

Agenda Item No: 10.3 **Report No:** 19/15
Report Title: Housing Revenue Account Budget 2015/2016
Report To: Cabinet **Date:** 12 February 2015
Cabinet Member: Councillor Philip Howson
Ward(s) Affected: All
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Purpose of Report:

This report presents the Housing Revenue Account Budget 2015/2016.

Officers Recommendation(s):

That Cabinet reviews the Housing Revenue Account Budget and approves recommendations 1, 2, 3, 4, 5, 6 and 7

1. The budgets for 2015/16 (*Appendices 1 to 6 of this report*).
2. An average dwelling rent increase of 2.83%, effective from 6 April 2015. This is in line with the proposed Council policy on rent restructuring. (*Section 9 of this report*).
3. All new tenancies, excluding tenancy transfers, to be let at formula rent from 6 April 2015. (*Section 9.7.2 of this report*).
4. An increase of 2.8% in Affordable Rents, effective from 6 April 2015 (*Section 11 of this report*).
5. An average garage rent increase of 2.3%, effective from 6 April 2015. (*Section 12 of this report*). This is in line with the Business Plan and current Council policy on garage rentals.
6. An increase of 2.3% in Private Sector Leased Property rents, effective from 6 April 2015 (*Section 13 of this report*).
7. Implement revised Service Charges, effective from 6 April 2015 (*Sections 14 to 19 of this report*).

Reasons for Recommendations

1. To enable the Council to fulfill its legal obligations to produce a balanced Housing Revenue Account for 2015/2016.

Information

2. Introduction

2.1. The national Housing Revenue Account self-financing system allows all income generated to be kept locally and available to fund the maintenance and management of the housing stock, service debt and acquire and provide additional Social Housing.

2.2. The budgets have been prepared on the basis of the national Housing Revenue Account Accounting Code of Practice and incorporate Restructured Rents, Supporting People and Service Charges.

3. Budget Information

3.1. The Housing Revenue Account Budget 2015/2016 is in line with the Business Plan and the Council's proposed policy on restructured rents. The budget includes a contribution to finance the capital programme of £820,000 and shows an estimated balance in hand at year end of £2,517,770. The average increase in dwelling rents is 2.83%.

3.2. A provision of 2.2% has been made for movements in the pay bill in line with the national settlement. Salary budgets also allow for contractual salary increments.

3.3. The budgeted employer's pension contribution rate for 2015/2016 is the same as that proposed by the actuary following the three yearly review of the East Sussex Pension Fund, which was finalised in December 2013.

3.4. Inflation has been provided to cover known price changes, such as utility and contractual commitments. In addition, the noted items in 3.5 to 3.11 have been provided in the budget.

3.5. It is essential that the long-term Business Plan is updated with current information on the condition of the housing stock. This allows expenditure on future major repairs and replacements to be synchronised with available resources. A provision of £457,000 for a stock condition survey and associated administration previously agreed by Cabinet is included within the 2015/2016 supervision and management budget.

3.6. The planned and responsive maintenance budget allows for an increase of £67,100 (5%) and £82,500 (5%) respectively. This allows for the increase in costs forecasted by the Royal Institution of Chartered Surveyors (RICS). Following the introduction of the new maintenance contract, a further £66,000 (4%) has been included in the budget (2015/2016) to cover the increased costs arising from the new contract.

3.7. Following agreement of the grounds maintenance and cleaning contracts, a further £30,000 and £33,000, respectively, has been included in the budget (2015/2016) to cover the increased costs arising from the new contracts.

3.8. The Council is replacing old electric storage heating with sustainable air source heat pump heating systems. These warm centrally heated homes can achieve electricity savings of up to 40%. The completed systems attract Renewable Heat Incentive payments which are calculated on the savings expected for each individual property (on average £100 per quarter, for seven years).

The anticipated income is £80,000 (2015/2016), which has been included in the budget and added to the Working Balance (Special Projects).

3.9. A provision of £350,000 has been included in the budget (2014/15) in respect of preliminary costs associated with the development of potential sites for housing development.

