

**Lewes District Council**

**Annual Treasury Management Report 2013/2014**

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## 1. Background

1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management report. The report must review treasury management activities and set out the final position of the Council's Treasury Prudential Indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

1.2 The Council defines its Treasury Management activities as:

*“the management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.3 The Council agreed its Treasury Management Strategy Statement and Investment Strategy 2013/2014 to 2015/2016 at its meeting in February 2013.

## 2. Overall Summary of Activity 2013/2014

2.1 The table below lists the key elements of the 2013/2014 Strategy and records actual performance against each one of them.

Key Element	Required by Strategy	Actual Performance	
<b>Borrowing</b>			
Underlying need to borrow (CFR) at year end	£73.252 million	£71.448 million	✓
Internal borrowing at year end	£16.579 million	£14.775 million	✓
New external long-term borrowing in year	None anticipated	None undertaken	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken	✓
Interest payments on external borrowing	£1.730 million	£1.728 million	✓
<b>Investments</b>			
Minimum counterparty credit ratings for investments of up to 1 year	Long-term A/ Short-term F1 (does not apply to Government and other local authorities which have the highest ratings)	At least Long-term A/ Short-term F1 where required	✓
Sovereign status of counterparties	UK plus 10 specified nations	Only UK counterparties used	✓
Money Market Funds	AAA rated with Constant Net Asset Value	AAA rated with Constant Net Asset Value	✓

Key Element	Required by Strategy	Actual Performance	
Overnight exposure guideline for deposits with Cooperative	Maximum £1 million	Guideline not exceeded.	✓
Interest receipts from external investments	£0.036m	£0.068	✓
<b>Appointment of Investment Consultants</b>			
Independent Treasury Adviser to be retained	Arlingclose to be retained as Treasury Adviser	Arlingclose retained as Treasury Adviser	✓
<b>Reporting and Training</b>			
Reports to be made to Audit and Standards Committee and Cabinet	Every meeting	Every meeting with exception of Cabinet March 2014	-
Briefing sessions for Councillors and Staff	Treasury Adviser to provide	Arlingclose met with Councillors and Staff September 2013	✓

- 2.2 For those who are looking for more than this overall confirmation that all treasury management and investment activity in 2013/2014 has been carried out in accordance with the Council's agreed Strategy, the remainder of this report explores each of the key elements in more depth. Appendix A gives details of the final position on each of the Prudential Indicators, and Appendix B explores the Economic Background to the year's activity. A Glossary appears at the end of the document to explain the technical terms which could not be avoided when writing this report.

### 3. Detailed Analysis – Borrowing

- 3.1 Other than for temporary cash flow purposes, local authorities are only allowed to borrow to finance capital expenditure (eg the purchase of property, vehicles or equipment which will last for more than one year, or the improvement of such assets).
- 3.2 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). This, together with Balances and Reserves, are the core drivers of Treasury Management activity.
- 3.3 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. External borrowing is where loans are raised from the Public Works Loans Board or banks. Alternatively it is possible to use the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other borrowers as a means to avoid taking on external loans. This is known as internal borrowing.
- 3.4 As noted above, the level of CFR increases each year by the amount of unfinanced capital expenditure and is reduced by the amount that the Council sets aside for the repayment of borrowing. The table below shows the original

CFR projection for 2013/2014, the revised position reported at the time of producing the Treasury Strategy 2014/2015 and the final position for the year. The variation in capital expenditure (and financing) was anticipated given that the capital programme represents an allocation of funds to specific long-term projects many of which span financial years.

	2013/14 Original £m	2013/14 Revised £m	2013/14 Outturn £m
Opening CFR	71.224	71.030	71.030
Capital expenditure in year	8.352	14.893	10.505
Less financed	(6.152)	(12.683)	(8.727)
Less amount set aside for debt repayment	(0.172)	(1.360)	(1.360)
<b>Closing CFR</b>	<b>73.252</b>	<b>71.880</b>	<b>71.448</b>

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

CFR Component	2013/14 Revised £m	2013/14 Outturn £m
General Fund	4.676	4.651
Housing Revenue Account	67.204	66.797
<b>Total</b>	<b>71.880</b>	<b>71.448</b>

3.6 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held pending use). The total held in Balances and Reserves is higher than anticipated in the revised budget mainly because of expenditure on capital projects switching into 2014/2015.

	31/3/14 Revised £m	31/3/14 Outturn £m
(a) Capital Financing Requirement	71.880	71.448
(b) Actual external borrowing	(56.673)	(56.673)
(c) Use of Balances and Reserves as alternative to borrowing (a)–(b)	15.207	14.775
(d) Total Balances and Reserves	13.517	16.506
(e) Working capital	5.402	3.269
(f) Amount used as an alternative to borrowing (c) above	(15.207)	(14.775)
(g) Total investments (d)+(e)–(f)	3.712	5.000

3.7 The Council's loan portfolio at 31 March 2014 was:

Lender	Interest	Amount £m	Rate %	Maturity
PWLB	Fixed	4.00	2.7000	01/03/2024
PWLB	Fixed	5.00	3.3000	01/03/2032
PWLB	Fixed	2.00	3.0500	01/09/2027
PWLB	Fixed	2.00	2.7600	01/09/2024
PWLB	Fixed	4.00	2.9700	01/09/2026
PWLB	Fixed	5.00	3.2800	01/09/2031
PWLB	Fixed	4.00	2.6300	01/09/2023
PWLB	Fixed	5.00	3.4400	01/03/2037
PWLB	Fixed	6.67	3.5000	01/03/2042
PWLB	Fixed	5.00	3.4300	01/09/2036
PWLB	Variable	5.00	0.6200	28/03/2022
PWLB	Fixed	4.00	3.0100	01/03/2027
	Sub-total	<u>51.67</u>		
Barclays	LOBO	5.00	4.5000	06/04/2054
	Total	<u>56.67</u>		

3.8 In the table above the Lender's Options Borrower's Option (LOBO) loan was taken out in April 2004 with a term of 50 years. Every 4 years, the Lender has the option to increase the interest rate, and if it does so, the Council has the right to repay.

3.9 Total interest paid on external long-term borrowing in the year was £1.728m, which was consistent with the revised budget for the year. As expected, the debt portfolio having been largely established in March 2012 on the introduction of self-financing for Housing, no debt restructuring took place during the year. Internal borrowing continued to be used as an alternative to new external loans. The Council remained eligible to access the Government's 'Certainty Rate' which was introduced by the PWLB in November 2012, allowing the Council to borrow at a reduction of 0.20% on the Standard Rate.

3.10 As noted in the Treasury Management Policy, two separate Loans Pools operated in 2013/2014, for the General Fund and HRA respectively. At 31 March 2014 the balance on internal loans from the General Fund to the HRA was £10.124m, a reduction of £1.190m compared with the previous year. Interest was charged on internal borrowing at 1.11% (equivalent to a one-year maturity loan from the PWLB at the start of the financial year).

