Agenda Item No:	**6**	**Report No:**	**15/14**
Report Title:	**2014/2015 Revenue Budgets and Capital Programme**		
Report To:	**Scrutiny**	**Date:**	**16 January 2014**
Cabinet Member:	**Councillor James Page** **Councillor Andy Smith** **Councillor Tony Nicholson**		
Ward(s) Affected:	**All**		
Report By:	**Director of Finance**		

Contact Officer(s)-

Name(s): **John Magness**
Post Title(s): **Director of Finance**
E-mail(s): **john.magness@lewes.gov.uk**
Tel No(s): **01273 484468**

Purpose of Report:

To explain the context in which next year's General Fund and Housing Revenue Account budgets and the Capital Programme have been prepared so that the Committee can provide its comments to Cabinet as part of the budget setting process.

Officers Recommendation(s):

1 That the Committee provides its views and comments to Cabinet on:

1.1 The proposal to freeze council tax next year.

1.2 Delivery of the savings target.

1.3 The level of the Council's Reserves and Balances.

1.4 The Capital programme outlook.

1.5 The 2014/2015 Housing Revenue Account draft budget.

Reasons for Recommendations

1 At its meeting on 13 February 2014 Cabinet will consider reports containing proposals for the General Fund and Housing Revenue Account budgets for 2014/2015 and a Capital Programme for the next three years. Cabinet will make final recommendations on the budgets to Council for decision at its meeting on 26 February 2014.

2 The Council's Constitution identifies the Scrutiny Committee as a key consultee to the budget setting process. At its meeting on 17 January 2013, Scrutiny Committee reviewed the draft budgets for 2013/2014 and made a number of recommendations to Cabinet. Appendix A lists those recommendations and explains the action that Cabinet then agreed to take.

3 General Fund Budget 2014/2015 - National Context

3.1 Deficit Reduction

On 18 December 2013, the Government released for consultation its Provisional Local Government Finance Settlement for 2014/2015. At the same time, an illustrative settlement for 2015/2016 was also published. The Settlement confirms that local government, although protected from further reductions in funding faced by other government departments announced by the Chancellor in his Autumn Statement 2013, will continue to face significant spending reductions through to 2016.

There is an overall reduction in district councils' revenue spending power of 2.5% in 2014/2015 and 3.0% in 2015/2016. Across all types of authorities, and excluding income from council tax, there is a reduction of 5.3% in 2014/2015 and 3.5% per cent in 2015/2016, or 8.5% over the two years.

The Government will continue to pay an Efficiency Support Grant to councils which would otherwise have a revenue spending power reduction of more than 6.9%. It will also continue to pay a grant to the most sparsely populated authorities. This Council does not meet the qualifying criteria for either of these additional grants.

3.2 Business Rates Retention

There are no changes to the business rates retention scheme which was introduced in April 2013. Under this scheme, 50% of business rates collected go to the Government. The other 50% is known as the Local Share. Of the Local Share 2% will go to the East Sussex Fire Authority, 18% to East Sussex County Council, and 80% retained by Lewes District Council but subject to deduction of a levy at a trigger point. A system of tariffs and top-ups has been established to allow locally retained business rates to be redistributed from high business rate yield authorities to low-yield authorities. The tariff is annually uprated by inflation and payable for each future year.

The intention of the Rates Retention Scheme is to incentivise local authorities to grow their business rate base, and the scheme has been devised to allow local authorities to benefit from this growth. A safety net will provide protection for local authorities against significant reductions in their income by guaranteeing that no local authority will see its retained business rate income fall below a fixed percentage (92.5%) of its baseline funding level. The safety net will be paid for by a 50% levy on disproportionate growth for those authorities which experience business rate growth.

The impact of the tariff and levy is that the Council retains a much lower share of business rates income, and growth in the base, than the headline figures suggest. This is illustrated in Appendix B which shows that the Council keeps 8.7% of rate income assumed to be collectable from local businesses when the scheme was launched, and takes a 20% share of rate income in excess of this target.

The income from business rates will be affected by the measures announced in the 2013 Autumn Statement. These are:

- the 3.2 per cent RPI increase for 2014/2015 will be reduced to 2%
- a £1,000 discount for all retail, pubs, cafes (excluding banks and betting offices) with rateable values below £50,000 for 2 years.
- the doubling of Small Business Rate Relief will continue for a further year.
- Ratepayers will continue to keep their Small Business Rate Relief entitlement for a year where they take on a second property. New occupiers of former retail premises which have been unoccupied for a year will receive a 50% discount for 18 months.

