (per bin)				
395	- single compartment dog waste		6.00	6.00	s	0.00
396	- single compartment litter and dog waste		1.74	1.74	s	0.00
397	- separate compartments litter and dog waste		3.48	3.48	s	0.00
398	- single compartment litter		1.75	1.75	s	0.00
399						

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Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
400	- single compartment dog waste	on street purchase (per bin)	278.98	278.98	s	0.00
401	- single compartment litter		468.00	468.00	s	0.00
402	- single compartment litter and dog waste		468.00	468.00	s	0.00
403						
404	- single compartment dog waste	on street installation (per bin)	45.00	45.00	s	0.00
405	- single compartment litter		45.00	45.00	s	0.00
406	- single compartment litter and dog waste		45.00	45.00	s	0.00
407	Black sacks cat / dog litter	18 bags	57.60	57.60	s	0.00
408	Box of refuse bags (360)		32.50	32.50	s	0.00
409	Box of refuse bags (1000)		58.50	58.50	s	0.00
410	Sharps 1-4 buckets each		12.95	12.95	s	0.00
411	Sharps 5 (large)		38.75	38.75	s	0.00
412	Dead animal removal	minimum charge depending on size of animal	no charge	no charge	s	n/a
413						
414	140 wheelie bin		35.00	35.00	s	0.00
415	240 wheelie bin		47.50	47.50	s	0.00
416	770 euro bin		275.00	275.00	s	0.00
417	1100 euro bin		300.00	300.00	s	0.00
418						
419	Special events (per bin)		9.00	9.00	s	0.00
420						
421						
422	**Green waste**					
423		Annual Green Waste Collection Service	70.00	70.00	e	0.00
424		Second/Additional half price green waste collection service	35.00	35.00		0.00
	Total Current Estimated Annual Income (Waste Collection excluding Commercial Trade Waste))		**598,300**	**623,100**		**24,800**
425						
426						
427	**Council Tax and Business Rates**					
428	Recovery action	Summons cost	52.50	52.50	e	0.00
429		Liability order	30.00	30.00	e	0.00
430	**Total Current Estimated Annual Income (Council Tax and Business Rates)**		**170,850**	**170,850**		**0**
431						
432	**Legal Services**					
433	An illustrative set of charges is listed below.					
434	Other charges by application and more complex transactions by negotiation					

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
435						
436	Section 106 agreement	time spent x hourly rate	£540 minimum	£540 minimum	z	0.00
437	Lease	time spent x hourly rate	£825-£2,750	£825-£2,750	s	0.00
438	Consent, Deed of Variation, Easement, Sale of Freehold	time spent x hourly rate	£550-£2,000	£550-£2,000	s	0.00
439	Licence	time spent x hourly rate	£900-£2,000	£900-£2,000	s	0.00
440	Right to Buy	engrossment fee	60.00	60.00	s	0.00
441	Copying large/complicated agreements and plans	including retrieval fee	75.00	75.00	s	0.00
442	Other copying (in addition to retrieval fee)	per side copied	0.50	0.50	s	0.00
443	Other copying (where retrieval not required)	minimum charge	7.50	7.50	s	0.00
444		plus per side copied	0.50	0.50	s	0.00
445	**Total Current Estimated Annual Income (Legal Services)**		**24,100**	**24,100**		**0**
446						
447	**Estate Surveyor Services**	<u>Commercial services</u>				
448	Lease - grant	Per transaction	500.00	500.00		0.00
449	Lease - Deed of Variation, Surrender	Per transaction	400.00	400.00		0.00
450	Lease - ancillary transactions (e.g. licences to assign)	Per transaction	250.00	250.00		0.00
451	Licence (e.g. scaffolding and other temporary structures)	Per transaction	250.00	250.00		0.00
452	Garden Licence	Per transaction dependant on time spent (max)	250.00	250.00		0.00
453	Disposal/Wayleave/Easement	Per transaction	500.00	500.00		0.00
454	**Total Current Estimated Annual Income (Estate Surveyor Services)**		**15,000**	**15,000**		**0**
455						
456	**Land Charges**					
457	An illustrative set of the main charges is listed below.	The full list of fees and charges is available from the Council web site at www.lewes.gov.uk				
458						
459	Official Search of the Local Land Charges Register (LLC1)	search of the whole register	16.00	16.00	e	0.00
460						
461	CON29 Part 1 – required enquiries		87.00	87.00	s	0.00
462	**Total Current Estimated Annual Income (Land Charges)**		**105,000**	**125,000**		**20,000**
463						
464	**Register of Electors**	Statutory fees				
465	Paper copy	Set up fee	10.00	10.00	s	0.00
466		plus per 1,000 names	5.00	5.00	s	0.00
467						
468	Electronic copy	Set up fee	20.00	20.00	s	0.00
469		plus per 1,000 names	1.50	1.50	s	0.00
470						
471	Plus Postage and Packing if applicable			10.00		0.00
472						
473	Marked Register and Marked Absent Voting lists					
474	Paper copy	set up fee		10.00		0.00

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

Appendix 1 - Lewes District Council Fees and Charges Proposals 2022/2023

	By Service and Activity		2021/2022 Current charge £pence	**2022/2023 Proposed charge £pence**	VAT	Increase £pence
475		plus per 1,000 names		2.00		0.00
476						
477	Electronic copy	set up fee		10.00		0.00
478		plus per 1,000 names		1.00		0.00
479	**Total Current Estimated Annual Income (Register of Electors)**		**1,500**	**1,500**		**0**
480						
481						
482	**TOTAL CURRENT ESTIMATED ANNUAL INCOME FOR ALL SERVICES**		**2,920,400**	**2,624,700**		**-295,700**

VAT charge types: i = inclusive of VAT @ 20%, e = non-business or exempt from VAT, s = standard plus VAT @ 20%

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Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Community Grants Programme**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning**
Cabinet member:	**Councillor Johnny Denis, Lead Member for Communities and Customers**
Ward(s):	**All**
Purpose of report:	**For Cabinet to consider the funding recommendations of the cross-party working group.**
Decision type:	**Key**
Officer recommendation(s):	**To agree the proposed funding allocations set out in Appendix 1.**
Reasons for recommendations:	**The recommendations outlined in this report will enable the council to support a broad range of voluntary sector groups, therefore reaching a larger number of residents.**
Contact Officer(s):	**Name: Seanne Sweeney** **Post title: Community Services Lead** **E-mail: Seanne.Sweeney@lewes-eastbourne.gov.uk** **Telephone number: 01273 085 630**

1 Introduction

1.1 In February 2021 following a period of stakeholder engagement which included local voluntary sector groups, Cabinet agreed to award all community grants through a bidding process, with effect from April 2022. It was also agreed that a cross party Grants Working Group of three members be formed to consider the new policy and 2022 prospectus, with recommendations taken to Cabinet for approval.

2 Budget update and proposed allocations

2.1 The 2022 Community Grants Programme launched a new policy and prospectus in August 2021 with the deadline for applications in October. Throughout this period the grants officer worked with 3VA to respond to queries and ascertain the eligibility of prospective applicants.

2.2 The prospectus set out five categories under which groups could apply: Advice, Community Infrastructure, Environment & Wellbeing, Homeless Prevention and Equality. As expected, the programme was vastly oversubscribed with almost 40 applications totalling £600k against a budget of £263k.

2.3 Homeless Prevention was the only category for which demand matched budget at £12k. Following discussions with Homes First colleagues, a proposal was put to the Grants Working Group that the funds for Homeless Prevention be met by a provision from the Department of Levelling Up, Housing & Communities (DLUHC) to address homelessness in the district.

2.4 The single application under the Homeless Prevention pot - from Lewes District Churches HOMELINK – was assessed by the working group as having suitably fulfilled the application criteria, with the group agreeing that DLUHC funds should cover the grant. The £12k could then be used to top-up the remaining categories.

2.5 Additionally, a further top-up for the Advice pot was recommended in recognition of the growing impact of the pandemic and the need for sound advice provision across the district. To that end, £11k will increase the offer to successful applicants within the advice stream. This brings the Community Grants Programme budget to £274kpa.

2.6 3VA's bid for grant funding, resulting in a proposed allocation of £29,000 under the Community Infrastructure category, was subject to independent scrutiny by the Grants Working Group and not influenced by 3VA's assistance to other prospective applicants.