#### 4. Detailed Analysis - Investments

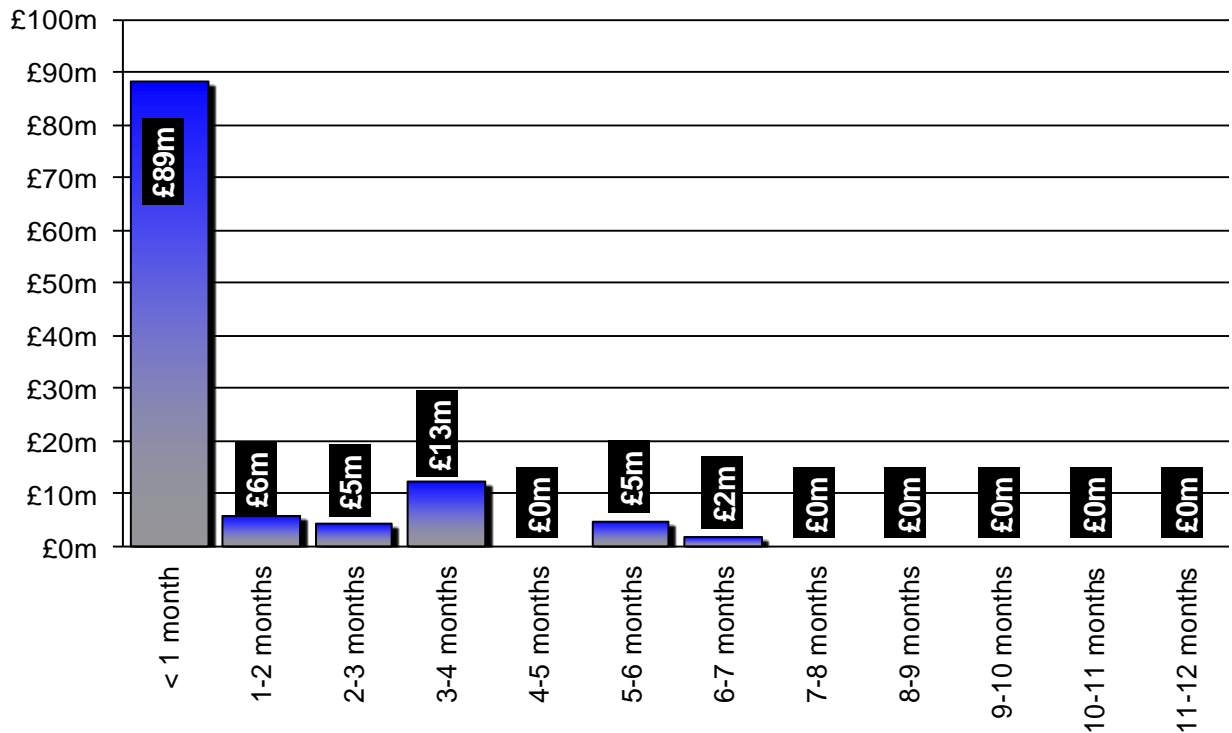
4.1 The Council held an average of £16.7m as cash during the year. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending use.

4.2 The Council's general policy objective is to invest its surplus funds prudently. Throughout 2013/2014, the Council's investment priorities were:

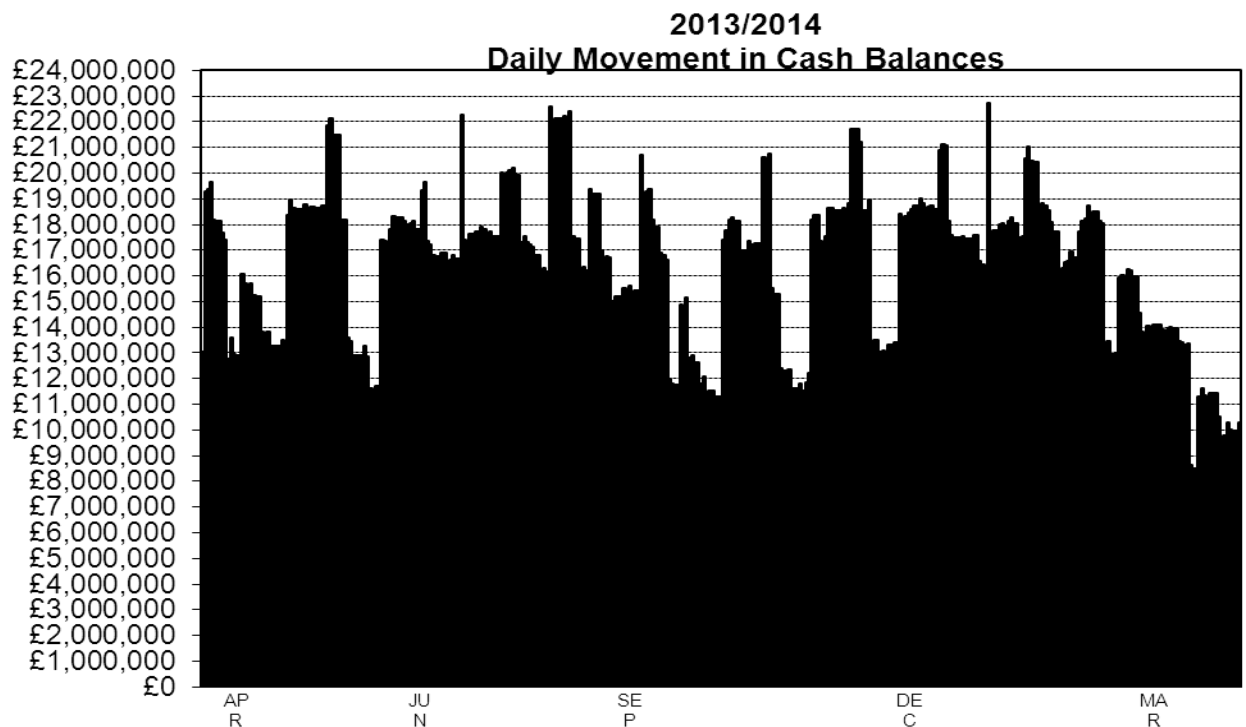
**highest priority** - security of the invested capital;  
**followed by** - liquidity of the invested capital;  
**finally** - an optimum yield commensurate with security and liquidity.

- 4.3 All of the Council's investments were managed in-house. Security of capital was maintained by following the counterparty policy set out in the Investment Strategy for 2013/2014. Investments during the year included:
- Term Deposits with the Debt Management Office (total £83.9m – 41 occasions)
  - Term Deposits with other Local Authorities (total £29.5m – 15 occasions)
  - Term Deposits with banks and building societies (total £11.0m – 9 occasions)
  - Purchase of UK Treasury Bills (total £16m – 12 occasions)
  - Investments in AAA-rated Constant Net Asset Value Money Market Funds (MMFs) (average balance held in year £0.782m)
  - Deposit accounts with UK Banks (average balance held in year £2.05m)
- 4.4 The guideline for use of the Cooperative Bank for overnight deposits is an overnight exposure limit of £1m. In response to market conditions, the Council's day to day approach was to hold an overdrawn balance at the bank – the average daily overdrawn balance for the year was £0.172m.
- 4.5 Counterparty credit quality was assessed and monitored with reference to credit ratings (a minimum long-term counterparty rating of A across all three rating agencies Fitch, Standard and Poors, and Moody's applied); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.
- 4.6 In keeping with Government guidance on investments, the Council maintained a sufficient level of liquidity through the use of MMFs, overnight deposits and the use of deposit accounts.
- 4.7 The Council sought to optimise returns commensurate with its objectives of security and liquidity. As expected when setting the investment income budget for 2013/2014, the UK Bank Rate was maintained at 0.5% through the year. As can be seen, the main type of investment made during 2013/2014 was with the Government's Debt Management Office, used in the absence of other counterparties which matched the Council's credit criteria. Deposits with the Debt Management Office attracted an interest rate of 0.25%, below the UK Bank Rate for the year.
- 4.8 A full list of temporary investments made in the year is given at Appendix C. All investments were made with UK institutions, and no new deposits were made for periods in excess of one year. The chart below gives an analysis of aggregate fixed term deposits by duration.

2013/14 Investment Profile (exc Deposit Accounts/MMFs)



4.9 The next chart shows how the total amount invested varied from day to day over the course of the year, with the movement largely reflecting the cycle of grant, council tax and business rate receipts and precept payments made.