3.10. Property adaptations for disabled tenants have traditionally been included in the Capital Programme. It is proposed that a sum of £80,000 (2015/2016) is transferred to the revenue budget for minor adaptations and works. There is a corresponding reduction in the Capital Programme item for Adaptations for Disabled Tenants.

3.11. A sum of £320,000 is included in the revenue estimates for capital projects that are not traditionally funded from borrowing or the Major Repairs Reserve. The projects include housing estate recreation and play areas, and environmental improvements.

Budget Presentation

4. Budget Layout

4.1. The budget layout complies with national accounting requirements and includes explanatory notes within the body of the budgets. An explanation of items included within the expenditure headings is given below.

- a) Employees – Includes the salary costs of the Council's workforce directly providing the service. This heading includes employee related insurance premiums.
- b) Premises – Includes the costs associated with buildings such as repairs and maintenance, upkeep of grounds, energy, water charges and Business Rates.
- c) Transport – Running costs of council owned vehicles together with employee car allowances and use of public transport.
- d) Supplies and Services – Day to day running costs such as printing, stationery, telephones, external professional services and department overheads in respect of employees who directly provide the service.

- e) Agency and Contracted Services – Where a contractor wholly undertakes the provision of a service, the costs will be shown against this heading.
- f) Support Services – This heading includes costs such as accountancy, legal, and information technology services (e.g. hardware, software and operational systems).

The Housing Revenue Account Budget is set out in the following appendices:

- Appendix 1 Housing Revenue Account Summary
- Appendix 2 Supervision and Management Account
- Appendix 3 Special Services Account
- Appendix 4 Repairs and Maintenance Account
- Appendix 5 Housing Revenue Account Resources Summary
- Appendix 6 Working Balance Allocation

Housing Revenue Account Debt

5. Housing Debt and Debt Ceiling

5.1. The Government continues to maintain control of borrowing for local authority housing. The Council's bid to Government for additional borrowing of £2.317m, to finance the construction of thirty new dwellings, was successful. The additional allocation increases the Housing Revenue Account 'Debt Cap'.

5.2. The Council's Housing Revenue Account borrowing is now capped at £75.248m. Actual borrowing at 1 April 2015 is projected to be £64.790m, leaving borrowing headroom of £8.141m, as shown in Table 1.

5.3. The HRA Capital Financing Requirement is met by a combination of loans, as summarised in Table 1. This assumes that no premature loan repayments are made before 31 March 2015.

5.4. The Public Works Loan Board (PWLB) loan interest rate is the average interest rate payable on a combination of individual loans with varying maturity dates. A fixed rate of interest applies to the Barclays Bank loan. The internal borrowing (from the General Fund) interest rate is equivalent to the indicative PWLB one year rate. The approach that is taken on internal borrowing is specified within the Council's Treasury Management Strategy.

TABLE 1

	Loans 1 April 2015 £	Interest Rate %	Interest Amount £
Public Works Loan Board	51,673,000	2.9090	1,503,160
Barclays Bank	5,000,000	4.5000	225,000
Internal Borrowing from General Fund	8,116,725	1.3300	107,950
Total Debt	64,789,725	2.8339	1,836,110
Increase Approved by DCLG (New Dwellings Construction)	2,317,090		
Debt Headroom	8,141,275		
Debt Allocation & Debt Cap	75,248,090		

The Budget 2015/2016

6. The Major Repairs Reserve

- 6.1.** It is essential that there are sufficient resources set aside within the Housing Revenue Account for the long term maintenance and renewal of the housing stock. This is achieved by setting aside in the Major Repairs Reserve the amount charged to the Housing Revenue Account as depreciation each year.
- 6.2.** Authorities are expected to use the Major Repairs Reserve in line with the priorities and phasing set out in the Business Plan and maintain the decent homes standard, rather than fund the acquisition of new assets.
- 6.3.** The projected movements on the Major Repairs Reserve are shown in TABLE 2 below. The amounts shown for 2014/2015 differ from the original budget having been updated to take into account the revised capital programme and depreciation calculated on the actual value and components of the housing stock at 31 March 2014.