The Government has said that it will fully compensate local authorities for the loss of income arising from these measures.

3.3 Council tax

The freeze grant will be extended for both 2014/2015 and 2015/2016. This grant is equivalent to a one per cent increase in council tax. The Government has indicated that Councils accepting these grants will have them included in the baseline of the funding settlement for 2016/2017, in order to avoid a cliff edge in medium term finance plans.

An authority wishing to increase its council tax above a certain threshold is required to hold a local Referendum before going ahead. The Government is expected to announce the thresholds on 9 February alongside the presentation of the final local government spending settlement to Parliament. It has suggested that some lower thresholds could be applied to all or some categories of authorities. In 2013/2014 the threshold for District Councils was an increase of 2%. To date, the Referendum scheme has not applied to Town or Parish Councils – it is not yet clear whether this will continue to be the case.

There will be implications for Billing Authorities (i.e. councils who collect the Council Tax on behalf of all precepting bodies) if one of the major preceptors is required to conduct a referendum. The implications would include the cost of rebilling, interest on delayed cash flow, recalculation of entitlement to Local Council Tax Support plus the reissue of Local Council Tax Support notification letters and the general knock on effect this additional work has on day to day administration and recovery activities.

3.4 Local Council Tax Support

As previously announced, funding for local council tax support schemes is now included in the core Finance Settlement and is not separately identified at individual local authority level. The national total is £3.3 billion and includes an element within to reflect reductions in the parish tax base. The Government expects billing authorities to carry on passing on support to town councils and parishes to help mitigate any reduction in their taxbase due to the local Council Tax support scheme. Cabinet approved a schedule of payments at its November 2013 and this has been circulated to the Town and Parish Councils.

3.5 New Homes Bonus

The New Homes Bonus is a grant paid by the Government to local councils for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

After consulting with local authorities, the Government decided not to take forward plans to transfer a proportion of New Homes Bonus funding to Local Enterprise Partnerships from April 2015.

4 General Fund Budget 2014/2015 – Local Context

4.1 Cabinet has set financial Principles and Objectives in its Medium Term Financial Strategy. These are reproduced in Appendix C.

4.2 The 2014/2015 draft budget has been prepared in accordance with the following framework:

Base budget:

(a) no new items to be added to the estimates except where approved by Cabinet in the year to date.

(b) savings reported to and agreed by Cabinet to date to be incorporated within draft budgets.

Employee budgets:

(c) a provision of 1% has been made for movements in the pay bill in line with national priorities.

(d) provision has been made for annual contractual salary increments.

(e) the Council's budgeted employer's pension contribution rate for 2014/2015, reflected in the cost of each service, is the same as that proposed by the actuary following the three-yearly review of the East Sussex Pension Fund finalised in December 2013. The following contributions are proposed by the actuary:

2014/2015:	20.5% plus £46,500 (equates to 21.0% in total)
2015/2016	20.5% plus £97,000 (equates to 21.5% in total)
2016/2017	20.5% plus £151,700 (equates to 22.1% in total)

Inflation:

(f) no allowance for general price increases other than where these are unavoidable eg business rates

(g) agreed cost indices in tendered contracts have been incorporated, for example the Wave Leisure Trust service fee at 3.0%. At the time of writing this report, new contractual arrangements in respect of Insurance, Grounds Maintenance, Public conveniences cleaning and Office cleaning were in the process of being agreed. All of these contracts will be operational in 2014/2015 and indications are that the final agreed costs will be less than provided for in the service budgets. Any difference between the budget provision and the new contract costs will form an initial contribution to the General Fund savings target.

4.3 Should average price inflation (excludes pay) exceed assumptions in the budget outlook by 1%, this would add around £100,000 to the budget deficit reduction target.

4.4 Income from general fees and charges is largely related to usage and activity levels. The Medium Term Finance Strategy had assumed an inflationary increase of 2.5% for income. At that level, the target aggregate income for 2014/2015 is £2.644m. However, the fees and charges recommended by Cabinet to Council are estimated to generate £2.474m in 2014/2015. This means that the income component of next year's budget has fallen short by £0.170m in real terms. It leaves just £0.093m for price inflation provision on expenditure budgets. Any price inflation above this amount will translate into a further savings target.