4.10 The budget for income generated by external investments in 2013/2014 was £0.036 million. Actual interest generated was significantly higher at £0.068

million, reflecting higher than anticipated levels of cash being held pending expenditure on capital programme projects as well as higher levels of return achieved through the extended use of MMF's, Treasury Bills and Deposit accounts.

## **5. Banking Arrangements**

- 5.1 In November 2013 the Co-operative Bank contacted all of the local authorities to which it provides banking services to explain that it will be withdrawing from this market sector. The Co-operative Bank's plan is to simplify and rebuild the Bank focusing on serving the needs of individuals and small and medium sized business customers.
- 5.2 The Council's current contract with the Co-operative Bank is four years in duration to September 2016 with the Council holding the option to extend by a further year. The Co-operative Bank indicated that it will accommodate customers who wish to bring forward their timescales for seeking banking tenders. In response, in Spring 2014, the Council started on a joint procurement exercise with Hastings Borough Council, Eastbourne Borough Council, Wealden District Council, Crawley Borough Council (all of which are customers of the Co-operative Bank) and Rother District Council to appoint a common bank during the course of 2014/2015. A joint procurement will be more efficient and is considered likely to produce a more favourable response than would be the case if each authority were to tender individually.

## **6. Icelandic Bank Deposit**

- 6.1 The Council had lodged a formal claim against Landsbanki Island hf (LBI) in respect of its deposit of £1m (plus accrued interest) which was not repaid following the failure of the bank in October 2008. The Council's interests were represented by the solicitors Bevan Brittan who were appointed by the Local Government Association (LGA) on behalf of all local authorities who had deposited funds with Icelandic banks which failed at that time.
- 6.2 On 30 January 2014 the Council sold its claim through a competitive auction process alongside the claims of other local authorities. The price at which the claim was sold was based on a reserve price set by the Council on the basis of legal advice and financial advice procured by the LGA.
- 6.3 The sale means that the Council recovered 96% of the amount that was originally deposited with LBI. The sale of the claim represents a clean break and the Council is now no longer a creditor of LBI.

## **7. Compliance with Prudential Indicators**

The Council can confirm that it has complied with its Prudential Indicators for 2013/2014. A detailed review of each of the Prudential Indicators is at Appendix A.



## **8. Investment Consultants**

In June 2012 Arlingclose had been reappointed as the Council's treasury management adviser, for a four year term. The reappointment followed a competitive tendering process. In 2013/2014, Arlingclose was the primary source of information, advice and assistance relating to investment activity, with individual investment decisions being made by the Council.

## **9. Reporting and Training**

- 9.1 The Director of Finance reported the details of treasury management activity to each meeting of the Audit and Standards Committee and Cabinet held in 2013/2014, with the exception of the Cabinet meeting of March 2014: this followed very soon after the February meeting and there was very limited financial activity to report. All transactions were reported to the next meeting in April. A mid-term summary report was issued in November 2013.
- 9.2 All councillors tasked with treasury management responsibilities, including scrutiny of the treasury management function, were offered the opportunity to attend a local briefing session led by Arlingclose on 26 September 2013.
- 9.3 The training needs of the Council's treasury management staff were reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. Members of staff attended Arlingclose workshops alongside colleagues from other local authorities during 2013/2014.

## Appendix A – Prudential Indicators 2013/2014

### 1. Background:

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

### 2. Net Borrowing and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 The Director of Finance reports that the Council has had no difficulty meeting this requirement in 2013/2014, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the budget for 2014/2015

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

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

No.	Capital Expenditure	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
1a	Non-HRA	1.557	8.827	5.068
1b	HRA	4.595	6.066	5.436
	<b>Total</b>	<b>6.152</b>	<b>14.893</b>	<b>10.504</b>

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

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

No.	Ratio of Financing Costs to Net Revenue Stream	2013/14 Original %	2013/14 Revised %	2013/14 Actual %
2a	Non-HRA	0.20	1.12	0.99
2b	HRA	11.45	18.69	18.97

## 5. Capital Financing Requirement

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

No	Capital Financing Requirement	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
3a	Non-HRA	4.693	4.676	4.651
3b	HRA	68.559	67.204	66.797
	<b>Total CFR</b>	<b>73.252</b>	<b>71.880</b>	<b>71.448</b>

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

Capital Financing Requirement	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
<b>Balance B/F</b>	71.224	71.030	71.030
Capital expenditure financed from borrowing	2.200	2.210	1.777
Revenue provision for Debt Redemption.	(0.172)	(1.360)	(1.359)
<b>Balance C/F</b>	<b>73.252</b>	<b>71.880</b>	<b>71.448</b>

## 6. Actual External Debt

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

No.	Actual External Debt as at 31/03/2014	Revised £m	Actual £m
4a	Borrowing	56.673	56.673
4b	Other Long-term Liabilities	0.000	0.016
<b>4c</b>	<b>Total</b>	<b>56.673</b>	<b>56.689</b>

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

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

No.	Incremental Impact of Capital Investment Decisions	2013/14 Original £	2013/14 Revised £	2013/14 Actual £
5a	Increase in Band D Council Tax	23.87	92.93	29.19
5b	Increase in Average Weekly Housing Rents	7.53	15.10	8.62

The increase in Band D council tax/average weekly rents reflects the funding of the capital programme: for example, new borrowing increases interest payable, and funding from reserves utilises resources which could have otherwise been used to fund revenue expenditure. The actual indicators are less than the revised as a result of capital projects being deferred from 2013/2014 into 2014/2015.

## 8. Authorised Limit and Operational Boundary for External Debt

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases.
- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The 2013/14 Actual values shown below are the maximum levels of borrowing experienced at any time during the year.

No.	Authorised Limit for External Debt	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
6a	Borrowing	72.00	72.00	57.34
6b	Other Long-term Liabilities	0.50	0.50	0.02
<b>6c</b>	<b>Total</b>	<b>72.50</b>	<b>72.50</b>	<b>57.36</b>

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

8.6 The Director of Finance has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the immediately following meeting of the Cabinet. The 2013/14 Actual values shown below are the maximum levels of borrowing experienced at any time during the year.

No.	Operational Boundary for External Debt	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
7a	Borrowing	66.50	66.50	57.34
7b	Other Long-term Liabilities	0.50	0.50	0.02
7c	<b>Total</b>	<b>67.00</b>	<b>67.00</b>	<b>57.36</b>

## 9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted best practice.

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

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

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums ie fixed rate debt net of fixed rate investments.

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
9	<b>Upper Limit for Fixed Interest Rate Exposure</b>	72.5	72.5	51.7
10	<b>Upper Limit for Variable Interest Rate Exposure</b>	(20.0)	(27.5)	(17.8)

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

10.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

## 11. Maturity Structure of Fixed Rate borrowing

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

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

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual %
11a	under 12 months	0	70	0
11b	12 months and within 24 months	0	70	0
11c	24 months and within 5 years	0	75	0
11d	5 years and within 10 years	0	75	0
11e	10 years and above	0	100	100

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

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No investments of more than 364 days were made during 2013/14.

No.	Upper Limit for total principal sums invested over 364 days	2012/13 Original %	2012/13 Revised %	2012/13 Actual %
12	Upper limit	50	50	0

## 13. HRA Limit on Indebtedness

This Prudential Indicator is associated with the introduction of self-financing for housing. It indicates the residual capacity to borrow for housing purposes, while remaining within the overall HRA Debt Cap specified by the Government.

No	Capital Financing Requirement	2013/14 Original £m	2013/14 Revised £m	2013/14 Actual £m
13a	HRA CFR	68.559	67.204	66.797
13b	HRA Debt Cap	72.931	72.931	72.931
	<b>Difference</b>	<b>4.372</b>	<b>5.727</b>	<b>6.134</b>

## Appendix B – Economic Background explained by Arlingclose

At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a ‘triple-dip’ alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England’s Monetary Policy Committee. Only two major economies - the US and Germany - had growth above pre financial crisis levels, albeit these were still below trend. The Eurozone had navigated through a turbulent period for its disparate sovereigns and the likelihood of a near-term disorderly collapse had significantly diminished. The US government had just managed to avoid the fiscal cliff and a technical default in early 2013, only for the problem to re-emerge later in the year.