2.7 The Grants Working Group were tasked with assessing each application against a set of criteria. After careful consideration and much deliberation, the group produced the grant allocation proposals set out in Appendix 1. It is recommended that Cabinet approves these proposals.

3 Consultation

3.1 Views were sought from the local voluntary sector, current grant recipients and Tenants of Lewes District, and the views expressed were taken account of in the development of the policy and prospectus.

3.2 In line with feedback received, it is recommended that the process of awarding the next grants cycle in 2025 commence a year in advance. This would enable sufficient notice of confirmation around funding for organisations.

4 Corporate plan and council policies

4.1 Making changes to the voluntary sector grants policy supports the council's pledge to promote open and transparent decision making, as outlined in the Corporate Plan.

4.2 The new policy improves alignment with the Corporate Plan pledge to respect and promote principals of equality and support the council's equality and fairness policy.

5 Financial appraisal

5.1 As set out in Appendix 1 of the report, the 2022/23 budget provision for grants to the voluntary sector is £273,978. Any increase to this amount would require additional funds to be identified as part of the current 2022/23 budget setting process.

6 Legal implications

6.1 The Council is permitted under its general power of competence, conferred by s.1 Localism Act 2011, to issue grants to local community bodies.

6.2 In issuing any grant, the Council must consider whether it amounts to a subsidy under the UK-EU Trade and Co-operation Agreement (TCA) and the World Trade Organisation's Agreement on Subsidies and Countervailing Measures; and, if so, whether it adheres to the subsidy principles specified in the TCA.

6.3 A grant would be considered a subsidy where (i) it is given by a public authority; (ii) it makes a financial contribution to an enterprise, conferring an economic advantage that is not available on market terms; and (iii) affects international trade.

6.4 Grants to truly local organisations are unlikely to be caught, as their effect on international trade would be minimal, if at all.

6.5 On this analysis, none of the proposed grants detailed in Appendix 1 of this report amounts to a subsidy for the purposes of the UK's subsidy control measures, and therefore need not be considered further under that regime.

Lawyer consulted 16.12.21 *Legal ref: 010683-LDC-OD*

7 Risk management implications

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

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

8 Equality analysis

8.1 An Equality & Fairness Analysis has been undertaken on these recommendations. It established that an increase to the budget and scope of the Community Grants Programme will deliver a 100% increase to the number of organisations funded.

This includes financial support for:

- Organisations supporting disabled people, those with a long-term health condition and carers.
- Young people living with cancer.
- Residents to improve health & wellbeing.
- Nursery aged children.
- People who have sensory impairment or loss.
- A dedicated resource for parents from minoritized groups (LGBTQ+, diverse cultures & ethnicities) experiencing domestic abuse.
- Residents facing homelessness.
- Residents needing to access advice & benefits.

9 Environmental sustainability implications

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

10 Contribution to Community Wealth Building

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

11 Appendices

- Appendix 1 - Recommended Grant Allocations

12 Background papers

None.

Appendix 1

Advice

Citizens Advice	190,000
East Sussex Hearing Resource	7,000
East Sussex Vision Support	2,500
Sussex Association for Spina Bifida & Hydrocephalus	1,900
Total	£201,400

Community Infrastructure

Hillcrest Community Centre	10,000
3VA	29,000
Total	£39,000

Environment & Wellbeing

Newhaven Gig Rowing Club	10,000
Railway Land Wildlife Trust	3,600
Pippa's Group	6,000
Baxters Field	2,000
Denton Community Challenge	750
Total	£22,350

Equalities

Children with Cancer Fund	2,000
Seahaven Hard of Hearing	1,000
Home-Start East Sussex	8,228
Total	£11,228

Grand Total £273,978

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Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Levelling Up Fund**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets and Cllr James MacCleary, Lead Member for Regeneration and Prosperity**
Ward(s):	**All Newhaven Wards**
Purpose of report:	**To provide an update on the successful bid for Levelling Up Funding and to secure the necessary delegations to enable the programme of works to commence.**
Decision type:	**Key decision**
Officer recommendation(s):	**(1) To note the successful bid to the Levelling Up Fund, which has secured £12,686,307 towards the regeneration of Newhaven.** **(2) To approve an allocation of up to £12.7m in the General Fund Capital Programme, to be financed in full by the grant funding secured as per the recommendation above.** **(3) To authorise the Director of Regeneration and Planning to enter into the Funding Agreement that will set out the commercial terms associated with the grant award, including use, access, and ongoing monitoring.** **(4) To authorise the Director of Regeneration and Planning, in consultation with the Chief Finance Officer, Lead Member for Finance and Assets and the Lead Member for Regeneration and Prosperity, to carry out all necessary actions to facilitate the recommendations and deliver the programme of works including entry into appropriate legal agreements with delivery partners, feasibility, financing, appointment of professional services, development, contract award(s), lettings, and determining the terms of, and authorising the execution of, all necessary documentation, in accordance with the funding parameters.** **(5) To authorise the Director of Regeneration and Planning, in consultation with the Chief Finance Officer, Lead Member for Finance and Assets and the Lead Member for**

Regeneration and Prosperity to take all necessary steps to conclude the acquisition of Unit 7, Oak Estate, Newhaven.

Reasons for recommendations:	**(1) A funding offer of £12,686,307 for Newhaven was announced on 27 October.** **(2) There is a need to move at pace since the Levelling Up Fund award must be spent by March 2024 in line with Government guidance.** **(3) To enable Officers to deliver in an effective and timely manner, the necessary delegations to Lead Members and Executive Officers are required to ensure that the Council can deliver the programme within the context of the timeframe.**
Contact Officer(s):	**Name: Peter Sharp** **Post title: Head of Regeneration** **E-mail: peter.sharp@lewes-eastbourne.gov.uk** **Telephone number: 07826 903742**

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1 Introduction

1.1 The £4.8billion Levelling Up Fund (LUF) was announced by Government in March 2021 and was set up with a view to investing in infrastructure that improves everyday life in the UK. Each local authority was given a priority ranking according to the perceived level of need for further investment.

1.2 The focus of the LUF is on three specific areas of investment:

- Transport investments
- Regeneration and town centre investments
- Cultural investments.

Government guidance stated that bids (of up to £20million) should focus on high-profile projects that will make a visible impact in local areas.

1.3 Lewes District was identified as a Priority 1 Area for investment, offering the opportunity for the Council to put together an impactful project that would make a visible impact on our communities and help to ‘level up’ some of our most deprived areas.

1.4 Following consideration of at least 10-15 project options across the district, a bid was selected for Newhaven focusing on the fishing and maritime sectors. The rationale for this selection was that the project would be deliverable in a tight timeframe and would stand the best chance of success against the criteria set out in the HM Treasury’s Green Book and the Government guidance for the LUF.

2 Capturing the Value of the Catch

2.1 The successful bid for £12,686,307 was focused on supporting the fishing and maritime sectors in Newhaven in a post-Covid and post-Brexit environment. This bid was focused on three core interventions:

- **Catch**: providing two new fishing landing stages at Newhaven Port to accommodate up to 16 small fishing vessels, with a view to increasing the proportion of catch landed in Newhaven.
- **Process**: purchasing Unit 7, Oak Estate, New Road and refurbishing to create a Centre for Seafood Excellence, offering a commercial fish market and training opportunities for local residents.
- **Retain**: construction of a new destination fish restaurant at West Beach, alongside new community facilities, that will draw visitors to the town and support active pursuits through new leisure provision.

2.2 On 27 October 2021, the Council's submission was announced as one of the successful bids. This is a notable achievement. Lewes was one of just 4 Councils across East and West Sussex to be successful.

2.3 The LUF funding must be spent by March 2024. As such, Officers are mobilising to ensure that the funding can be invested within the allotted timeframe.

3 Project Delivery

3.1 Following the LUF announcement, subject now only to the signing of the Funding Agreement, the interventions as set out in the bid documentation must be developed into a deliverable project.

3.2 Two parts of the project – Catch and Retain - are being delivered by external partners and Officers will ensure that appropriate legal agreements are in place prior to release of any funding. This is because the Council is the Accountable Body and is responsible for ongoing monitoring and evaluation of the impact of the funding award.

3.3 One part of the project – Process – is being delivered directly by the Council. This project is focused on purchasing Unit 7, Oak Estate, New Road and repurposing for a Centre for Seafood Processing

3.4 It is therefore recommended to delegate authority to the Director of Regeneration and Planning, in consultation with the Chief Finance Officer, Lead Member for Finance and Assets and Lead Member for Regeneration and Prosperity to acquire Unit 7 , Oak Estate and enter into appropriate legal agreements with key delivery partners as set out in the original LUF funding submission.