TABLE 2

	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£	£	£
Balance 1 April	387,735	1,423,858	726,988	623,018	519,048
Depreciation	4,386,645	4,423,960	4,421,030	4,421,030	4,421,030
Capital Programme	(3,350,522)	(5,120,830)	(4,525,000)	(4,525,000)	(4,525,000)
Balance 31 March	1,423,858	726,988	623,018	519,048	415,078

- 6.4.** Cabinet will consider the use of the Major Repairs Reserve and the level of balance required for the immediate future as part of its capital programme recommendations. Tenant representatives are consulted on the use of the Reserve.

7. Working Balance

- 7.1.** The HRA Business Plan has a planned general Working Balance of £1.5 million. This position allows for the continuing volatility of the current economic climate.
- 7.2.** In addition to the General element of the Working Balance, amounts are held to fund potential costs in future years. TABLE 3 draws together all the earmarked components of the HRA working balance and shows the projected Working Balance at 31 March 2016.
- 7.3.** The Special Projects element of the working balance is available to fund the HRA share of the Organisational Development Strategy and staff redeployment.

TABLE 3

Working Balance Allocation	Actual 2013/14	Original 2014/15	Projected 2014/15	Budget 2015/16
	£	£	£	£
General Working Balance	898,095	2,090,552	2,177,410	1,500,000
Capital Expenditure	373,322	-	-	-
Budget Carry Forwards	83,586	-	-	-
Service Charges	131,874	-	-	-
Special Projects	906,700	906,700	556,700	742,770
Agile Working IT Project	58,943	-	-	-
Self-Insurance	275,000	275,000	275,000	275,000
Total Working Balance	2,727,520	3,272,252	3,009,110	2,517,770

8. The Revenue Budget 2015/2016

8.1. Expenditure in 2015/2016 exceeds income by £491,340, which will be funded from the Working Balance. This includes the one-off cost of the Stock Condition Survey of £457,000. The major variations for 2015/2016 are analysed below in TABLE 4.

TABLE 4

Budget Variations	Budget 2015/16	Budget Variations	Budget 2015/16
	£'000		£'000
Original Budgeted Net Surplus 2014/15	(457)	Repairs and Maintenance	
Dwelling, Land & Building Rents	(373)	Employees, Central Support & Admin	150
Charges for Services	(25)	Salaries Previously Capitalised	309
Renewable Heat Incentive	(80)	Planned Repairs	67
Income From Works Recharged	14	Responsive Repairs	149
Community Amenities Contribution	(15)	Disabled Adaptations Transfer	80
Supervision and Management		Capital Charges	(33)
Employees, Central Support & Admin	(61)	Rents & Rates	(6)
Professional Services & Advice	28	Premises Insurance	(16)
Stock Condition Survey	457	Contribution to Capital Programme	(475)
Special Services		Debt Management Costs	4
Employees, Central Support & Admin	8	Supporting People Contribution	4
Sheltered Alarm & Call Systems	(2)	Debt Repayment Provision	(19)
Cleaning of Premises	33	HRA Investment Income	20
Ground Maintenance	30	Depreciation of Fixed Assets	716
Maintenance, Refuse & Repairs	(5)	Net Variation	948
Heating & Lighting Energy	(11)	Projected Net Deficit (Surplus)	491
		Projected Balance 1 April 2015	(3,009)
		Estimated Balance 31 March 2016	(2,518)

9. The Rent Decisions

9.1. Background

9.1.1. The Council has been following the Government's guidance for rents for social housing since April 2003.

9.1.2. In May 2014, the Government issued new guidance setting out its policy on rents for social housing from April 2015. This followed consultation at the end of 2013.

9.1.3. The new guidance simplifies the approach to setting the rent for each property, but this will result in an annual loss of income to the Council compared with continuing the current policy of convergence.

9.1.4. Although the Government expects authorities to comply with the new guidance, it is not compulsory to do so. The proposal is to continue in 2015/2016 with a policy of rent convergence so that, over time, all tenancies will be let at formula rent.