With new Governor Mark Carney at the helm, the Bank of England unveiled forward guidance in August pledging to not consider raising interest rates until the ILO unemployment rate fell below the 7% threshold. In the Bank’s initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a *threshold* for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.

The recovery in the UK surprised with strong economic activity and growth. Q4 2014 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. Worries of a housing bubble were tempered by evidence that net mortgage lending was up by only around 1% annually.

CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 7.2% in January 2014) was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth (i.e. after inflation) was negative. In February the Bank stepped back from forward guidance relying on a single indicator - the unemployment rate - to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual - this helped underpin the ‘low for longer’ interest rate outlook despite the momentum in the economy.

The Office of Budget Responsibility's 2.7% forecast for economic growth in 2014 forecast a quicker fall in public borrowing over the next few years. However, the Chancellor resisted the temptation to spend some of the proceeds of higher economic growth. In his 2013 Autumn Statement and the 2014 Budget, apart from the rise in the personal tax allowance and pension changes, there were no significant giveaways and the coalition's austerity measures remained on track.

The Federal Reserve's then Chairman Ben Bernanke's announcement in May that the Fed's quantitative easing (QE) programme may be 'tapered' caught markets by surprise. Investors began to factor in not just an end to QE but also rapid rises in interest rates. 'Tapering' (a slowing in the rate of QE) began in December 2013. By March 2014, asset purchases had been cut from \$75bn to \$55bn per month with expectation that QE would end by October 2014. This had particular implications for global markets which had hitherto benefited from, and got very accustomed to, the high levels of global liquidity afforded by QE. The impact went further than a rise in the dollar and higher US treasury bond yields. Gilt yields also rose as a consequence and emerging markets, which had previously benefited as investors searched for yield through riskier asset, suffered large capital outflows in December and January.

With the Eurozone struggling to show sustainable growth, the European Central Bank cut main policy interest rates by 0.25% to 0.25% and the deposit rate to zero. Markets were disappointed by the lack of action by the ECB despite CPI inflation below 1% and a looming threat of deflation. Data pointed to an economic slowdown in China which, alongside a weakening property market and a highly leveraged shadow banking sector, could prove challenging for its authorities.

Russia's annexation of the Ukraine in March heightened geopolitical tensions and risk. The response from the West which began with sanctions against Russia which is the second largest gas producer in the world and which supplies nearly 30% of European natural gas needs and is also a significant supplier of crude oil - any major disruption to their supply would have serious ramifications for energy prices.

***Gilt Yields and Money Market Rates:*** Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%.

3-month, 6-month and 12-month Libid rates remained at levels below 1% through the year.



## Appendix C – List of Term Deposits made and/or maturing in 2013/2014

Deal	Counterparty	Principal	From	To	Rate
210312	Nationwide Building Society	2,000,000	15 Jan 13	15 Apr 13	0.4400%
210712	Thurrock Borough Council	2,000,000	1 Feb 13	11 Apr 13	0.3500%
211112	Plymouth City Council	2,000,000	20 Feb 13	5 Apr 13	0.2800%
211612	Nationwide Building Society	1,000,000	27 Mar 13	29 Apr 13	0.3800%
211713	Debt Management Office	3,800,000	2 Apr 13	10 Apr 13	0.2500%
211813	Debt Management Office	1,000,000	5 Apr 13	10 Apr 13	0.2500%
211913	Thurrock Borough Council	2,000,000	11 Apr 13	11 Jul 13	0.3000%
212013	Debt Management Office	2,500,000	15 Apr 13	22 Apr 13	0.2500%
212113	Nationwide Building Society	2,000,000	19 Apr 13	21 Oct 13	0.5200%
212213	Nationwide Building Society	1,000,000	29 Apr 13	29 Jul 13	0.4400%
212313	Debt Management Office	1,000,000	1 May 13	7 May 13	0.2500%
212413	Debt Management Office	1,400,000	1 May 13	9 May 13	0.2500%
212513	Debt Management Office	1,000,000	1 May 13	13 May 13	0.2500%
212613	Debt Management Office	1,000,000	7 May 13	8 May 13	0.2500%
212713	Debt Management Office	1,000,000	8 May 13	14 May 13	0.2500%
212813	Debt Management Office	1,500,000	9 May 13	20 May 13	0.2500%
212913	Debt Management Office	1,200,000	13 May 13	20 May 13	0.2500%
213013	Debt Management Office	1,000,000	14 May 13	20 May 13	0.2500%
213113	Debt Management Office	3,000,000	15 May 13	22 May 13	0.2500%
213213	Debt Management Office	3,000,000	16 May 13	22 May 13	0.2500%
213313	Debt Management Office	1,400,000	22 May 13	28 May 13	0.2500%
213413	Plymouth City Council	1,000,000	28 May 13	22 Jul 13	0.2800%
213513	Debt Management Office	2,000,000	3 Jun 13	10 Jun 13	0.2500%
213613	Debt Management Office	5,000,000	15 Jul 13	22 Jul 13	0.2500%
213713	Debt Management Office	1,600,000	22 Jul 13	22 Aug 13	0.2500%
213813	Debt Management Office	5,000,000	1 Aug 13	9 Aug 13	0.2500%
213913	Debt Management Office	2,000,000	1 Aug 13	5 Aug 13	0.2500%
214013	Debt Management Office	2,000,000	5 Aug 13	12 Aug 13	0.2500%
214113	Debt Management Office	1,300,000	12 Aug 13	19 Aug 13	0.2500%
214213	Nationwide Building Society	1,000,000	12 Aug 13	12 Nov 13	0.4400%
214313	Debt Management Office	2,200,000	15 Aug 13	20 Aug 13	0.2500%
214413	Neath Port Talbot CBC	2,000,000	20 Aug 13	4 Sep 13	0.2800%
214513	Norwich City Council	3,000,000	23 Aug 13	9 Sep 13	0.2900%
214613	Debt Management Office	1,500,000	22 Aug 13	23 Aug 13	0.2499%
214713	East Dunbartonshire Council	2,000,000	29 Aug 13	29 Oct 13	0.3400%
214813	Debt Management Office	2,000,000	9 Sep 13	12 Sep 13	0.2500%
214913	Halton Borough Council	3,000,000	13 Sep 13	18 Sep 13	0.4500%
215013	Woking Borough Council	1,500,000	19 Sep 13	30 Sep 13	0.2800%
215113	Nottingham City Council	1,500,000	30 Sep 13	31 Oct 13	0.3000%
215213	Debt Management Office	1,500,000	1 Oct 13	7 Oct 13	0.2500%
215313	Debt Management Office	1,500,000	1 Oct 13	18 Oct 13	0.2500%
215413	Cornwall County Council	1,000,000	28 Oct 13	28 Jan 14	0.3100%
215513	Debt Management Office	1,500,000	15 Oct 13	18 Oct 13	0.2500%
215613	Cornwall County Council	2,000,000	4 Nov 13	4 Feb 14	0.3200%
215713	Debt Management Office	3,500,000	29 Oct 13	4 Nov 13	0.2500%
215813	Debt Management Office	2,200,000	1 Nov 13	4 Nov 13	0.2500%
215913	Blaenau Gwent CBC	2,500,000	4 Nov 13	4 Dec 13	0.3200%
216013	Conwy Cnty Borough Cncil	2,000,000	29 Nov 13	30 May 14	0.4500%
216113	Nationwide Building Society	1,000,000	7 Nov 13	7 Feb 14	0.4500%
216213	Nationwide Building Society	1,000,000	7 Nov 13	7 May 14	0.5300%
216313	Debt Management Office	3,000,000	15 Nov 13	19 Nov 13	0.2500%
216413	Cornwall County Council	2,000,000	9 Dec 13	10 Mar 14	0.4000%
216513	Debt Management Office	1,300,000	16 Dec 13	30 Dec 13	0.2500%
216613	Debt Management Office	1,000,000	16 Dec 13	19 Dec 13	0.2500%