4.5 Spending Power.

As noted in paragraph 3.1, the Government's Finance Settlement reduces district council spending power by an average of 2.5% in 2014/2015. The reduction in this Council's spending power, 2.0% is lower than the average. Details are as follows:

	£	£	£
Council Tax Requirement	6,628,241	6,686,463	58,222
Settlement Funding Assessment	4,979,938	4,322,707	(657,231)
Section 31 grants for business rates cap	-	21,205	21,205
minus Council Tax Support Funding to Parishes	(322,334)	(322,334)	-
Community Right to Challenge funding	8,547	8,547	-
Community Right to Bid funding	7,855	7,855	-
Indicative Council Tax Freeze Grant 2014-15	-	76,122	76,122
New Homes Bonus	861,146	1,169,122	307,976
New Homes Bonus: returned funding	16,608	6,932	- 9,676
LCTS/Housing Benefit Subsidy Admin	592,976	521,819	- 71,157
Council Tax Support New Burdens Funding	58,000	76,406	18,406
Estimated 2014-15 Revenue Spending Power	12,830,977	12,574,844	- 256,133
			-2.00%

5 Draft General Fund Budget for 2014/2015

5.1 The draft General Fund Budget Summary for 2014/2015 is shown at Appendix D. In previous years, service budgets have been grouped on the Summary by Lead Councillor Portfolio. However, experience shows that Portfolio responsibilities are subject to change, and it is now considered to be more appropriate to present the Summary using CIPFA's standard 'Service Expenditure Analysis'. This approach will provide consistency between years and be in the statutory format in which all councils are required to present their accounts. This will also reduce the workload on the accountancy team when preparing the Council's statutory accounts as it will not be necessary to prepare statements which reconcile the 'Portfolio' analysis against the 'CIPFA' analysis.

5.2 At its meeting on 18 November 2013, Cabinet agreed to commence the 2014/2015 budget consultation process on the basis of a further year's council tax freeze. The Band D Council Tax in 2013/2014 is £192.48. As a result, the gross amount to be raised from Council taxpayers will be £6,673,400. In order to achieve this, it will be necessary to continue to make recurring savings. It is possible to utilise some of the Working Balance while these savings are put in place. Indicative amounts for the remaining savings target, £511,000, and the use of the working balance, £749,000, are shown at lines 8b and 22 respectively. However, Cabinet will agree the final position at its meeting on 13 February 2014 when it considers the Medium Term Budget Outlook.

5.3 Progress on Delivering the Savings Target

5.3.1 Corporate Management Team (CMT) is responsible for delivering the savings target, with regular reports being made to Cabinet through the year, most recently in November 2013. That report noted that the 2013/2014 recurring savings target had been exceeded by £40,000; the savings have predominantly arisen from the Council's Modernisation Programme and the Voluntary Severance Scheme.

5.3.2 Following the Local Government Finance Settlement, the savings targets for 2014/2015 and 2015/2016 are broadly in line with the latest Medium Term Budget Outlook reported to Cabinet in November 2013. If the savings are not in place by the start of the financial year there will be an additional drain on the General Fund Working Balance until they are delivered.

5.3.3 The targets are achieved only when they have an impact on the recurring base budget. When recurring targets are missed they must be made up by non recurring savings in that year in order to avoid a further drain on the Working Balance. The missed recurring target is then carried forward into the next year.

5.3.4 Programme Nexus is providing the platform to achieve more savings; the critical factors will now be the identification of savings equal to the annual targets and the precise timing for delivering those savings.

6 Financial Resilience

6.1 In December 2013, Grant Thornton (auditors to a large number of local authorities) published a national report on local authorities' financial resilience. This is the third year that they have carried out such a review, which is based on information from 40% of the sector. The report suggests some of the key priorities for local authorities in responding to the challenge of remaining financial sustainable. A copy is attached at Appendix E.

6.2 The Council's external auditors, BDO, are required to assess the Council's arrangements to secure financial resilience. Reserves are an important part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. Having the right level of reserves is important. Where councils hold very low reserves, there may be little resilience to financial shocks and sustained financial challenges. Where reserves are high, councils may hold more than they need.