9.2. The Current Approach to Rent Setting

9.2.1. The rent for each property is based on a formula set by Government. There is a 'formula rent' rent for each property based on the relative value of the property, relative local income levels and the size of the property. The formula rent was fixed at the start of the system, but has been subject to inflationary increases.

9.2.2. When the system was introduced, the actual rent for each property invariably differed from its formula rent. Following the guidance, actual rents were increased by RPI plus 0.5% plus up to an additional £2 per week where the rent is below the formula level. The expectation was that, over a number of years, the actual rent would converge with the formula rent.

9.2.3. In 2014/2015, the position at Lewes District Council is:

Tenants Converged		259
Tenants Not Converged		2,970
% Tenanted Converged		8.0%
Difference between formula rent and actual rent for non-converged properties	Gap	Number
	£0.01 to £5.00	2,661
	£5.01 to £10.00	114
	£10.01 to £19.99	145
	Above £20.00	50
	Total	2,970

9.2.4. Over the 11 year period of following the policy of 'rent convergence', in those cases where the formula rent of a property was lower than the actual rent, the actual rent was reduced down to equal the formula rent. New tenancies are currently on the basis of the outgoing tenant's actual rent, rather than the formula rent.

9.3. New Government Guidance

9.3.1. The key elements of the new Government guidance are:

- Index linking of rent increases:

Current approach: September RPI + 0.5%. For 2015/2016 this is 2.8%

New guidance: September CPI + 1.0%. For 2015/2016 this is 2.2%

The effect of this switch in the calculation of index linking is a reduction in rent income of approximately £88,000 in 2015/2016.

- End of convergence to formula rent. The maximum £2 per week additional increase for those properties below formula rent will no longer apply. The Government recognises that some properties will not have reached their formula rent by April 2015 and recommends that rent only moves up to formula rent where the property is re-let following vacancy.

9.4. Proposal

9.4.1. There is no requirement for the Council to adopt a rent setting policy which follows the Government's guidance. However, if a substantial increase in rents were to be introduced, taking the average rent above a pre-determined 'limit rent', the subsidy that the Council receives in respect of the cost of rent rebates awarded to tenants would not cover the full cost of those rebates. This would be a cost to the Housing Revenue Account. The proposal set out below would not breach the 'limit rent'.

9.4.2. The Council's proposal is to adopt the Government's approach to inflationary increases but also to continue with a system of rent convergence in 2015/2016. In this way, the number of tenancies let at formula rent will continue to increase each year. The convergence mechanism would be based on the principle of all tenancies being let at formula rent after 3 years (2018/2019). However, to protect those tenants who may otherwise be faced with a substantial increase, a weekly cap would continue to apply.

9.4.3. The proposal is to calculate the rent increase by using the following formula:

- Increase CPI + 1% + £3 per week for properties below formula rent.
- The £3 per week cap is the Government's £2 per week convergence factor uprated for cumulative inflation.

9.4.4. This policy is the basis on which the budget has been prepared and formal consultation undertaken with TOLD, who have responded that it agrees that the proposal is fair (Appendix 7).

9.5. Effect on Rents

9.5.1. The result of applying this formula will be as follows:

	Convergence to formula rent - 3 year				
	2014.15	2015.16	2016.17	2017.18	
Average Rent	£87.86	£90.34	£93.62	£97.00	
Average Increase %		2.83%	3.62%	3.62%	
Average increase £		£2.49	£3.27	£3.38	
Maximum increase %		9.93%	10.04%	9.40%	
Maximum increase £		£5.84	£7.05	£7.26	
Average Formula Rent	£90.03	£92.01	£94.77	£97.61	
Tenants Converged	259	264	277	3,002	
Tenants Not Converged	2,970	2,965	2,952	227	
% Tenanted Converged	8.0%	8.2%	8.6%	93.0%	
Average Gap between Formula and Actual Rent		£1.81	£1.26	£8.64	
Number of Tenants where gap between Formula and Actual Rent is:	£5.00	114	95	65	78
	£10.00	145	114	93	54
	£20.00	50	41	25	18

9.5.2. The table above indicates that, by the end of the 3 year period, 93% of tenancies will be let at formula rent. The £3 per week cap prevents the remaining 7% of tenancies achieving this position.