<b>Deal</b>	<b>Counterparty</b>	<b>Principal</b>	<b>From</b>	<b>To</b>	<b>Rate</b>
216713	Debt Management Office	4,750,000	2 Jan 14	3 Jan 14	0.2500%
216813	Debt Management Office	2,250,000	6 Jan 14	13 Jan 14	0.2500%
216913	Debt Management Office	2,500,000	13 Jan 14	20 Jan 14	0.2500%
217013	Debt Management Office	1,500,000	15 Jan 14	24 Jan 14	0.2500%
217113	Debt Management Office	1,500,000	15 Jan 14	27 Jan 14	0.2500%
217213	Nationwide Building Society	1,000,000	24 Jan 14	24 Apr 14	0.4700%
217313	Debt Management Office	1,500,000	3 Feb 14	12 Feb 14	0.2500%
217413	Debt Management Office	2,500,000	4 Feb 14	12 Feb 14	0.2500%
217513	Debt Management Office	1,000,000	7 Feb 14	12 Feb 14	0.2500%
217613	Debt Management Office	2,500,000	10 Mar 14	14 Mar 14	0.2500%
217713	Nationwide Building Society	1,000,000	28 Mar 14	28 Apr 14	0.4000%

## Glossary of Terms

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

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

## A Statement of Council Reserves and how they are used through to 31 March 2015

Ref	Reserve	Actual Balance at 1 April 2013	Actual 2013/2014				Updated Budget 2014/2015				
			Contribution to reserve	Used for revenue	Used for capital	Total Use of reserve	Balance at 1 April 2014	Contribution to reserve	Used for revenue	Used for capital	Balance at 31 March 2015
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	<b>General Fund</b>										
1	Budget Carry Forward	84	15	25	0	25	74	0	74	0	0
2	Building Control Charging Scheme	100	0	19	0	19	81	21	0	0	102
3	Change Management and Spending Power	1,729	1,619	952	0	952	2,396	1,176	559	1,773	1,240
4	Clean and Green Reserve	26	0	0	0	0	26	0	5	0	21
5	Corporate Building Repairs	172	50	32	0	32	190	50	50	0	190
6	Housing Benefit standards and improvements	599	320	55	0	55	864	176	59	0	981
7	Insurance	134	41	10	0	10	165	25	0	0	190
8	IT Replacement Equipment	124	62	0	186	186	0	0	0	0	0
9	Leisure Buildings Repairs	113	50	63	0	63	100	50	67	0	83
10	Leisure Trust	209	50	0	1	1	258	50	0	0	308
11	All Weather Pitch Reserve	101	20	0	0	0	121	20	0	0	141
12	Leisure Trust Buildings Maintenance	206	80	88	0	88	198	80	100	0	178
13	Newhaven Enterprise Centre Reserve	57	14	0	0	0	71	13	0	0	84
14	Community Safety Partnership Fund	54	14	31	0	31	37	0	37	0	0
15	Housing and Planning Delivery Grant	71	0	30	0	30	41	0	0	0	41
16	Major Planning Applications Reserve	56	0	0	0	0	56	0	0	0	56
17	PSL/Homelessness Initiatives	37	22	31	0	31	28	34	1	0	61
18	Recycling Reserve	366	0	12	0	12	354	0	0	0	354
19	Revenue Equalisation and Asset Maintenance	2,466	711	559	241	800	2,377	252	422	896	1,311
20	Southover Grange Improvements	41	0	0	0	0	41	0	0	0	41
21	Vehicle Replacement Reserve	2,050	320	0	362	362	2,008	320	0	245	2,083
22	Strategic Priority Fund	501	4	115	0	115	390	147	189	175	173
	<i>Partnership Projects</i>										
23	Denton Island Reclamation	75	0	0	0	0	75	0	0	0	75
24	Newhaven Fort Refurbishment	15	0	0	0	0	15	0	0	0	15
25	West Quay Development	48	0	0	0	0	48	0	0	0	48
26	General Fund Sub-total	9,434	3,392	2,022	790	2,812	10,014	2,414	1,563	3,089	7,776
	<b>HRA</b>										
27	Major Repairs Reserve	388	4,387	0	3,351	3,351	1,424	4,387	0	4,030	1,781
28	<b>Total</b>	<b>9,822</b>	<b>7,779</b>	<b>2,022</b>	<b>4,141</b>	<b>6,163</b>	<b>11,438</b>	<b>6,801</b>	<b>1,563</b>	<b>7,119</b>	<b>9,557</b>

## Reserves Analysis - Change Management and Spending Power Reserve

Line nos.	Expenditure item:	Actual Balance as at 31 March 2013	2013/2014 Actual Contribution	2013/2014 Actual Rev Use	2013/2014 Actual Cap Use	2013/2014 Actual Total use	Actual Balance as at 31 March 2014	2014/2015 Original Contribution	2014/2015 Approved Rev Use	2014/2015 Approved Cap Use	2014/2015 Approved Total use	Projected Balance as at 31 March 2015
			£	£	£	£	£	£	£	£	£	£
	<b>Change Management Element</b>											
1	Fixed Term Project Accountants	42,292	18,014	(26,255)	0	(26,255)	34,051	8,149	(42,200)	0	(42,200)	0
2	Two year fixed term Equalities Officer	4,978		(4,978)	0	(4,978)	0		0	0	0	0
3	Graduate Internship programme	18,814	126	(18,940)	0	(18,940)	0		0	0	0	0
4	Nature conservation area Ranger	1,351	(1,351)	0	0	0	0		0	0	0	0
5	Fixed Term Legal Staff	36,592	11,918	0	0	0	48,510		0	0	0	48,510
6	Land Charge Searches - work with LGA	34,355		(34,355)	0	(34,355)	0		0	0	0	0
7	Economic Dev'nt operational budget	20,979		(20,979)	0	(20,979)	0		0	0	0	0
8	Capital - Wave Energy saving initiatives	90,210		0	0	0	90,210		0	(90,210)	(90,210)	0
9	Capital - Energy Saving Initiatives	483,000	(483,000)	0	0	0	0		0	0	0	0
10	Fixed Term Posts - Parks and Cemeteries	20,620		(12,960)	0	(12,960)	7,660		(7,500)	0	(7,500)	160
11	Corporate Enabling and initiatives	0	35,000	(21,065)	0	(21,065)	13,935	35,000	(35,000)	0	(35,000)	13,935
12	Support for Corporate Communications	0	28,800	(28,800)	0	(28,800)	0		0	0	0	0
13	Office Manager	0	33,272	(33,272)	0	(33,272)	0	24,400	(24,400)	0	(24,400)	0
14	Planning Development Manager	0	0	0	0	0	0	66,000	(66,000)	0	(66,000)	0
15	Customer Services Supervisor/Assistant	0	0	0	0	0	0	62,600	(62,600)	0	(62,600)	0
16	Unallocated balance	450,330	987,339	(455,959)	0	(455,959)	981,710	(196,149)	0	0	0	785,561
17	Sub-total	1,203,521	630,118	(657,563)	0	(657,563)	1,176,076	0	(237,700)	(90,210)	(327,910)	848,166
	<b>Spending Power Element</b>											
18	New Homes Bonus											
19	- Received in year		877,750				877,750	1,176,000				2,053,750
20	- Allocated to projects in year (included in 24 to 38)		(227,572)				(227,572)	(1,930,210)				(2,157,782)
21	- Sub-total		650,178				650,178	(754,210)				(104,032)
22	- Unallocated Balance at 31 March 2013	270,793					270,793					270,793
23	- Total Unallocated	270,793	650,178				920,971	(754,210)				166,761
24	Project Management											
25	- Nexus Programme Manager	45,225	12,265	(44,078)	0	(44,078)	13,412	31,110	(44,500)	0	(44,500)	22
26	- Project Manager	(11,607)	65,307	(36,388)	0	(36,388)	17,312	54,700	(54,700)	0	(54,700)	17,312
27	- Working budget	8,468		0	0	0	8,468		0	0	0	8,468
28	PAM Software	36,000		(24,120)	0	(24,120)	11,880	36,000	(24,120)	0	(24,120)	23,760
29	Neighbourhood Planning	37,282	50,000	(36,937)	0	(36,937)	50,345		(35,000)	0	(35,000)	15,345
30	Democratic Conversation Action Plan	3,750		(3,750)	0	(3,750)	0		0	0	0	0
31	Property Joint Partnership Tender	21,502	100,000	(48,438)	0	(48,438)	73,064		0	0	0	73,064
32	Newhaven UTC Bid	19,500		(19,500)	0	(19,500)	0	1,683,000	0	(1,683,000)	(1,683,000)	0
33	Apprenticeship and Enterprise Project (LEAP)	94,772	50,000	(38,143)	0	(38,143)	106,629		(25,600)	0	(25,600)	81,029
34	Economic Regeneration initiatives	0	50,000	(43,052)	0	(43,052)	6,948	50,000	(50,000)	0	(50,000)	6,948
35	Public events	0	10,886	0	0	0	10,886		(10,886)	0	(10,886)	0
36	Office rationalisation - interim funding	0		0	0	0	0	75,400	(75,400)	0	(75,400)	0
37	Sub-total	525,686	988,636	(294,406)	0	(294,406)	1,219,916	1,176,000	(320,206)	(1,683,000)	(2,003,206)	392,710
38	<b>TOTAL</b>	1,729,207	1,618,754	(951,969)	0	(951,969)	2,395,992	1,176,000	(557,906)	(1,773,210)	(2,331,116)	1,240,876