4 Consultation

4.1 The development of the Council's LUF bid included engagement with Cabinet and Maria Caulfield MP to ensure that the most appropriate LUF bid was prepared and submitted in line with Government guidance and the level of positive impact on our communities.

4.2 The Newhaven Town Deal Board was also consulted on the proposals and signalled their support prior to submission.

4.3 A wide range of letters of support for the submission were also received, including from the South Downs National Park Authority, Greater Brighton Economic Board, Newhaven Town Council, East Sussex County Council, South East Local Enterprise Partnership, Sussex Community Development Association, Wave Leisure and East Sussex College Group.

5 Corporate plan and council policies

5.1 The Council's Corporate Plan 'Re-imagining Lewes District Corporate Plan 2020-2024' sets out some key areas that will be addressed by the LUF bid:

Building Community Wealth

5.2 'Capturing the Value of the Catch' focuses new investment on our local economy, supporting the existing inshore fishing fleet through provision of updated, modern landing stages. It is also likely to increase training and employment opportunities for local residents.

Sustainability and Climate Change

5.3 Currently, the catch landed at Newhaven is transported by HGV up to six times per week to processing facilities outside of the immediate local area. By retaining processing and market facilities in Newhaven, HGV traffic movements are likely to be reduced and CO2 emissions reduced. This directly addresses community concerns over the traffic impacts of new development in the town.

6 Business case and alternative option(s) considered

6.1 As per Section 1, a range of other bidding options were considered for the LUF. These were ruled out on the grounds of deliverability by March 2024 and / or their fit with the criteria set out in the Green Book and the Government's LUF guidance.

6.2 The LUF funding has now been awarded to the Council by the Government. It is therefore considered that there are no appropriate alternative options to be considered.

7 Financial appraisal

7.1 The Levelling Up Fund is central to Government's ambition to level up the country – investing in high value local infrastructure and building stronger and more resilient local economies and communities. It is especially intended to support investment in places where it can make the biggest difference to everyday life, including ex-industrial areas, deprived towns and coastal communities.

7.1 As set out in the report, the Council bid to the Levelling Up Fund was successful by securing £12,686,307 towards the regeneration of Newhaven. The allocation of up to £12.7m in the General Fund Capital Programme will be fully financed by the grant funding secured through the Levelling Up Fund (LUF).

8 Legal implications

8.1 As the Accountable Body, the Council will be expected to enter into a funding agreement with Central Government that will set out the detailed terms. The Council will in turn need to enter agreements with each funding recipient to ensure that any funding conditions are met and the Council protected from any clawback. The nature of those agreements will depend on the project being funded and the conditions attached by Central Government. The Council will be the direct recipient of the funding in relation to one project.

8.2 There will be a need for additional agreements to be put in place in relation to the operation of certain projects.

8.3 The projects carried out by the Council will be subject to the public procurement rules when being delivered when, as the grant recipient, it is procuring goods, works or services when spending the funding.

8.4 The Council will need to consider the application of any applicable subsidy rules before passing on any funding to ensure that any funding given is lawful. Under the Subsidy Control regime applicable from 1 January 2021, the UK has committed to introducing its own domestic subsidy control regime which includes the requirements set out in the UK-EU Trade and Cooperation Agreement (TCA) and other trade agreements. The Government introduced the Subsidy Control Bill to Parliament on 30 June 2021, which will apply to any funding granted after it becomes law. The Council has already reviewed the LUF projects in light of the existing rules and satisfied itself that these are capable of being delivered in a compliant manner.

8.5 Legal due diligence is required to ensure that, upon completion of the purchase, the Council will obtain a good and marketable title to the property.

010551-LDC-MR 16/12/2021

9 Risk management implications

9.1 The following risks may arise if the recommendations are implemented. It is proposed to mitigate these risks as follows:

Risk	Likelihood	Impact	Mitigation
Failure to secure LUF funding	Low	High	A funding offer has been received, although detailed grant agreements and conditions are awaited. It is considered highly unlikely that Government will reverse their funding offer.
Failure to deliver projects within LUF programme timeframe	Low / Medium	High	Deliverability is one of the key criteria that was assessed as part of the Government's review of LDC's submission. However, there is considerable work required at

			pace and the recommendations in this report reflect the timeframe for delivery.
Funding does not meet needs of our resident and business communities	Low	High	The LUF bid was informed by engagement undertaken through the Newhaven Town Deal Board and others as set out in Section 4. An ongoing stakeholder engagement plan will be developed as part of the next stage of work.
Failure to secure appropriate planning consents	Low	High	LDC Head of Planning has been consulted on 'Retain'. It is understood that both 'Catch' and 'Process' will not need additional planning consents.

10 Equality analysis

10.1 An Equalities & Fairness Analysis was prepared in May 2021 as part of the development of the LUF submission. Further assessments will be undertaken once preparatory work has been completed and a planning application is being prepared.

11 Environmental sustainability implications

11.1 There are no significant environmental sustainability effects as a result of the recommendations in this proposal. Indeed, the project broadly aligns with the Council's sustainability ambitions.

11.2 However as the project is developed, opportunities to minimise the carbon impact of the developments will be considered in greater detail as required.

12 Appendices

- None

13 Background papers

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

- Lewes District Council – Levelling Up Fund Bid Summary

Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Asset Management**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning**
Cabinet member:	**Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets**
Ward(s):	**All**
Purpose of report:	**To consider future office space rationalisation resulting in more economic and sustainable use of assets and improved customer contact facilities.**
Decision type:	**Key**
Officer recommendation(s):	**(1) That Cabinet approves the proposals set out in paragraph 2.6.1 to 2.8.1 of this report regarding the Council's wider office estate.** **(2) That the Director of Regeneration and Planning, in consultation with the Leader, be given delegated authority to:** **- conclude negotiations for the grant of a lease of Southover House to Charleston; and** **- enter into a lease of Southover House on the terms agreed, including all ancillary documents.** **(3) That the Director of Regeneration and Planning, in consultation with the Leader, be given delegated authority to:** **- conclude negotiations for the taking of a lease by the Council of premises at County Hall for temporary office and reception space; and** **- enter into a lease of premises at County Hall on the terms agreed, including all ancillary documents.** **(4) That in respect of the proposed grant of a lease to Charleston, Cabinet waives compliance with the Council's Contract Procedure Rules in the event that the agreed rent exceeds £25,000 per annum, for the reasons set out in paragraph 2.4.2 to 2.4.9 of this report.**
Reasons for recommendations:	**The pandemic has resulted in a fundamental shift in the location of where staff work and how customers access the Council and resolve queries. Southover House is no longer**

	the nearest office space for most staff and customer visits have reduced by 50% as residents are resolving more queries via online services. As a result, Southover House is under-utilised. **It is prudent for the Council to consider options for its future office space and customer reception functions to make best use of the Council's assets, meet the needs of customers, reduce costs, increase flexibility for the organisation, and support the Council's net zero carbon 2030 commitment.**
Contact Officer(s):	**Name: Mark Langridge-Kemp** **Post title: Head of Property, Delivery and Compliance** **E-mail: mark.langridge-kemp@lewes-eastbourne.gov.uk** **Telephone number: 07900 057102**

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1 Introduction

1.1 Prior to the pandemic, the Council had flexible working arrangements for staff taking into account service delivery needs; generally, this meant that for most staff their working week was spent mainly in the office with some work from home. The pandemic encouraged the Council, in common with many other employers across the country, to consider its future preferred work style for staff, recognising that services continued to be delivered to a high standard even when staff worked from home for longer periods. This has resulted in a contractual change for staff to a hybrid work environment where, subject to service need, staff can largely choose whether they work in an office or from home. It has also resulted in significant reductions in absence rates as it has allowed people to work more flexibly.

1.2 In addition, with improvements to the way customers access the Council's services online and changes in behaviour such as a move away from customers wanting as much face-to-face interaction, visits to the Council's reception have reduced by 50% compared to pre-pandemic levels. The main customer activity is for document drop off, with customers using online services or the telephone for most other enquiries.

1.3 Alongside these changing practises, the Council has implemented a significant savings plan because of the financial impact of the pandemic in order to continue to protect frontline services and its most vulnerable residents, including ensuring income streams are maximised from assets and costs reduced wherever possible.