6.3 In December 2012, the Audit Commission (AC) published a paper 'Striking a balance – Improving councils' decision making on reserves'. In this document the AC acknowledges that there is no set formula for deciding what level of reserves is appropriate, too low or too high and that councils are free to determine the reserves that they hold.

6.4 The AC recommend that councillors should request and make use of information that will enable them to assess the adequacy and necessity of reserves; monitor change in reserves over time, relative to spending; and understand how reserves compare with those held by councils facing similar circumstances.

6.5 Cabinet considers the level of reserves twice a year (at budget time and after the year end). In January 2013, the Scrutiny Committee carried out a detailed review of each of the reserves, identifying a number of examples where funds could be released for alternative use. Cabinet took note of the Scrutiny Committee's comments when finalising the 2013/2014 budget.

6.6 Appendix C gives a summary of all the General Fund Reserves along with the Housing Revenue Account's Major Repairs Reserve.

6.7 The AC recommend that councillors consider how the level of reserves compares with those held by councils facing similar circumstances. Details are shown in the table below, which represents the position at 31 March 2013.

	Total Reserves £'000	Total Reserves as % of net expend	Unallocated Reserves £'000	Unallocated Reserves as % of net expend
All Districts	2,304,489	87.7	948,627	36.1
Other East Sussex Districts	40,795	62.9	12,739	19.6
Lewes District Council	12,731	98.5	2,679	20.7

6.8 The figures shown above exclude reserves held in local authority Housing Revenue Accounts (where applicable).

6.9 It should be noted that investment income, which supports the General Fund budget, is generated from the investment of Reserves and Balances pending their use.

7 The Capital Programme Outlook

7.1 Funding for statutory General Fund capital services (mainly within the Private Sector Housing Renewal programme) continues to be tight, and this will impact on how the Council allocates its Earmarked Reserves and the Working Balance. The statutory capital programme needs funding of £0.6m each year. Competing for this resource is the Council's asset maintenance programme for major works to non-housing property assets for example public conveniences, car parks, offices and depots. Apart from "affordable" borrowing to fund the upfront costs of projects which will generate income or enable savings in future years, the main sources of finance for the capital programme are capital receipts (from asset sales), grant funding and revenue contributions to capital from the Revenue Budget.

7.2 Revenue contributions to capital can be made either by the provision of a non recurring contribution in the Revenue budget when circumstances permit or by annual recurring contributions by generating further savings in the revenue budget. With the significant scale of savings already needed to address the Council's deficit reduction plan this leads to a growing tension between the revenue and capital budget position of the Council in terms of which services will have priority access to limited funds.

7.3 The Prudential Code requires local authorities to plan their capital expenditure programme for at least three years ahead. Understandably, the most detailed information is available for year 1, with the programme for years 2 and 3 liable to variation when more precise forecasting can be undertaken in terms of both the availability of capital resources and spending requirements.

7.4 The following table shows a draft of the indicative three year programme to be considered by Cabinet at its meeting on 13 February (because of the relative timings for the production of papers of this meeting of the Scrutiny Committee and Cabinet, changes to the draft may be made in the interim). The main points to note are:

- Line 1: the HRA Capital Programme is consistent with the 30 year Business Plan and can be financed from the resources available under 'self-financing'.

- Line 2: the Government has yet to confirm the level of funding which it will make available in respect of mandatory Disabled Facilities Grants. The Government has traditionally provided 60% of the funding and the Council has met the balance from its own resources; the sole source being the retained portion of Right to Buy receipts. This is typical amongst district councils. This is the area where tension arises between the Revenue and Capital budgets when resources become less plentiful.

- Line 3: a provision for discretionary support for private sector Housing schemes, for example energy improvement initiatives.

- Line 4: this is a provision for major repairs to Council-owned property, and can be funded at this level from the REAM Reserve provided that annual contributions remain at their present level.

- Line 5: the vehicle replacement programme is cyclical depending on the life of individual vehicles. The balance on the Vehicle Replacement Reserve is sufficient to fund this programme.

- Line 6: after the main refresh of the network and desktop hardware in 2013/2014 as part of the Nexus programme, provision will be needed to replace items of equipment as they reach the end of their useful life.