9.5.3. The average increase of 2.83% / £2.49 per week incorporates a range of increases for individual tenancies. These are analysed as follows:

% Increase	Number of tenants	£ Increase	Number of tenants
up to 2.2%	300	up to £2.00	1,014
2.2% up to 3%	2,505	£2.01 up to £3.00	1,736
3% up to 4%	118	£3.01 up to £4.00	179
4% up to 5%	126	£4.01 up to £5.00	129
5% up to 6%	153	£5.01 up to £6.00	171
6% up to 7%	23	£6.01 up to £7.00	-
7% up to 8%	1	£7.01 up to £8.00	-
8% up to 9%	2	£8.01 up to £9.00	-
9% up to 10%	1	£9.01 up to £10.00	-
above 10%	-	above £10.00	-
TOTAL	3,229	TOTAL	3,229

9.5.4 With regard to the highest % increase shown in the table above, the weekly rent payable for the property in 2015/2016 will be £42.61, £12.16 lower than its formula rent, £54.77.

9.6. Effect on HRA

9.6.1. By continuing with the convergence of actual to formula rents, more income is generated for the HRA to support the maintenance of the stock and new initiatives including new homes. Over the 10 year period, 2015/2016 to 2024/2025, the cumulative value of this additional rent income is projected to be £3.5m.

9.6.2. Compared with the Government guidance, projected rent income for the next three years is as follows:

	2015.16	2016.17	2017.18
Rental Income (Proposal)	£15,169,393	£15,719,282	£16,287,613
Rental Income (Government Guidance)	£15,076,323	£15,528,568	£15,994,439
Variance	£93,070	£190,714	£293,174

9.7. New Tenancies

9.7.1. Currently, new tenancies are let on the basis of the actual rent payable by the outgoing tenant. In this way, neighbouring tenants in identical properties will pay the same rent.

9.7.2. The guidance recommends that new tenancies are let at formula rent. It is proposed that the Council moves to this approach and that all new tenancies, excluding tenancy transfers, from 6 April 2015 be let at formula rent.

10. Rents for Tenants with High Incomes

10.1. The Government believes that local authorities should be able to charge tenants with high incomes a fairer level of rent to stay in their homes. The Government's new rent guidance, therefore, does not apply to properties let to households with incomes of at least £60,000 per year.

10.2. There is no statutory requirement for tenants to disclose household income to the local authority. As a result, the Council does not consider it to be practicable or cost effective to implement differential rents for high income households and it is not proposed to pursue this option.

11. Affordable Rents

11.1. The Council has acquired two properties under the Mortgage Rescue Scheme, as facilitated by Moat Homes Ltd (MOAT). The rents on these properties are set as Affordable Rents, which are based on 80% of the monthly Market Rent. The agreements provide that the rents will increase in April each year by the Retail Price Index (September RPI) plus 0.5%

11.2. The increase for 2015/2016 will be 2.8% (September RPI 2.3% + 0.5%).

12. Garage Rents

- 12.1.** Garage Rents are not within the scope of formula rents. It is left to each Council to formulate its own policy on garage rents.
- 12.2.** The Council continues to undertake a programme of refurbishment works to council garages. In approving the refurbishment programme, Cabinet agreed that garage rents should reflect the local garage rental market. Market rents were phased in from April 2011 for both refurbished and non-refurbished garages.
- 12.3.** Garage rentals are updated each year by September RPI. A review of garage rents will be undertaken following completion of the project to develop certain garage sites.
- 12.4.** TABLE 8 sets out the weekly market rents for garages.