1.4 Southover House is now under-utilised as an office and customer point and as a result of the ongoing costs of the property, the need for increased flexibility for the organisation, and the Council's net zero carbon 2030 commitment it is prudent for the Council to now consider alternative arrangements for both its office space and customer contact point.

2 Proposal

2.1

(a) The Council has had an approach from Charleston who are interested in taking a lease of Southover House. It is proposed that Southover House be leased to Charleston for a period of up to five years for use by the arts charity and its local partners as a new creative centre for the Lewes community featuring exhibitions, learning and education spaces, office space for the creative industry and much needed artist workspace.

(b) Charleston is interested in exploring the potential for purchasing the freehold of Southover House at market value during this period. A report will be brought to a future meeting of Cabinet if Charleston puts forward a definite proposal to purchase the freehold.

(c) It is proposed that the Council would explore temporarily leasing a space at County Hall to provide short term office and reception space pending a more town centre customer facing solution.

(d) It is proposed that future permanent office space would also be provided at the former University Technical College (UTC), Newhaven, assuming that negotiations for the acquisition of this site are successful.

Analysis has been undertaken on future office space and customer need and is presented below along with the proposed future use of the Council's existing office space assets as outlined in paragraph 2.8.1.

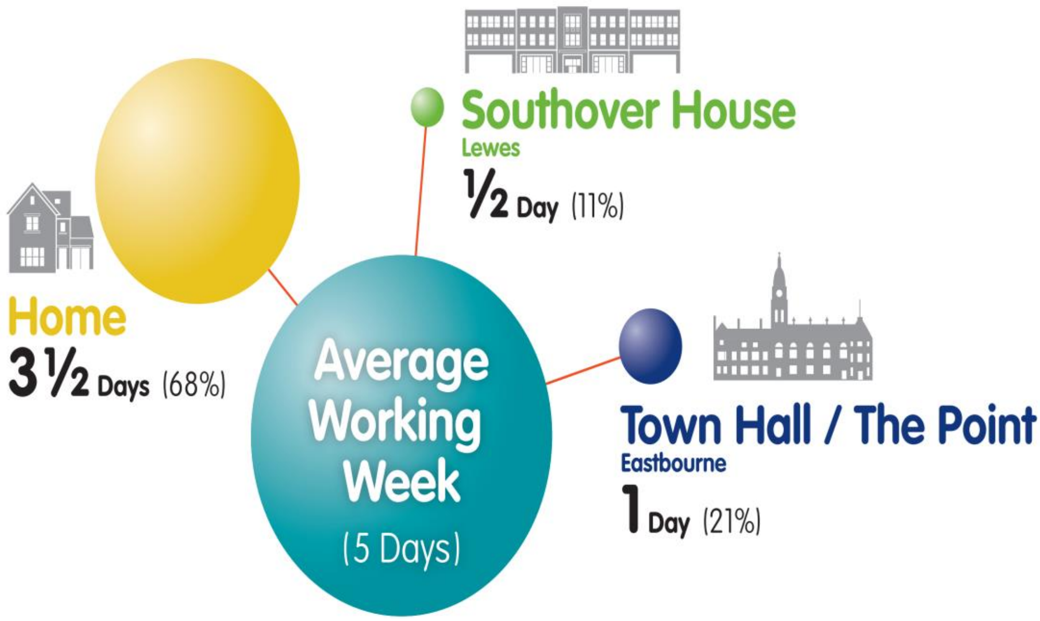
2.2 <u>Office Space Need</u>

2.2.1 A utilisation survey was undertaken on desk usage in November 2019, and this demonstrated that even before the pandemic 41% of desk spaces within Southover House were empty.

2.2.2 To ensure staff safety and social distancing during the height of the pandemic, when restrictions allowed staff were able to work in a Covid secure office environment with a reduced capacity of 25 bookable desk space, and fixed desks available for those staff that had a demonstrable need (welfare/medical, operational, or technological). This arrangement has continued and on average only five desks have been booked a day (20% of available desks) rendering the building 80% under-utilised most of the time.

2.2.3 A recent postcode analysis showed that only a quarter of staff lived closer to Southover House than another Council office and over 50% of those staff lived in the coastal towns. This analysis highlights that Southover House is no longer the nearest office to most employee's homes and, for those choosing to work out of the building, a commute across the district is therefore required.

2.2.4 A staff survey was also undertaken in September 2021 asking staff to confirm their future preferred work location. On average, staff wanted to work from home for 3½ days, Southover House/an office in Lewes town for ½ day and an office in Eastbourne for 1 day. The survey results provide a clear sense of the level of demand for desks and collaboration spaces in the office estate in the future, which could be addressed through the acquisition of the former UTC. Providing workspace in Newhaven for the majority of staff who live in coastal towns, is in line with the Council's community wealth building strategy and net zero carbon commitment. Moving the Council's office base to Newhaven will make it possible to recruit more people from the areas where unemployment is higher with an easier commute to the office base in Newhaven, which is a key part of the community wealth building strategy.



2.2.5 It is anticipated that in the Lewes district this would translate into a space requirement of 30 bookable desks and 5 fixed desks in the future. It is recognised that future space need should also include touch down space (non-bookable, short-term space, standing or otherwise), bookable work hubs (rooms set up with workstations that are bookable for project working) and larger collaboration space.

2.3 <u>Customer Support Needs</u>

2.3.1 Prior to the pandemic, Southover House served as the main customer contact point in Lewes with many enquiries relating to housing, council tax, taxi licensing and benefits. On average there were 20-30 customer per day. Following government advice and conscious of the need to protect staff and residents, customer reception points were temporarily closed during the pandemic and, with improvements to digital technology, services moved to telephone and online.

2.3.2 The customer reception in Southover House re-opened in May and footfall has dropped by 50% compared to pre-covid levels. The main reasons for visit are the same as pre-covid with document drop-off being the predominant customer requirement. A large proportion of enquiries are directed to the telephone for resolution.

2.3.3 There is a clear commitment to maintain a customer access point in Lewes to support maximum accessibility including for those in rural areas where transport to Newhaven is more difficult, and for services that are still best carried out face to face or where the customer is unable to access online channels. There is also a need to ensure a clear identity for the Council in the County Town. It is anticipated that the Council's future customer access point will therefore continue to serve as a document drop off point, with a small number of self-service terminals and telephones for customers to use supported by staff during their visit. This is likely to be restricted to housing enquiries and others by appointment only. The longer-term plan is to secure such a touch point in the town centre in a smaller unit than the current Southover House.

2.3.4 The Council is committed to also ensuring customers from coastal towns can access a future accessible customer touch point, so that the highest proportion of customers who need to access face to face support can do so; this could be provided at the former UTC. Those who have greatest need of our services live in the Coastal Towns and therefore will find accessing Council services easier than travelling to Lewes town.

2.3.5 Lewes Citizens Advice Bureau (CAB) had a specific area within Southover House reception, and there were logical synergies with being based together in the same building. The CAB has been operating out of its Newhaven office during the pandemic which has served them well to date, however, they are keen to join the Council again, if possible, in whatever its future customer access point looks like.

2.4 Southover House

2.4.1 Serving as the Council's main office space, running costs are around £270,000 per annum. The property has capacity for at least 240 desk spaces. For completeness, a valuation has been undertaken of the property.

2.4.2 The analysis undertaken has indicated that the Council no longer has need for a stand-alone office as large as Southover House, however, it is recognised that demand may change in the future. As a result, the Council requires flexible future accommodation for office and customer access that can respond quickly to the changing needs of the organisation and its residents. Southover House is an expensive overhead for the Council and is not being used to its full potential or for the benefit of residents that it could provide.

2.4.3 Charleston has approached the Council as they are interested in leasing the property in order to provide a host of benefits to the Lewes district. The Charleston charity was set up in 1980 to restore and maintain Charleston Farmhouse, Firle. Charleston is an independent cultural charity that produces annual programme of exhibitions, events and festivals bringing international artists and writers to the Lewes district. On Charleston's site at Firle, the charity conserves and opens to the public the modernist home and studio of painters Vanessa Bell and Duncan Grant.

2.4.4 Charleston proposes coordinating a group of cultural, creative, and educational partners from the region and local area to use Southover House as a pop-up cultural centre which could support and grow the visitor economy in Lewes town centre, bringing new audiences to the town and signposting them to the independent businesses and existing cultural infrastructure of the town and the wider area.