## Reserves Analysis - REAM Reserve

Line nos.	Expenditure item:	Actual Balance 31 Mar 13	2013/2014 Actual Contribution	2013/2014 Actual Rev Use	2013/2014 Actual Cap Use	2013/2014 Actual Total use	Actual Balance 31 Mar 14	2014/2015 Original Contribution	2014/2015 Approved Rev Use	2014/2015 Approved Cap Use	2014/2015 Approved Total use	Projected Balance 31 Mar 15
		£	£	£	£	£	£	£	£	£	£	£
1	Private Sector Housing Needs Survey	70,000		(5,000)		(5,000)	65,000		0	0	0	65,000
2	Private Sector Housing Condition Survey	17,992	10,000			0	27,992	10,000	0	0	0	37,992
3	Residents Satisfaction Survey	17,379				0	17,379		0	0	0	17,379
4	LDF Examinations	57,326				0	57,326		0	0	0	57,326
5	Property Condition Survey	24,348		(1,800)		(1,800)	22,548	12,500	(30,000)	0	(30,000)	5,048
6	Planning Appeals and Enquiries	72,213	5,000			0	77,213	5,000	0	0	0	82,213
7	Tree Survey	46,085		(12,789)		(12,789)	33,296		(24,089)	0	(24,089)	9,207
8	Cemeteries Maintenance	84,717				0	84,717		0	0	0	84,717
9	Members Allowance Advisory Panel	4,394				0	4,394		0	0	0	4,394
10	District Council Elections	94,782	35,000			0	129,782	35,000	0	0	0	164,782
11	Asset Maintenance	461,881	160,000	(7,257)	(12,127)	(19,384)	602,497	147,500	(9,875)	(719,630)	(729,505)	20,492
12	Car Parks	36,200	12,000	(6,245)	(1,794)	(8,039)	40,161	12,000	0	0	0	52,161
13	Play area renewal provision	58,081	10,000			0	68,081	10,000	0	0	0	78,081
14	Dog and litter bin replacement programme	156,335	20,000	(5,233)		(5,233)	171,102	20,000	(20,000)	0	(20,000)	171,102
15	IT initiatives	751,163	46,000	(145,440)	(227,067)	(372,507)	424,656	0	(181,288)	(176,280)	(357,568)	67,088
16	Interest Equalisation Fund	356,075	0	(356,075)		(356,075)	0	0	0	0	0	0
17	Pells Pool Grant Contribution	28,130	270			0	28,400		(28,400)	0	(28,400)	0
18	Hope Gap Steps Repair Fund	23,431	200			0	23,631	200	0	0	0	23,831
19	Planning Records Archiving	105,500		(19,284)		(19,284)	86,216		(86,216)	0	(86,216)	0
20	Lewes Road Recreation Ground	0	10,000			0	10,000		(10,000)	0	(10,000)	0
21	Severe Weather Recovery Funding	0	32,042			0	32,042		(32,042)	0	(32,042)	0
22	Business Rates Equalisation (pending dedicated Reserve)	0	370,674			0	370,674		0	0	0	370,674
23	<b>Total</b>	<b>2,466,034</b>	<b>711,186</b>	<b>(559,123)</b>	<b>(240,988)</b>	<b>(800,111)</b>	<b>2,377,109</b>	<b>252,200</b>	<b>(421,910)</b>	<b>(895,910)</b>	<b>(1,317,820)</b>	<b>1,311,489</b>

## THE CAPITAL PROGRAMME 2013/2014

Line No		Programme 2013/14	Approved Variations	Final Variations	Budget C/Fwd to 2014/15	Programme 2013/14
		£	£	£	£	£
1	<b>HRA HOUSING INVESTMENT CAPITAL PROGRAMME</b>					
2	Improvements to Stock					
3	- Kitchen & Bathroom Renewals	534,600	(75,450)	98,683		557,833
4	- Heating Improvement Programme	1,100,000	231,950	(108,361)		1,223,589
5	- Electric Heating Sustainable Replacement	550,000	125,700	20,821		696,521
6	- Window & Door Replacement Programme	650,000	(163,620)	(13,036)		473,344
7	- Rewiring Programme	150,000	(36,700)	(25,455)		87,845
8	- Roofing & Chimney Works	400,000	(145,400)	(35,160)		219,440
9	- Structural Works	80,000	(7,530)	17,706		90,176
10	- Minor Insulation & Other Sundry Housing Works	100,000	4,680	17,350		122,030
11	- Fire Precaution Works	150,000	137,260	(81,006)	(100,000)	106,254
12	Adaptations for Disabled Tenants	430,000	66,640	36,277		532,917
13	Conversion to Flat, 2 Ashington Gardens, Peacehaven		1,500	(1,500)		
14	Conversion to Flats, 63 Meeching Road, Newhaven		32,000	(12,612)		19,388
15	Conversion to House, 40a/b & 41a/b Mountfield Road, Lewes		1,500	(544)		956
16	Digital TV Aerial & Cabling Works		9,370	1,911		11,281
17	Environmental Improvements	110,000	(2,400)	(24)		107,576
18	Refurbishment of Council Owned Garages and Fencing	110,000	149,350	(12,421)		246,929
19	Refurbishment of Anchor Field Car Park, Ringmer		27,100	(594)		26,506
20	Housing Estates Recreation and Play Areas	40,000	(4,820)	(4,819)	(10,000)	20,361
21	Sheltered Emergency Alarm System		159,180	(23,253)		135,927
22	Sheltered Schemes Photo Voltaic Cells					
23	Churchill House, Seaford (Lift Replacement)		137,370	(62,739)	(60,000)	14,631
24	Rooms in Roof Conversions	140,000	62,850	(21,480)	(105,149)	76,221
25	Door Entry Security Systems	50,000	50,000		(98,173)	1,827
26	The Crest, Hillcrest Road, Newhaven (Purchase & Commissioning)		174,380	1,802		176,182
27	St.David's Court Office Upgrade		5,269			5,269
28	Mortgage Rescue Scheme		363,700	(44,200)		319,500
29	Right to Buy Buy Back Scheme		167,620	(3,996)		163,624
30	<b>Total HRA Housing</b>	<b>4,594,600</b>	<b>1,471,499</b>	<b>(256,650)</b>	<b>(373,322)</b>	<b>5,436,127</b>
31	<b>GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME</b>					
32	- Best Project Fees		1,260	(1,260)		
33	- Emergency Repair Grants	15,000	13,190	4,195		32,385
34	- Empty Homes Initiative		15,160		(10,540)	4,620
35	- Energy Efficiency Advice		13,380		(12,466)	914
36	- Fuel Poverty Grants		72,790		(9,360)	63,430
37	- Keep Warm in Winter	60,000	74,960		(48,872)	86,088
38	- Mandatory Disabled Facilities Grants	600,000		(2,940)	(153,135)	443,925
39	- Home Trust Loans	60,000	56,880		(44,415)	72,465
40	<b>Total General Fund Housing</b>	<b>735,000</b>	<b>247,620</b>	<b>(5)</b>	<b>(278,788)</b>	<b>703,827</b>
41	<b>Total Housing Capital Programme</b>	<b>5,329,600</b>	<b>1,719,119</b>	<b>(256,655)</b>	<b>(652,110)</b>	<b>6,139,954</b>