TABLE 8

	Full Market Rents Overall £	Rents 2014/15 £	Rents 2015/16 £	Rent Increase	
				£	%
Lowest	11.38	11.12	11.38	0.26	2.3
Average	16.27	15.90	16.27	0.37	2.3
Highest	17.16	16.77	17.16	0.39	2.3

13. Private Sector Leased Property Rentals

- 13.1.** The Council's private sector leasing (PSL) scheme falls outside the scope of formula rents and is accounted for in the General Fund. The properties are leased from owners/landlords for a three-year period and sub-let to homeless families. There are currently eighteen properties within the scheme.
- 13.2.** The annual rent increase, if any, to owners is dealt with in the head lease.
- 13.3.** The Council's policy is to increase PSL rents each April by the September RPI inflation factor, which is 2.3% for 2015/2016.

The Service Charges Decisions

14. The Special Services Charge

- 14.1.** The Special Services Charge recovers the cost of estate services and estate maintenance (e.g. grounds maintenance, grass cutting of open spaces & common areas, communal lighting) not recovered through specific property service charges.
- 14.2.** The Special Services Charge for 2015/2016 has been revised, in accordance with agreed Council practice, to reflect the proposed budget. The average Special Services Charge for 2015/2016 is £0.25 per week, unchanged from 2014/2015.

15. The Communal Services Charge

15.1. The Communal Services Charge recovers the cost of caretaking, cleaning, door entry & alarm systems, TV receiving equipment, laundry services, communal lighting and grass cutting of communal areas to tenants living in general needs flats.

15.2. The Communal Services Charge has been revised to reflect the 2015/2016 budget. The average Communal Services Charge for 2015/2016 is £3.12 per week (2014/2015 £3.08).

16. The Homeless Accommodation Service Charge

16.1. The service charge relates to the facilities provided at homelessness properties held within the Housing Revenue Account. Service charges for the units at Saxonbury are subject to a reduction which recognises that the building is not energy efficient.

16.2. The Homeless Accommodation Service Charge for 2015/2016 has been reviewed, in accordance with agreed Council practice, to reflect the proposed budget. The average personal services charge for 2015/2016 is £13.17 per week (2014/2015 £14.16), and the average communal services charge is £21.19 per week (2014/2015 £20.67). The communal element of the service charge is eligible for housing benefit.

17. The Supported Housing Service Charge

17.1. The Supported Housing Service Charge has been revised to reflect the budget for 2015/2016. The proposed service charges for 2015/2016 are set out in TABLE 9. The communal element of the service charge is eligible for housing benefit.

TABLE 9

Scheme	Location	Sheltered Housing Charges	Sheltered Housing Charges	Sheltered Housing Charges	Sheltered Housing Charges
		Personal	Personal	Communal	Communal
		2014/15	2015/16	2014/15	2015/16
		£	£	£	£
Allington, Baden's, Brooks & Millfield	Newick	-	-	17.76	19.09
Arundel & Southdown Roads	Peacehaven	-	-	18.24	19.71
Ashington/Chichester/Downland	Peacehaven	-	-	15.12	16.11
Bouhey Place	Lewes	-	-	25.16	23.91
Churchill House	Seaford	7.79	7.46	21.91	24.08
Coldstream House	Seaford	-	-	27.90	28.48
Meridian Court	Peacehaven	9.90	9.24	25.19	25.68
Mill Close & Mill Road	Ringmer	-	-	18.46	19.35
Neill's Close & Jubilee Homes	Newhaven	-	-	15.61	17.88
Newton Road	Lewes	-	-	18.75	19.80
Rathan Court	Newhaven	9.74	9.45	20.24	22.08
Reed Court	Lewes	8.52	8.94	25.16	23.91
Seaford House	Seaford	6.90	6.15	23.56	24.19
St. David's Court	Peacehaven	21.15	20.50	22.48	23.42
Average		10.08	9.69	20.42	21.49

18. The Supporting People Service Charge

- 18.1. East Sussex County Council makes a financial contribution towards the cost of providing the Supporting People service to eligible tenants. The agreed contribution is £10 per week per unit. The number of tenants eligible for support is capped at 307 units.
- 18.2. Eligible tenants in receipt of the support package receive financial support from the County Council. Where there is no entitlement to financial support, tenants are required to pay the full support charge from their own resources.
- 18.3. Tenants who are not eligible for support from the County Council but were tenants at the start of the new scheme (April 2003) are entitled to full protection until such time as their tenancy is terminated. This is a charge on the Housing Revenue Account.