Line		2014/15 £'000	2015/16 £'000	2016/17 £'000	Total £'000
1	HRA Programme	5,758	5,426	5,800	16,984
2	Private Sector Housing – Mandatory Grants	600	600	600	1,800
3	Private Sector Housing - other support	135	135	135	405
	General Fund Programme				
4	- Asset Backlog Repairs	150	150	150	450
5	- Vehicle Replacements	245	705	230	1,180
6	- IT Replacements	50	50	50	150
7	Newhaven UTC	883	0	0	883
8	Sub-total	1,328	905	430	2,663
9	**Total Indicative Capital Programme**	**7,821**	**7,066**	**6,965**	**21,852**

7.5 The HRA Programme incorporates £0.35m for one-off acquisitions such as the buy-back of houses bought under the Right to Buy and which may be offered back to the Council. The Programme does not include an allocation for large-scale acquisition or build of new housing although at 31 March 2014 the Council has the ability to borrow £5.8m to support such schemes. The

Government continues to control local authority borrowing for housing purposes, and this Council's debt cap is £72.9m. Total borrowing at 1 April 2014 is £67.2m.

7.6 Since April 2012, local authorities have been able to retain capital receipts generated from Right to Buy sales which would otherwise have been passed over to the Government. Retained receipts must be spent on new affordable housing, but can only be used to fund a maximum of 30% of the cost of the new homes. To date, receipts with a total value of £525,000 have been retained, requiring spend of £1.7m on new affordable homes. Of this amount £1.4m was spent on the acquisition and commissioning of 12 flats at The Crest.

8 Housing Revenue Account Draft Budget 2014/2015

8.1 Appendix G sets out the draft Housing Revenue Account (HRA) budget for 2014/2015. At the time of writing this report, the draft budget was being finalised and consultation with the tenants representatives' group, TOLD.

8.2 The draft budget has been prepared in line with the 30 year business plan which can be fully funded under the self-financing arrangements which will enter their third year in 2014/2015 following the national reform which the Government introduced from 1 April 2012.

8.3 In simple terms, HRA expenditure is funded from the resources generated by tenants' rents and service charges. In line with Government policy, the Council introduced 'rent restructuring' in 2003/2004. Subject to the system of "rent limits" and "rent caps" the draft budget assumes that rent structuring continues to be phased in over a transitional period ending in 2015/2016. Following the end of the transitional period, the existing Council policy and the HRA Business Plan provides for rent increase of RPI (September) +½% in each subsequent year. This approach is consistent with that which the Government applied when it introduced self-financing and determined the amount that the Council was required to pay to the Government at that time, £56.7m, funded from long-term borrowing.

8.4 At the end of 2013, the Government consulted on changes to the guidance on rent setting by social landlords. The Government proposes that rent restructuring comes to an end in 2014/2015, a year earlier than anticipated and that future increases should be based on CPI +1%. In its response, the Council opposed the proposal to end restructuring a year early. If implemented, this would effectively remove rent income with a total value of £11m across the thirty years of the Housing business plan.

8.5 The average rent in 2014/2015 will be £87.89 per week, an increase of £4.03 (4.8%). The table below indicates the rents payable for different types of property along with the 'formula rent'. Where the actual rent is below the formula rent, the rent can be expected to increase above the rate of inflation over future years. Where actual rents exceed the formula rent, below inflationary increases can be expected.

	Dwelling Type	Average Weekly Target Formula Rent 2014/15	Actual Rent 2014/15	Actual/ Target Difference 2014/15
		£	£	£
	Bedsits	60.50	60.25	0.25
1	Bedroom Flat	72.78	71.92	0.86
2	Bedroom Flat	81.94	81.23	0.71
3	Bedroom Flat	87.35	86.73	0.62
4	Bedroom Flat	97.50	97.28	0.22
1	Bedroom House	84.35	80.39	3.96
2	Bedroom House	97.39	93.41	3.98
3	Bedroom House	106.97	104.35	2.62
4	Bedroom House	115.21	112.63	2.58
5	Bedroom House	129.92	115.13	14.79
6	Bedroom House	139.61	129.24	10.37

Dwelling Type	Average Weekly Target Formula Rent 2014/15	Actual Rent 2014/15	Actual/ Target Difference 2014/15
	£	£	£
All Bedsits	60.50	60.25	0.25
All Flats	77.18	76.40	0.78
All Houses	101.32	98.04	3.28
All Dwellings	**90.05**	**87.89**	**2.16**

8.6 The draft budget for 2014/2015 includes one-off expenditure with a total cost of £332,000 to carry out, record and analyse the condition of the housing stock. This information will be used to prioritise refurbishment work and major repairs within the context of an updated business plan. The Housing Revenue Account working balance is expected to include £907,000 for 'Special Projects' at 1 April 2014 and this will be used as the source of funding for this initiative.