2.4.5 Charleston is one of the most significant cultural organisations in the region with an internationally significant brand. The organisation currently welcomes over 60,000 visits annually with 97% of visitors travelling by car. The intention is to link the Lewes site with the existing property in Firle to promote visits by train and bus. Southover House could be used as a green transport hub with an electric shuttle bus linking Bloomsbury home and studio and Lewes town centre. Charleston would look to promote cycle/electric bike links using the new A27 cycle routh to Lewes town centre and into the South Downs National Park.

2.4.6 In addition to the creative and educational programme, Charleston intend that Southover House would provide workspace for creatives, a retail marketplace, a catering provision and networking and partnership opportunities for artists, makers, and creative businesses in the local area. Charleston is also working to build the wine tourism industry in the area working closely with Sussex Modern, South Downs National Park and Plumpton College. The additional site and partnership working would provide jobs, training opportunities and educational benefits for Lewes residents and young people.

2.4.7 It is proposed that initial occupation would be via a short lease agreement with Charleston and the Council would retain the freehold of the property. Use of the building could be evaluated with a view to building a longer-term sustainable model for a permanent cultural centre in Lewes managed by Charleston. This longer-term model could involve Charleston purchasing the freehold of the property from the Council. This report does not seek authority to sell the freehold to Charleston. A report will be brought to a future meeting of Cabinet if Charleston puts forward a definite proposal to purchase the freehold.

2.4.8 This proposal would reduce net C02 by reducing Charleston's existing significant car dependence as well as the opportunity to realise a future capital receipt. Although terms have yet to be finalised, the Council would probably retain some responsibility for the fabric of the building but day to day running costs would be met by Charleston and a rent would be payable as the Charleston offer builds up. This would result in a significant net annual saving for the Council.

2.4.9 The Council is committed to setting up partnerships with the community and voluntary sector and education sector to ensure creative use of space and a community wealth development approach. The partnership with Charleston would support this commitment.

2.5 <u>County Hall</u>

2.5.1 In conjunction with the lease of Southover House and recognising the need for flexible accommodation, officers have been in discussion with East Sussex County Council (ESCC) regarding taking temporary office space within County Hall and creating a new and short-term customer access one-stop-shop for LDC co-located with ESCC. Heads of Terms have been discussed for a lease for office accommodation with further discussions being undertaken regarding a customer point that meets the needs of the Council and residents.

2.5.2 Any occupation would be via a short, flexible lease that could easily be ended but would provide the Council with some temporary swing space and allow better use of Southover House. This is the short-term plan; there is a commitment to providing a longer-term town centre based solution that provides a strong Council identity, as well as developing plans at the former UTC in Newhaven.

2.6 <u>Lewes House</u>

2.6.1 Centrally located, the property is popular with local businesses and has been used for pop-up meanwhile uses, such as Artwave and Lewes Artists, as well as civic events. The property is not able to meet current accessibility requirements. The property is a central part of the Council's corporate identity in the town centre, alongside the Tourist Information Centre.

2.6.2 It is proposed that the property be retained for continuing the existing mixed-use arrangements including commercial/meanwhile and that a member's area be created within the property. Lewes House, whilst not suitable as a customer touch point, will be the civic and town centre base preserving the Council's identity in the short term whilst we work on a town centre base for customers.

2.7 <u>Former UTC Newhaven</u>

2.7.1 Situated in a strategic location within Newhaven, £1.3m of Getting Building Fund monies have been secured to create a marine/commercial/public hub within the property and the project is now being supported with £1m match-funding from LDC. Land interests concerning the property are complex and discussions are advanced in the Council acquiring the balance of a 999-year headlease for the building.

2.7.2 This is a key property for the regeneration of Newhaven and offers significant community wealth, training, and commercial opportunities alongside a public hub, including a longer-term Council office space for LDC with committee space.

2.8 <u>Other assets</u>

2.8.1 Officers have considered other assets as potential office/customer contact space as part of this proposal – these are:

- Caburn House: situated on the South Downs Business Park, the property comprises two-storeys of roughly 730m2 with 69 parking spaces. The ground floor is already being brought back into use to provide a base for Energy Technology and Control Ltd (ETC) who need to move from 25 North Street as part of the North Street Quarter development. Once complete, works will commence on the upper floor. There is already funding in the capital programme to support these works.

Due to the demand for commercial space in a good location in the town, it is proposed that the top floor be let commercially to generate additional income for the council.

- 2 Fisher Street: largely vacant for some time, the property requires refurbishment to be brought back into use. The shop front has seen regular meanwhile uses and is currently let to the Lewes Climate Hub (shared with Lewes Community Volunteers).

  The property has small office spaces and is linked with the adjacent Tourist Information Centre which uses part of the ground floor. It would not be accessible space and there would be a high cost to adapt the property for safe customer use, however, it could be used to help support a future customer point at the TIC if the need exists in the future.

  4 Fisher Street has recently been let as a creative hub space to The Werks group and there could be sufficient demand in the area to utilise space at 2 Fisher Street should this be available and feasible to separate out from the TIC accommodation, subject to Southover House being fully let and any potential impact on Lewes House understood.

  It is proposed that any urgent works be undertaken on the property and it made water-tight prior to further decisions regarding use of the building either to support a customer contact point in the future or to lease out. Should it be decided to let as a creative space an Expression of Interest process would be followed to attract a suitable provider.

3 Outcome expected and performance management

3.1 The review of office space has been undertaken to assess the opportunity to meet the following outcomes:

- Ensure a customer presence is retained in Lewes Town post-Covid that meets the needs of residents;
- Creation of work opportunities for those in coastal towns or people wanting to work more locally;
- Direct assets towards community benefit and act as a catalyst for community wealth and economic development, predominantly in Lewes Town and Newhaven;
- Reduce the Council's carbon footprint;
- Support the Council's hybrid working arrangements for staff and ensure safe working conditions are maintained;
- Reduce overall costs.

4 Consultation

4.1 The recommendations within this paper were considered at Strategic Property Board on 14 October 2021.

5 Corporate plan and council policies

5.1 The proposed grant of a lease of Southover House and taking a lease at County Hall fit strongly with the Council's corporate plan Re-imagining Lewes District in the following ways:

- Meeting "Our Promise To You" by solving customer issues and questions by being knowledgeable and accessible by phone and online.
- Using our influence to lead our district to net carbon zero by 2030;
- Meeting our own 2030 targets and reducing our emissions - as we take on the UTC lease our emissions will increase, this plan ensures our own emissions remain broadly on target;
- Increasing opportunities for public transport and electric vehicle use;
- Help to build community wealth through use of Council land to create new investment in our local economy and creating new employment for residents;
- Community wealth building by providing creative work and learning opportunities via the Charleston partnership in Lewes and surrounding areas, and by supporting those who live in the coastal strip of the district for an easier work journey;
- Providing council offices closer to those communities who experience greater unemployment in our coastal towns supports our community wealth building strategies as well as reducing carbon footprint by providing office space closer to home;
- Providing a new use for Southover House that supports creative, education and employment opportunities in partnership with colleges and other partners is in line with our sustainability strategy;
- Providing a long-term customer touch point in the centre of town, and utilising short-term solutions with other public sector partners supports our corporate plan priorities.

6 Business case and alternative option(s) considered

6.1 Southover House was largely under-utilised prior to the pandemic. The shift in work practices for staff to a hybrid-working environment, coupled with the organisation's staff locations means that demand for office space by staff has significantly reduced and the Council no longer needs an office building of the size of Southover. County Hall would provide the Council with flexible swing space whilst the former UTC in Newhaven is developed.

6.2 Since reception has re-opened, customer visits have reduced by 50% as residents find more efficient ways to interact with the Council via online services.

6.3 Other potential office space has been considered as set out in paragraph 2, but it is felt that leasing Southover House and taking a lease at County Hall for flexible swing space would be the most beneficial option for the Council and local residents.

7 Financial appraisal

7.1 The pandemic has resulted in a contractual change for staff to a hybrid work environment, and it is prudent for the Council to consider alternative arrangements that meet the needs of customers, reduce costs, and increase flexibility for the organisation.

7.2 Recognising the need for flexible office accommodation due to vacating/leasing of Southover House, officers have been in discussion with the East Sussex County Council (ESCC) regarding taking temporary office space within County Hall. The cost of Southover House to the Council annually is around £270,000. Leasing the property and taking a temporary lease at County Hall will help reduce the burden on the Council's finances.