19. Other Service Charges

- 19.1. All other service charges have been updated to reflect the 2015/2016 budget and achieve full cost recovery. This charge includes sundry charges for digital television reception, residual lifeline services and domestic cookers provided at certain properties.
- 19.2. A review of the Communal Service Charge will be undertaken in 2015/2016 with the aim of aligning the charges with those for leaseholders; reflecting the organisational change within the Council and the agreement of new contracts for grounds maintenance communal cleaning. A report setting out the options for change will be submitted to Cabinet in autumn 2016, for planned implementation from April 2016.

The Capital Programme

20. The capital programme is restricted to the amount of funding available from four major sources.

- *Prudential Borrowing.* Any borrowing to fund additions or improvements to the stock must be affordable to the HRA. The borrowing must not take the total debt above the cap of £75,248,090 (paragraph 5.2 - TABLE 1).
- *The Major Repairs Reserve* (paragraph 6.3 - TABLE 2).
- *Capital Receipts.* As an indication, in the first six months of 2014/2015, the proceeds from the sale of five dwellings amounted to £453,500, which have been allocated, in accordance with statutory requirements, for four purposes.
 - (i) To finance Non-HRA capital expenditure (£77,777);
 - (ii) To repay HRA borrowing, in accordance with the self-financing settlement (£91,325);
 - (iii) To pay the Government its prescribed share, (£179,784);
 - (iv) To fund new affordable housing, in accordance with the Government scheme introduced in April 2012 (£104,614).

21. Capital Requirements for the next three years are shown in TABLE 11. This is based on historic stock condition survey data and will be revised when information becomes available from the survey currently being commissioned.

21.1. TABLE 10 shows those items within the approved 2014/2015 Capital Programme (as reported to Cabinet in November 2014) relating to those services covered by the Housing Revenue Account.

21.2. Capital schemes in respect of private sector housing or housing association schemes are within the General Fund Housing Investment Capital Programme.

21.3. This approach is adopted because some of the resources which are available to the Council to fund the Capital Programme can be used on either the General Fund or Housing Revenue Account, for example capital receipts, whereas other resources can only be used for HRA purposes. Cabinet agrees the split of the shared resources, according to its overall priorities for capital expenditure.

TABLE 10

Ref	HRA Investment Capital Programme	2014/15 £
1	<i>Expenditure</i>	
2	<i>Improvements to Existing Stock</i>	
3	- Kitchen & Bathroom Renewals	680,000
4	- Gas Heating Improvements	1,300,000
5	- Heating Sustainable Replacement	700,000
6	- Window & Door Replacement	700,000
7	- Electrical Rewiring	100,000
8	- Roofing & Chimney Works	450,000
9	- Structural Works	100,000
10	- Insulation Improvements	100,000
11	- Fire Precaution Works	250,000
12	<i>Other Works</i>	
13	Adaptations for Disabled Tenants	430,000
14	Door Entry Security Systems	148,170
15	Rooms in Roofs Conversions	309,870
16	Environmental Improvements	110,000
17	Recreation and Play Areas	50,000
18	Digital TV Reception	100,000
19	Garage & Fencing Improvements	110,000
20	Churchill House Lift Replacement	60,000
21	Buy Back of Right to Buy Properties	182,100
22	Agile Working Project	58,940
23	Total	5,939,080
24	<i>Funding</i>	
25	Borrowing	182,100
26	Major Repairs Reserve	5,120,830
27	Revenue Account Contribution	614,720
28	Leaseholder Contributions	21,430
29	Total	5,939,080

21.4. The proposed programme for the three-year period 2015/16 to 2017/18 is shown in TABLE 11 below. It assumes the Council undertakes prudential borrowing of £2,872,090; utilises the Major Repairs Reserve of £13,575,000; applies Capital Receipts of £1,500,000; and makes a revenue contribution to the capital programme of £2,460,000.