8.7 It is proposed to utilise the remaining funds in the Special Projects Reserve to carry out a programme of specialist building surveys across the housing stock over the next five years, starting in 2014/2015. The total cost of the programme over this period is estimated to be £575,000.

Sustainability Implications

9 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

10 The Council maintains an overview of its policy programme, its medium term financial strategy and the external factors that affect them. Without this constant analysis and review there is a risk that the underlying recurring revenue budgets will grow at a faster rate than the resources available to fund them. This risk is mitigated through regular reports to Cabinet on the Council's overall revenue and capital position and Cabinet's correcting actions taken in accordance with the objectives and principles it set for management of the Council's finances.

11 An additional is that reserves and balances will be drawn upon sooner than is necessary unless an assessment is made of resource implications where activity levels have fallen or risen to any significant degree. This risk is mitigated by identifying such areas, making an assessment covering the short and medium term and taking corrective action.

Equality Screening

12 The Equality Screening process for the topics explained in this report will take place when the final budget reports are prepared for the Cabinet meeting in February 2014.

Background Papers

13 Audit Commission: Striking a balance – Improving councils' decision making on reserves http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/Strikingabalance.aspx

Appendices

14 Appendix A – 2013/2014 Budget Recommendations by Scrutiny Committee to Cabinet January 2013

15 Appendix B – Distribution of retained business rates income

16 Appendix C - Medium Term Finance Strategy – Principles and Objectives

17 Appendix D – The Draft General Fund Estimates Summary for 2014/2015

18 Appendix E – Grant Thornton report: "2016 tipping point?"

19 Appendix F – Schedule of Reserves

20 Appendix G – Draft Housing Revenue Account Budget Summary 2014/2015

Appendix A

2013/14 Budget Recommendations by Scrutiny Committee to Cabinet January 2013

Recommendation		Action
28.6	That the proposal to freeze Council Tax in 2013/14 be supported;	Council Tax freeze
28.7	That the need to deliver of the savings target in order to rebalance the budget, as detailed in Report No 13/13 be supported;	Savings target confirmed
28.8	That Cabinet be requested to agree the level of the Council's Reserves and Balances, as detailed in Appendix D of Report No 13/13, subject to recommendations 28.9 – 28.17;	Level of Reserves and Balances agreed, subject to 28.9 to 28.17
28.9	That Cabinet be requested to agree the Capital Programme Outlook;	Capital Programme outlook adopted
28.10	That Cabinet be requested to agree the Housing Revenue Account draft budget;	HRA draft budget adopted
28.11	That Cabinet be requested to use part of the money in the Service Priority Reserve, as detailed in Appendix D of Report No 13/13, to invest in a Council Service which would provide a regular income stream for the Council;	Strategic Priority Fund established to support existing and developing projects that have the potential to develop permanent ongoing income or expenditure reductions for the Council. Strategic Priority Funds has allocated funding to support local business growth as well as the Council's own procurement activity.
28.12	That Cabinet be requested to use £25K of the money in the Housing Benefit Standards and Improvement Reserve, as detailed in Appendix D of Report No 13/13, to pay for the Business Rates Retention software required;	Actioned
28.13	That Cabinet be requested to end the Concessionary Travel Reserve, as detailed in Appendix D of Report No 13/13, because the risk of claims arising has passed and use the balance to contribute to the Recycling Reserves;	Concessionary Travel Reserve closed. Cabinet prioritised transfer into Strategic Priority Fund.
28.14	That Cabinet be requested to use the amount transferred from the Concessionary Fares to the Recycling Reserve to contribute to the use of collection and drop off sites in areas that do not have cardboard recycling. This could include site acquisition or leasing, as detailed in Appendix D of Report No 13/13;	See above
28.15	That Cabinet be requested to end the Housing Development Reserve, as detailed in Appendix D of Report No 13/13, and transfer any funds left to the General Housing Capital Programme;	Housing Development Reserve closed. Cabinet prioritised transfer into Strategic Priority Fund. General Fund Housing Capital Programme remains fully funded by Government Grant and capital receipts.