8 Legal implications

8.1 The Council's Contract Procedure Rules (CPRs) say that no lease of land where the estimated rent exceeds £25,000 per annum shall be made except after auction or the invitation of tenders or expressions of interest following appropriate public advertisement, unless authorised by Cabinet. At present the amount of rent for the proposed lease to Charleston is unknown. This report seeks a waiver from CPRs in the event that the agreed rent exceeds £25,000 per annum. The justification for the waiver is set out in the body of the report.

8.2 The Council cannot dispose of land held in the general fund for a consideration less than the best that can be reasonably obtained in the market, except with the consent of the Secretary of State. Disposal includes granting a lease. The rule only applies to leases where the term exceeds seven years. In this instance the intention is to grant a lease for a term not exceeding five years.

4 November 2021 Ref: 010533-LDC-MR

9 Risk management implications

9.1 The proposed lease of Southover House by LDC will be a new venture and as such the terms of the lease will be flexible enough to allow the lease to be ended should it be required. Likewise, the taking of a new lease at County Hall by LDC will also be on flexible, temporary terms which could be ended quickly if the need arises.

9.2 A risk register will be produced for the former UTC prior to works commencing.

10 Equality analysis

10.1 An Equality & Fairness Analysis has been undertaken on these proposals. This has concluded that although generally there are likely to be neutral or positive impacts from the proposed relocation of office space and reception from Southover House to County Hall, it should be noted that there could be negative impacts for some protected groups – both staff and customers - because of County Hall being further away from Lewes train station and accessed by a steep hill from the station. This is particularly in relation to the elderly, disabled, carers and those either pregnant or with very young children.

10.2 In view of the fact that reception visits have reduced by 50% compared to re-pandemic times, a small minority of people are likely to be impacted. The move of the reception facilities may well encourage some of these people to access services online or via the telephone. There is no data available on how people travel to Lewes town to access reception services.

11 Environmental sustainability implications

11.1 The proposed development accords with the Council's Sustainability Policy and the three pillars of sustainability (the economy, the environment and social community). The scheme will encourage sustainable economic growth, seeking to re-purpose an existing under-utilised building and bring it into use as for the benefit of the local community. The proposal will also deliver new flexible premises for public services at County Hall prior to the development of the former UTC at Newhaven, helping to ensure our communities are able to thrive. Should the Council not lease Southover House prior to acquiring the former UTC, the Council's net carbon emissions will double and therefore holding both properties would not be a tenable position.

12 Contribution to Community Wealth Building

12.1 Use of Southover House as a cultural centre with educational and creative workspace, a retail marketplace and networking opportunities for artists, makers, and creative businesses, alongside the development of the former UTC, will help support Community Wealth Building through the creation of new jobs for local people, supporting regeneration of the local area and growth of the local economy and harnessing anchor institutions.

12.2 Providing workspace in Newhaven for staff who live in coastal towns, is in line with the Council's community wealth building strategy and net zero carbon commitment. It will make it possible to recruit more people from the areas where unemployment is higher with an easier commute to the office base in Newhaven, which is a key part of the strategy.

13 Appendices

None

14 Background papers

None

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Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Litter and Fly-tipping Reduction Strategy 2022 – 2027**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Julie Carr, Lead Member for Recycling, Waste and Open Spaces**
Ward(s):	**All**
Purpose of report:	**To set out the council's approach to reducing litter, fly-tipping, graffiti and associated environmental issues**
Decision type:	**Key**
Officer recommendation(s):	**That Cabinet approves** **(1) The Litter Reduction Strategy set out in Appendix 1** **(2) The associated Action Plan, set out in Appendix 2**
Reasons for recommendations:	**To reduce littering across the district, with the majority of residents viewing it as totally unacceptable. Volunteer litter picking groups feel supported by the council and all residents value the council's work to tackle litter, dog fouling, fly-tipping and graffiti.**
Contact Officer(s):	**Name: Jane Goodall** **Post title: Environment Lead** **E-mail: jane.goodall@lewes-eastbourne.gov.uk** **Telephone number: 07788 515359**

1 Introduction

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

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

1.3 Critical to our success is continuing communications and engagement using a range of media. We have experienced higher levels of engagement on social media for waste and recycling-related posts than any other service area. For example, a post to raise awareness of our work to clear litter from the A27 received just under 200 likes on Facebook and over 2,500 engagements (clicks, likes and shares), helping us reach over 15,000 people with a single post.

2 Proposal

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

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

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

3 Outcome expected and performance management

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

3.2 The strategy and action plan will be subject to regular review with the Cabinet lead member for recycling, waste and open spaces.

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

4 Litter and fly tipping enforcement

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

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

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

4.4 Neighbourhood First continues to educate about littering and fly-tipping, as well as issue Fixed Penalty Notices (FPNs) where there is evidence of environmental crimes. The total number of fly tip incidents in Lewes district for Q2 was 58; 2 fines were issued with a total value of £475.

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

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

5 Corporate plan and council policies

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

6 Business case and alternative option(s) considered

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

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

7 Financial appraisal

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

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

8 Legal implications

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

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

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

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

Date of legal advice: 13.12.21 *Legal ref: 010543-LDC-OD*

9 Risk management implications

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

10 Equality analysis

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

11 Environmental sustainability implications

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

12 Appendices

- Appendix 1 – Strategy
- Appendix 2 – Action plan

13 Background papers

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

- Enforcement Policy 2018

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Appendix 1

Lewes District Council

Litter and Fly-tipping Reduction Strategy 2022 – 2027

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1. Our Vision

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

2. Introduction

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

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

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

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

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

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

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

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

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

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

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

5. What the Law says

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

5.1 For Litter

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

5.2 For Fly-tipping

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

5.3 For Graffiti and Fly-posting

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

5.4 For Dog Fouling

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

5.5 Enforcements used

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

6. The Council's Responsibility

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

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

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

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

7. Meeting Our Vision and Obligations

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

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

7.1 Our Communications will

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

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

7.2 Our Engagement will

- Be a point of contact for our partners and stakeholders. Community groups are well placed and often eager to tackle litter in the area where they live, and the council supports individuals, local groups and initiatives and shares knowledge, ideas and best practice.
- Work alongside our Environment First, Neighbourhood First and Homes First teams.
- Continue to support local groups such as Plastic Free Seaford and Litter Free Lewes by assisting with the supply of equipment and sacks and collecting the waste after their events. The council maintains a designated website page with details of local groups who hold litter picking events.
- Continue to support the Be a Responsible Angler campaign along with the National Line Recycling Scheme, LISA Sussex Anglers and the Environment Agency to reduce fishing line waste left on the beach and quay sides. Fishing pipe bins for nets and lines are located on the coast at Seaford and Newhaven.

7.3 Our Neighbourhood First team will

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

- Work proactively with our Parks and Open Spaces team and Homes First to find solutions to reduce littering, fly-tipping, graffiti and dog fouling on council owned property and areas.

7.4 Our Environment First team will

- Follow the Code of Practice on Litter and Refuse which explains how different types of land should be kept clear.
- Carry out collections and clearances efficiently to minimize vehicle emissions.
- Maintain access to public bins for litter, dog waste and recycling.
- Improve our dog waste bins via our new programme to replace broken or damaged dog waste bins will with a combined litter and dog waste bin.
- Maintain our litter and recycling bins installed to help residents and visitors to our area recycling on the go.
- Work with the Town and Parish Councils who install their own public bins in their local areas.
- Maintain the cleanliness of our seafronts and beaches through routine cleanings schedules keeping to the standards within the Code of Practice on Litter and Refuse.
- Lewes District Council works with our partners, National Highways - formerly Highways England - and their Network Contractor, other accredited traffic management specialists and neighbouring local authorities to clear litter from the arterial routes running through the district, including the A26, A27, A259 and C7.
- The A26 and A27 are maintained by National Highways' Network Contractor via a series of Lane Closures and/or Temporary Traffic Management Controls.
- National Highways provide LDC with a 20-week forward plan of their activity, which is updated weekly. Our highly trained and qualified waste operatives and supervisors can use the occasions when maintenance work is undertaken to safely carry out litter picking sessions, mainly at night-time.
- Before such work can be carried out, all our roads, routes and areas require their own set of Risk Assessments and Safe Systems of Working documents. This is because of their own unique layout, including amongst other factors, speed, number of lanes, roundabouts, curves, and bends that can reduce visibility. There are also seasonal and weather conditions that need to be

considered, heavy rain, snow, high winds, fog all add to the difficulties with litter picking these roads.