## THE CAPITAL PROGRAMME 2013/2014

Line No		Programme 2013/14	Approved Variations	Final Variations	Budget C/Fwd to 2014/15	Programme 2013/14
		£	£	£	£	£
42	<b>GENERAL FUND CAPITAL PROGRAMME</b>					
43	WAVE Leisure Trust					
44	Environmental Improvements		12,980		(11,630)	1,350
45	Lewes Leisure Centre - Air Handling Units		3,730	(3,730)		
46	WAVE Energy Saving Initiatives		90,210		(90,210)	
47	Recreation Services					
48	Lewes - Convent Field Play Area & Landscaping		86,230		(81,208)	5,022
49	Lewes - Southover Grange Maintenance Programme		46,750		(46,750)	
50	Lewes - Stanley Turner Recreation Ground Improvements		112,400		(112,400)	
51	Lewes - Streamside Fencing, Southover Grange Gardens		18,000		(18,000)	
52	Newhaven - Fort Road Play Area					
53	Newhaven - Fort Road Recreation Ground Improvements		62,560			62,560
54	Newhaven - Fort Road Recreation Ground Outdoor Gym					
55	Newhaven - Harbour Heights Play Area		39,000		(39,000)	
56	Peacehaven - Sports Pavilion, Pitches & Parking		525,570		(402,205)	123,365
57	Peacehaven - The Aquilla Park Play Equipment		50,890		(50,890)	
58	Seaford - Downs Play Area Equipment & Landscaping		4,520		(4,520)	
59	Seaford - Micklefield Open Space Landscaping & Play Area		6,910		(6,910)	
60	Seaford - Walmer Road Play Area Equipment		10,000		(9,385)	615
61	Wivelsfield - Childrens Play Area		54,521			54,521
62	Flint Walls Repair		28,600		(12,906)	15,694
63	Car Parks					
64	-Newhaven Multi-Storey Car Park (Refurbishment)			1,794		1,794
65	Planning & Economic Development					
66	Flood Protection Schemes at Landport & Malling Deanery		165,660		(4,870)	160,790
67	Coastal Defence Works					
68	- Capital Repairs (Unit 13B - Groynes 1-17) (PS1735)		21,940	(11,740)		10,200
69	- Option Study Unit 13B - Groynes 18 & 19)		9,530	(10,078)	(8,711)	(9,259)
70	- Newhaven Western Arm to Brighton Marina Scoping Study		16,300		(14,885)	1,415
71	Breaky Bottom Flood Defence		745	(745)		
72	Air Quality ESCC Partnership Scheme			33,000		33,000
73	Newhaven Fort, Safety Works		2,970		(2,970)	
74	Newhaven Fort, Lunette Battery Restoration					
75	Disability Discrimination Act Works		3,850		(3,850)	
76	Corporate Services					
77	Computer & IT Replacement Programme		158,320		(105,027)	53,293
78	IT Suite Fire Protection		25,000	(25,000)		
79	Lewes House Site - Redevelopment Project		6,800		(6,800)	
80	Agile Working Project		38,700	31,805	(70,505)	
81	Agile Working - Computers		120,210		(46,840)	73,370
82	Agile Working - Telephony		48,160		(7,428)	40,732
83	Agile Working - Exchange		50,000	61,961		111,961
84	Agile Working - Networking		117,680		(9,011)	108,669
85	Agile Working - Servers		171,957		(1,103)	170,854
86	Agile Working - Scanners		55,270		(50,270)	5,000
87	Agile Working - Town Hall Storage Upgrade		42,980	(31,805)		11,175
88	Agile Working - Project Management		32,340	3,909		36,249
89	Agile Working - Office Fittings		230,000	(230,000)		
90	Agile Working - Refurbishment - Southover House		1,062,973	308,710		1,371,683
91	Agile Working - Contingency		190,000	(144,580)	(45,420)	
92	Agile Working - Newhaven Shared Facility		894,310		(894,310)	
93	Agile Working - Planning Archive Records Scanning		170,500	(170,500)		
94	Corporate Buildings Capital Works					
95	Asset Backlog Repairs	150,000	247,140		(397,140)	
96	Lewes House External Works		57,120		(57,120)	
97	Lewes House Turkish Baths		600	(600)		
98	School Hill House General Refurbishment		15,920	(1,925)		13,995
99	Southover House Windows & External Decorations			9,005		9,005
100	Lewes Cemetery Chapel		12,640		(12,640)	
101	Market Tower, Lewes		6,830	(6,830)		
102	Telscombe Cliffs Way Portakabin		6,690			6,690
103	Walmer Road Recreation Ground - Football Changing Rooms		28,050	(1,203)		26,847
104	Energy Saving Initiatives		495,770	(495,770)		
105	Vehicle & Plant Replacement Programme	672,000		(594,159)		77,841
106	Food Waste Collection		1,963,040		(177,112)	1,785,928
107	<b>Total General Fund Capital Programme</b>	<b>822,000</b>	<b>7,622,866</b>	<b>(1,278,481)</b>	<b>(2,802,026)</b>	<b>4,364,359</b>
108	<b>TOTAL OVERALL CAPITAL PROGRAMME</b>	<b>6,151,600</b>	<b>9,341,985</b>	<b>(1,535,136)</b>	<b>(3,454,136)</b>	<b>10,504,313</b>