Recommendation		Action
28.16	That Cabinet be requested to consider if there are adequate funds in the Major Planning Applications Reserve, as detailed in Appendix D of Report No 13/13, and to keep this Reserve under review;	Major Planning Applications Reserve maintained at same level – not utilised in 2013/14
28.17	That Cabinet be requested to remove the budget allocated for the Residents Priority Survey, as listed on page 50 of Report No 13/13;	Budget removed
28.18	That Cabinet be requested to transfer the balance of the LABGI money in the REAM reserve to the Economic Development Team for initiatives to support business; and	Cabinet prioritised transfer into Strategic Priority Fund.
28.19	That Cabinet be requested to ask Lewes Town Council to confirm in writing that a project will be identified and commenced before 31 March 2014 that will use the earmarked sum for the Pells area (The Town brook Charity), which is held in the REAM reserve.	Lewes Town Council contacted. Project identified, with planning well advanced. Cabinet Nov' 13 authorised released of funding when project starts.

Appendix B

The distribution of retained business rates income 2013/2014

The Council's notified starting position on 1 April 2013 under the business rates retention system is shown below:

	£m	%
The nationally set business rates income target for Lewes District Council was	**22.556**	**100**
…and this is how it was allocated from April 2013		
The Government 50% share	**11.278**	**50.0**
The annual tariff payment that LDC is required to pay to the Government (increases by rpi each year)	**7.063**	**31.3**
Sub-total of the amount that went to the Government	**18.341**	**81.3**
East Sussex County Council retained Share	**2.030**	**9.0**
East Sussex Fire Authority retained Share	**0.226**	**1.0**
Lewes District Council retained share	**1.959**	**8.7**
Total	**22.556**	**100.0**

The next table shows how income is shared when it exceeds the £22.556m target:

	%
The Government basic share	**50.0**
A levy share that LDC is required to pay to the Government	**20.0**
Sub-total of the amount that goes to the Government	**70.0**
East Sussex County Council retained Share	**9.0**
East Sussex Fire Authority retained Share	**1.0**
Lewes District Council retained share after paying its levy to the Government	**20.0**
Total	**100.0**

Footnote: Lewes District Council's gross notional share of additional business rates is 40%, which reduces to 20% after the levy payable to the Government. Levy payments are redistributed to Councils who need safety net support i.e. their business rates income below their starting target.

Appendix C

Extract From the Medium Term Finance Strategy

The Objectives of the Council's MTFS are as follows:

	Objective
1	To provide a robust framework to assist the decision making process.
2	To enable the Council to be proactive rather than reactive.
3	To act as a barometer and give early indication of need to review priorities.
4	To show how resources support the Council Plan over a four year period.
5	To support sustainable services through reserves, equalisation and renewal funds.
6	To hold a working balance at an adequate level to respond to unexpected events and opportunities.
7	To be flexible and responsive to changing needs and legislation.
8	To support the Council's service and core strategies.
9	To provide forward indications of Council Tax levels.

A number of Principles have been established to underpin the financial objectives:

	Key Principles
1	Resources will be prioritised to meet statutory (core service) obligations.
2	We will work with partners and the local community to determine priorities.
3	We will constantly review and reconcile priorities in line with the available resources.
4	Capital receipts will only be used to fund capital programmes, when banked.
5	General Fund capital receipts will be used to improve and replace existing assets.
6	Capital receipts from Council house sales will be reinvested in a housing capital programme or to improve and replace existing assets.
7	The budget for investment income will take account of specific market advice. If investment rates rise or are expected to rise, we will not use the additional income to fund items within the recurring base budget.
8	We will aim to achieve a zero balance on the Collection Fund when estimating the Council Tax collection rate each year.
9	Council Tax amounts will be transparent and sustainable. This means that the budget requirement will not be lowered through the use of one-off balances or reserves without a published intention to realign priorities with the Medium Term Financial Strategy.
10	Changes to the Council's priority programme must be reported to Cabinet and supported by a risk assessment and financial appraisal showing part year and full year costs, including the revenue consequences of any capital investment and lifetime costs.
11	Every request for capital investment must be supported by a Business Case which shows how the cost of that investment will be repaid over time.