21.5. The Council's bid to Government for additional borrowing of £2,317,090 to finance the construction of thirty new dwellings was successful. The project has been included in the Capital Programme (2015/16) in the sum of £3,817,090. The Council will fund the balance of £1,500,000 from Capital Receipts.

TABLE 11

Ref	HRA Investment Capital Programme	2015/16 £	2016/17 £	2017/18 £
1	<i>Expenditure</i>			
2	<i>Construction of New Dwellings</i>		-	-
3	- Balcombe Road, Peacehaven	759,830	-	-
4	- Grassmere Court, Telscombe Cliffs	506,550	-	-
5	- Headland Way, Peacehaven	506,550	-	-
6	- Hythe Crescent, Seaford	235,340	-	-
7	- Rectory Close, Newhaven	1,013,110	-	-
8	- Valley Road, Newhaven	506,550	-	-
9	- Waldshut Road, Lewes	289,160	-	-
10	<i>Improvements to Existing Stock</i>			
11	- Kitchen & Bathroom Renewals	600,000	600,000	600,000
12	- Gas Heating Improvements	1,000,000	1,000,000	900,000
13	- Heating Sustainable Replacement	1,200,000	1,200,000	1,500,000
14	- Window & Door Replacement	600,000	600,000	600,000
15	- Electrical Rewiring	100,000	100,000	100,000
16	- Roofing & Chimney Works	650,000	650,000	450,000
17	- Structural Works	105,000	105,000	105,000
18	- Insulation Improvements	70,000	70,000	70,000
19	- Fire Precaution Works	300,000	300,000	300,000
20	<i>Other Works</i>			
21	Adaptations for Disabled Tenants	350,000	350,000	350,000
22	Door Entry Security Systems	50,000	50,000	50,000
23	Rooms in Roofs Conversions	150,000	150,000	150,000
24	Environmental Improvements	120,000	120,000	120,000
25	Recreation & Play Areas	50,000	50,000	50,000
26	Buy Back of Right to Buy Properties	185,000	185,000	185,000
27	Total	9,347,090	5,530,000	5,530,000
28	<i>Funding</i>			
29	Borrowing	2,502,090	185,000	185,000
30	Capital Receipts	1,500,000	-	-
31	Major Repairs Reserve	4,525,000	4,525,000	4,525,000
32	Revenue Account Contribution	820,000	820,000	820,000
33	Total	9,347,090	5,530,000	5,530,000

22. Tenant Consultation

- 22.1.** An integral part of the Budget process is a constructive dialogue with The Tenants of Lewes District Group (TOLD). This year the Council has been in ongoing discussions with TOLD regarding the Revenue Budget and Capital Programme.
- 22.2.** The response of TOLD to the budget consultation is included at Appendix 7.

Financial Implications

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

Sustainability Implications

24. I have not completed the Sustainability Implications Questionnaire as this Report is exempt from the requirement because it is a budget monitoring report.

Risk Management Implications

25. I have completed a risk assessment in accordance with the Council's Risk Management methodology and the following risks and mitigating factors have been identified.

- 25.1.** The Revenue Budget has been compiled in accordance with the approved budget preparation guidelines, mitigating the risk that the budgets do not reflect likely expenditure needs or income levels. The budget is consistent with the 30 year Business Plan for the Housing Revenue Account.

Equality Screening

26. The equality screening process for this report took place in January 2015. No potential negative impacts were identified.

Legal Implications

27. None arising from this Report

Background Papers

DCLG Guidance on Rents for Social Housing (May 2014)
DCLG Direction on the Rent Standard (May 2014)

Appendices:

Appendix 1 – HRA Budget 2015/2016 Summary
Appendix 2 – HRA Budget 2015/2016 Supervision and Management
Appendix 3 – HRA Budget 2015/2016 Special Services
Appendix 4 – HRA Budget 2015/2016 Repairs and Maintenance
Appendix 5 – HRA Budget 2015/2016 Resources Analysis
Appendix 6 – HRA Budget 2015/2016 Working Balance Allocation
Appendix 7 – TOLD Response to Budget Consultation