## THE CAPITAL PROGRAMME 2013/2014

Line No		Programme 2013/14	Approved Variations	Final Variations	Budget C/Fwd to 2014/15	Programme 2013/14
		£	£	£	£	£
109	<b>CAPITAL PROGRAMME FUNDING</b>					
110	Borrowing					1,777,135
111	Capital Receipts					516,562
112	Grant - DCLG Disabled Facilities					366,717
113	Grant - DEFRA Air Quality					33,000
114	Grant - East Sussex Pathfinder					2,629
115	Grant - English Heritage					(9,176)
116	Grant - Environment Agency					163,145
117	Grant - DECC Fuel Poverty Grant					63,430
118	Grant - National Lottery					7,000
119	Grant - DCLG Weekly Collection Support Scheme)					1,486,860
120	Grant - Other Grants					204,955
121	Reserve - HRA Major Repairs					3,350,522
122	Reserve - IT Equipment					186,361
123	Reserve - Revenue Equalisation Asset Management					240,988
124	Reserve - Vehicle Replacement					362,046
125	Reserve - WAVE Leisure Trust					1,350
126	Capital Expenditure Financed from Revenue (General Fund)					31,549
127	Capital Expenditure Financed from Revenue (Housing)					1,516,961
128	Contributions - Planning (Section 106) Agreements					182,372
129	Other External Contributions					19,907
130	<b>TOTAL CAPITAL PROGRAMME</b>					<b>10,504,313</b>

## THE CAPITAL PROGRAMME 2014/2015

Line No		Programme 2014/15	Budget B/Fwd From 2013/14	Variations July Cabinet	Programme 2014/15
		£	£	£	£
1	<b>HRA HOUSING INVESTMENT CAPITAL PROGRAMME</b>				
2	Improvements to Stock				
3	- Kitchen & Bathroom Renewals	680,000			680,000
4	- Heating Improvement Programme	1,300,000			1,300,000
5	- Electric Heating Sustainable Replacement	700,000			700,000
6	- Window & Door Replacement Programme	700,000			700,000
7	- Rewiring Programme	100,000			100,000
8	- Roofing & Chimney Works	450,000			450,000
9	- Structural Works	100,000			100,000
10	- Minor Insulation & Other Sundry Housing Works	100,000			100,000
11	- Fire Precaution Works	150,000	100,000		250,000
12	Adaptations for Disabled Tenants	430,000			430,000
13	Digital TV Aerial & Cabling Works	100,000			100,000
14	Environmental Improvements	110,000			110,000
15	Refurbishment of Council Owned Garages and Fencing	110,000			110,000
16	Housing Estates Recreation and Play Areas	40,000	10,000		50,000
17	Churchill House, Seaford (Lift Replacement)		60,000		60,000
18	Rooms in Roof Conversions	204,720	105,149		309,869
19	Door Entry Security Systems	50,000	98,173		148,173
20	Mortgage Rescue Scheme	175,700			175,700
21	Right to Buy Buy Back Scheme	182,100			182,100
22	<b>Total HRA Housing</b>	<b>5,682,520</b>	<b>373,322</b>		<b>6,055,842</b>
23	<b>GENERAL FUND HOUSING INVESTMENT CAPITAL PROGRAMME</b>				
24	- Emergency Repair Grants	15,000			15,000
25	- Empty Homes Initiative		10,540		10,540
26	- Energy Efficiency Advice		12,466		12,466
27	- Fuel Poverty Grants		9,360		9,360
28	- Keep Warm in Winter	60,000	48,872		108,872
29	- Mandatory Disabled Facilities Grants	600,000	153,135		753,135
30	- Home Trust Loans	60,000	44,415		104,415
31	<b>Total General Fund Housing</b>	<b>735,000</b>	<b>278,788</b>		<b>1,013,788</b>
32	<b>Total Housing Capital Programme</b>	<b>6,417,520</b>	<b>652,110</b>		<b>7,069,630</b>
33	<b>GENERAL FUND CAPITAL PROGRAMME</b>				
34	WAVE Leisure Trust				
35	Environmental Improvements		11,630		11,630
36	Lewes Leisure Centre - Roof Replacement			88,000	88,000
37	WAVE Energy Saving Initiatives		90,210		90,210
38	Recreation Services				
39	Lewes - Convent Field Play Area & Landscaping		81,208		81,208
40	Lewes - Southover Grange Maintenance Programme		46,750		46,750
41	Lewes - Stanley Turner Recreation Ground Improvements		112,400		112,400
42	Lewes - Streamside Fencing, Southover Grange Gardens		18,000		18,000
43	Newhaven - Harbour Heights Play Area		39,000		39,000
44	Peacehaven - Sports Pavilion, Pitches & Parking		402,205		402,205
45	Peacehaven - The Aquilla Park Play Equipment		50,890		50,890
46	Seaford - Micklefield Open Space Landscaping & Play Area		6,910		6,910
47	Seaford - Walmer Road Play Area Equipment		9,385		9,385
48	Seaford - Downs Play Area Equipment & Landscaping		4,520		4,520
49	Flint Walls Repair		12,906		12,906
50	Car Parks				
51	- The Maltings Car Park, Lewes			160,500	160,500
52	The Maltings, Castle Precincts, Lewes			385,500	385,500
53	Planning & Economic Development				
54	Flood Protection Schemes at Landport & Malling Deanery		4,870		4,870
55	Coastal Defence Works				
56	- Option Study Unit 13B - Groyne 18 & 19)		8,711		8,711
57	- Newhaven Western Arm to Brighton Marina Scoping Study		14,885		14,885
58	Electric Vehicle Charge Points (OLEV)			1,822,000	1,822,000
59	Newhaven Fort Refurbishment			10,000	10,000
60	Newhaven Fort, Safety Works		2,970	(2,970)	
61	Disability Discrimination Act Works		3,850		3,850
62	University Technical College Contribution	1,683,000			1,683,000
63	Newhaven Growth Quarter Project			2,225,000	2,225,000
64	Corporate Services				
65	Computer & IT Replacement Programme	50,000	105,027		155,027
66	Lewes House Site - Redevelopment Project		6,800		6,800

## THE CAPITAL PROGRAMME 2014/2015

Line No		Programme 2014/15	Budget B/Fwd From 2013/14	Variations July Cabinet	Programme 2014/15
		£	£	£	£
67	Agile Working Project				
68	Agile Working - IT		185,157		185,157
69	Agile Working - Buildings Contingency		45,420		45,420
70	Agile Working - Newhaven Shared Facility		894,310		894,310
71	Corporate Buildings Capital Works				
72	Asset Backlog Repairs	150,000	397,140		547,140
73	Lewes House External Works		57,120		57,120
74	Lewes Cemetery Chapel		12,640		12,640
75	Vehicle & Plant Replacement Programme	245,000			245,000
76	Food Waste Collection		177,112		177,112
77	<b>Total General Fund Capital Programme</b>	<b>2,128,000</b>	<b>2,802,026</b>	<b>4,688,030</b>	<b>9,618,056</b>
78	<b>TOTAL OVERALL CAPITAL PROGRAMME</b>	<b>8,545,520</b>	<b>3,454,136</b>	<b>4,688,030</b>	<b>16,687,686</b>
79	<b>CAPITAL PROGRAMME FUNDING</b>				
80	Borrowing				1,212,660
81	Capital Receipts				1,119,126
82	Grant - DCLG Disabled Facilities				514,248
83	Grant - DCLG Coastal Communities Fund				1,900,000
84	Grant - Department for Transport - OLEV				1,822,000
85	Grant - Environment Agency				28,466
86	Grant - DECC Fuel Poverty Grant				9,360
87	Grant - Other Grants				84,370
88	Reserve - Change Management				1,773,210
89	Reserve - Strategic Priority Fund				175,000
90	Reserve - HRA Major Repairs				4,030,000
91	Reserve - Newhaven Fort Refurbishment				7,030
92	Reserve - Revenue Equalisation Asset Management				1,000,874
93	Reserve - Vehicle Replacement				422,112
94	Reserve - WAVE Leisure Trust				75,870
95	Capital Expenditure Financed from Revenue (Housing)				1,726,982
96	Contributions - Planning (Section 106) Agreements				594,118
97	Other External Contributions				192,260
98	<b>TOTAL CAPITAL PROGRAMME</b>				<b>16,687,686</b>