- Our roadside communications campaign has been developed to promote key anti-littering messages along the roadside using the Variable Messaging Signs (VSM) such as ‘Take your litter home with you’, ‘Keep it clean’ and ‘Don’t Drop Litter’. In addition, we share messages on social media about our activities which have proven popular with residents.

8. Appendices

Appendix 2: Action Plan for Lewes District Council (table below)

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

Appendix 2: Action Plan for Lewes District Council

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

Action	Target	Date	Owner
Litter			
Community Led Litter Picking • Provide equipment to groups • Provide information, knowledge and best practice to community led litter picks	Circa 10x groups	On-going	Engagement Officer
Film School Student project • Include environmental crime and littering amongst the brief options to film school students • Share films made through online channels and at Depot screening event • Use this work to complement the other litter communications activity	Establish options in spring/summer	July to December 2022	Communications Lead
Super-Bins • Install mini litter picking storage units with integrated litter bin at key locations	6 x Super-bins	March 2022	Engagement Officer
Keep It Bin It - Keep Britain Tidy poster and social media campaign • Social media posting • Posters at littering and fly-tipping hot spots	Posters installed at 'hot' spots	On-going	Engagement Officer Neighbourhood First Advisors (Zones)
Roadside litter messages • Partnership with Highways England promote key messages using their Variable Messaging Signs (VSM) e.g. 'Take your litter home with you', 'Keep it clean', 'Don't Drop Litter' and social media postings. • Bin not a Bin Roadside poster campaign: Place A1 posters at key roadside locations, including A27 and social media postings. • Investigate option into sending key messages to road users securing their vehicle loads to reduce litter.	2 locations 5 locations Establish options for implementation	As and when basis On-going March 2022	Engagement Officer Engagement Officer Engagement Officer

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Containing your waste • Neighbourhood First teams to remind customers of their responsibility to contain their household waste, as and when identified.	Customers visited as required	On-going	Neighbourhood First Advisors (Zones)
Recycle on the Go litter bins - WRAP campaign • Install Recycling on the Go style litter bins where practical *(These bins have a dual compartment for litter and dog waste and a separate compartment for recyclables)*	As appropriate	On-going	Environment First
Fly-tipping			
Fly tipping costs more than you think…. Keep Britain Tidy poster and social media campaign • Social media postings	Social media postings	On-going	Engagement Officer
Report it App • Social media posting	Seasonal postings	On-going	Communications
Graffiti and Fly-posting			
Report it App • Social media posting		On-going	Communications
• Community Graffiti Mural Projects	As required	On-going	Neighbourhood First Advisors (Zones)
Dog waste			
Rolling programme to Improve our dog waste bins • Where practical replace broken or damaged dog waste bins will with a combined litter and dog waste bin	2 per year	March 27	Environment First Team Leader (Streets)
Walk it home with the dog (KBT) • Social media posting	Social media postings	On-going	Neighbourhood First Advisors (Zones)
Love our parks and open Spaces • Social media posting	Seasonal postings	On-going	Neighbourhood First Advisors (Zones)

Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**Eastbourne & Lewes Community Safety Partnership – Annual Report (Lewes)**
Report of:	**Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Johnny Denis, Lead member for communities and customers**
Ward(s):	**All**
Purpose of report:	**To enable Cabinet to consider the 2020/21 performance of the Eastbourne & Lewes Community Safety Partnership (E&LCSP).**
Decision type:	**Non-key**
Officer recommendation(s):	**To note the achievements and activities of the Eastbourne & Lewes Community Safety Partnership in 2020/21.**
Reasons for recommendations:	**For Cabinet to consider progress on delivery of the current Community Safety Plan.**
Contact Officer(s):	**Name: Oliver Jones** **Post: Strategy & Partnerships Lead - Housing & Communities** **E-mail: Oliver.Jones@lewes-eastbourne.gov.uk** **Telephone number: 01323 415 464**

1. Introduction.

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

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

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

1.4. A strategic planning meeting of the E&LCSP takes place every quarter, whilst the Lewes Joint Action Group (LJAG) meets regularly to identify local issues and risks. LJAG escalates issues to the strategy group as appropriate. Portfolio holders and senior council officers routinely attend the county level community safety forum (the East Sussex Safer Communities Partnership) to address broader issues such as organised crime, county lines and offender management.

1.5 The Partnership has continued to meet virtually during the pandemic and scheduled meetings have been held as planned over the past year, with a high level of attendance from members.

2. Annual Plan 2021/22.

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

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

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

2.3. CSPs are awarded an annual grant by the PCC, based on a formula that takes account of population density and an analysis of local crime trends. A review of funding carried out by the PCC in 2019, resulted in an increased allocation of £34,829 being awarded to the CSP for 2019/20. The level of funding received this last year remained unchanged.

3. Outcomes and performance management.

3.1. An analysis of recent crime trends continues to reflect the impact of the pandemic. Figures showed a 16% reduction in the overall number of reported crime and ASB incidents during the twelve months to March 2021, the timeframe covering the most comprehensive phases of lockdown. Overall, the number of reports fell from 5,934 to 4,986.

3.2. Beneath these headline figures, reports for many categories of crime fell significantly, with the largest decreases recorded for acquisitive crimes, such as vehicle crime (⇩51%), burglary (⇩35%), and theft (⇩27%). These trends reflected the reduced opportunities to commit crime due to business closures, reduced car use, and more people staying at home. The closure of the night-time economy also resulted in much reduced levels of alcohol public place crime (⇩38%) and public place violent crime (⇩19%). Running contrary to these patterns, the number of ASB incidents rose significantly, up by almost 60% from 1,800 to 2,900 cases, driven by 631 reported neighbour disputes (⇧76%) and 1,666 reports of 'rowdy' anti-social incidents (⇧74%). Levels of reported domestic abuse fell slightly, but remained high (1,707 incidents), whilst levels of hate crime and related incidents remained broadly stable.

3.3. The latest figures for the twelve months to November 2021, reflect a move back towards more 'regular' crime and ASB incident trends. Numbers of reports remain lower than where they were a year ago, but by a reduced amount, down 1.9% as opposed to the 16% drop recorded in March. Reports of alcohol and public place violent crime, as well as theft, have all begun to rise as shops and the night-time economy have opened up, though some for crimes such as burglary reports remain significantly lower, reflecting the fact that many people still spend more time at home. The number of reported ASB incidents is beginning to fall back, though they remain 30% higher than a year ago, a downward trend that is expected to continue.

3.4 The District continues to be a relatively low crime area. The most recent figures from the Government's benchmark 'Most Similar [Crime] Group'[1] of local authorities (June 2021) shows that Lewes had one of the lowest crime rates per 1000 people, when compared to other members of the group. With a rate of 48 crimes per 1000 people, the District was ranked as the third safest and was below the group average of 69 crimes per 1000 people.

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

3.5. Road safety remains a key issue of concern across the District. In the nine months of the year to September 2020 a total of 46[2] people were killed or seriously injured (KSI) on the District's roads. This is a small increase on the 43 people recorded as KSI the year before, but 30% lower than for the equivalent period in 2019. As such, the number is likely to still reflect the reduced journeys and traffic volumes resulting from lockdown.

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

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

- Contributing to a range of multi-agency activities focussed on creating safe spaces for women and girls by reducing the risks present in and around the night-time economy. This work includes close collaboration with local police to support operations promoting engagement with licenced premises, raising awareness of drink spiking, and reducing the harms associated with drug and alcohol use.

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

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

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

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

[2] Source: Data Portal, Sussex Road Safety Partnership

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

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

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

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

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

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

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

- Participating in the Violence Reduction Unit, a Sussex Police and County led task force, co-ordinating a strategic approach to tackling serious violence across East Sussex. Much of the recent work has focussed on reducing the violence and sexual offences committed against women and girls, and addressing the anxiety they experience in and around the night-time economy. The work referenced above, which has focussed on creating safe spaces, has been supported by analytical work tracking reported incidents, marked patrols, and covert operations that have increased the police presence in key locations, at times of heightened risk.

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

- Continuing to support *Restore Lewes,* a programme that works with young people displaying challenging and concerning behaviours. This work, which sets out to improve wellbeing, reduce anti-social behaviour, and lower the risk of participants being drawn into serious crime and exploitation, has now resumed following a pause during the pandemic. Over the past year the programme has engaged 36 'at risk' young people at Peacehaven Community School.

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

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

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

- Directly funding organisations that deliver programmes engaging and supporting young people, many of whom have been identified as being at risk of being drawn into anti-social behaviour, more serious and organised crime. These include; funding the purchase of equipment for a bike re-cycling project based at Trinity Church in Lewes, and supporting an active fishing project, based in Newhaven. Together the programmes will benefit almost 100 young people each year, using the activities to help bolster wellbeing, confidence, self-esteem, and skills.

Priority 5 – Reduce the number of people killed or seriously injured on the District's roads - through:

- Funding the purchase of six radar kits and PPR equipment to meet the demands of local residents wishing to set up Community Speedwatch groups. The distribution of the kits is co-ordinated by the *Sussex Safer Roads Partnership*, who will also provide training to the new volunteer groups.

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

- Inviting town and parish councils to submit bids to the CSP's remaining funds in January, which it is hoped can fund other initiatives targeted at addressing anti-social driving and improving road safety across the District.

3.7. A summary of the annual income and expenditure for Lewes District's Partnership budget is set out in appendix 1. The pandemic restricted opportunities to allocate funding in the first part of the year, but activities have recovered and 57% of the budget has now been spent or committed. The spend is spread broadly evenly across the priorities as shown. The Partnership is now intensifying marketing to maximise spend of the remaining sum, with a particular focus on funding projects and programmes working with young people, whose activities have been dis-proportionately affected by the pandemic. Budgets can be rolled over into future years and authorisation will be sought from the PCC to do so in relation to any unallocated sums.

4. Consultation.

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

5. Corporate Plan & Council Policies.

5.1. The objectives of the E&LCSP continue to be in line with those set out in the Council's Corporate Plan, which commit to delivering resilient, healthy, and engaged communities, through employing strategies that reduce the incidence and fear of crime, tackle anti-social behaviour and work to minimise re-offending. Measures taken to reduce environmental crime and improve road safety raise the quality of the local area for all local residents, visitors and businesses.

6. Business case.

6.1. The annual CSP plan sets out the approach that the Council, along with other partners, will take to reduce crime and disorder, anti-social behaviour, and re-offending across their local area. The current plan identifies six clear priorities, agreed with partners, that will help address local. The next plan is due to be signed off by the Partnership in early Spring 2022.

7. Financial appraisal.

7.1. There are no direct financial implications for the Council arising from the recommendations set out in this report. However, a summary of the current income and expenditure account, managed by the Council on behalf of the CSP is provided in Appendix 1. *Deputy Chief Finance Officer consulted 10/01/2021.*

8. Legal implications.

8.1. This report sets out how the Council has complied, and will continue to comply, with its duties under section 6 of the Crime and Disorder Act 1998 and the Crime and Disorder (Formulation and Implementation of Strategy) Regulations 2007. *Lawyer consulted: 23/12/21(Legal ref: 010708-JOINT-OD).*

9. Risk management implications.

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

10. Equality analysis.

10.1. This report provides an update on progress in meeting the objectives set out in the current Community Safety Plan and as such does not contain any proposals or specific recommendations. As such there are no direct impacts on the public or employees, so no Equality and Fairness Analysis is associated with this report.

11. Environmental impact analysis.

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

12. Appendices.

12.1. Appendix 1 – Lewes CSP Income & Expenditure 2021/22.

13. Background papers

13.1. The following background papers is associated with this report:

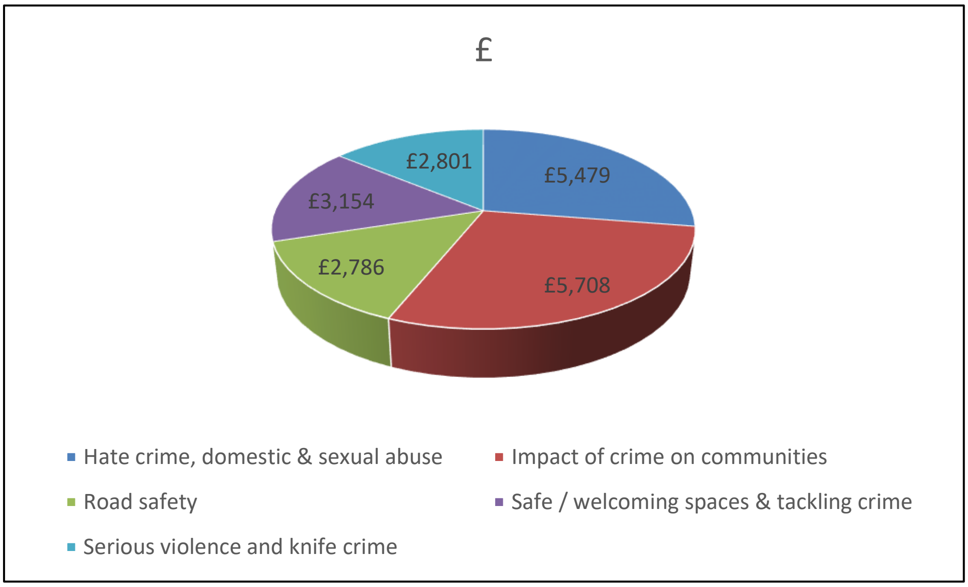
- Eastbourne & Lewes Community Safety Plan.

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

Spend by project

	£
PCC Grant 2020/21	**£34,829**
Spent / committed	**£**
Restore Lewes - ESCC	£2,801
Bike maintenance project - Trinity Church, Lewes	£2,400
Bike marking - Cycle Lewes	£562
Speedwatch - Safer Roads Partnership	£2,786
Bike marking - Cycle Seahaven	£462
Litter picking kits – Environment First	£930
CCTV – Wallands School,	£1,200
Active Fishing – Havens Fishing Club / ESCC	£1,373
Wellbeing workshops for DA victims - Unity	£5,479
Mentoring – Landport Community Centre	£1,935
Total	**£19,928**
Remaining	**£14,901**

Spend by priority



Report to:	**Cabinet**
Date:	**3 February 2022**
Title:	**A Coastal Concordat for England**
Report of:	**Ian Fitzpatrick, Deputy Chief Executive and Director of Regeneration and Planning and Tim Whelan, Director of Service Delivery**
Cabinet member:	**Councillor Stephen Gauntlett, Cabinet member for planning and infrastructure**
Ward(s):	**East Saltdean & Telscombe Cliffs, Newhaven South, Peacehaven East, Peacehaven West, Seaford Central, Seaford East, Seaford South, Seaford West**
Purpose of report:	**To seek approval for Lewes District Council to adopt and be a signatory to the Coastal Concordat**
Decision type:	**Key**
Officer recommendation(s):	**(1) Cabinet agrees to adopt the Coastal Concordat (as December 2019)** **(2) Authority be given to the Cabinet member for planning and infrastructure to sign a letter to the Department for Environment, Food and Rural Affairs confirming Lewes District Council's adoption of the Coastal Concordat**
Reasons for recommendations:	**To enable benefit to be gained from a streamlined planning system in relation to coastal applications**
Contact Officer(s):	**Name: Leigh Palmer** **Post title: Head of Planning** **E-mail: leigh.palmer@lewes-eastbourne.gov.uk** **Telephone: 01323 415215** **Name: Tim Bartlett** **Post title: Specialist Advisor (Green Consultancy)** **E-mail: tim.bartlett@lewes-eastbourne.gov.uk** **Telephone: 01273 085490**

1 Introduction

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

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

2 Background

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

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

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

3 Proposal

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

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

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

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

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

4 Outcome expected and performance management

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

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

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

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

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

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

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

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

- A possible sea defences at Telscombe

- A possible sea defences at Portobello
- Possible improved management of sea defences at East Saltdean and Peacehaven taking onto account climate change
- Changes to Newhaven Port if the permission for a Deep Sea Berth is implemented
- Possible changes at Seaford Bay
- Possible change to Hope Gap steps
- Future applications at Coastguard Cottages

5 Corporate plan and council policies

5.1 The Lewes Corporate Plan 2020-2024 identifies that the impacts of climate change through flooding and coastal erosion are already being experienced, and that a key area of focus is to prioritise efforts to address flooding and coastal erosion as well as water availability due to the impact of climate change. The Coastal Concordat will assist with meeting this priority.

6 Business case and alternative option(s) considered

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

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

7 Financial appraisal

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

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

8 Legal implications

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

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

9 Risk management implications

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

10 Equality analysis

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

11 Environmental sustainability implications

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

12 Background papers

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

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