



## Lewes District Council

### To all Members of the Scrutiny Committee

A meeting of the **Scrutiny Committee** will be held in the **Telscombe Room, Southover House, Southover Road, Lewes** on **Thursday, 15 January 2015** at **10:00** which you are requested to attend.

Please note the venue for this meeting which is wheelchair accessible and has an induction loop to help people who are hearing impaired.

This meeting may be filmed, recorded or broadcast by any person or organisation. Anyone wishing to film or record must notify the Chair prior to the start of the meeting. Members of the public attending the meeting are deemed to have consented to be filmed or recorded, as liability for this is not within the Council's control.

13/01/2015

Catherine Knight  
Assistant Director - Corporate Services

### Agenda

- 1 Minutes**  
To approve the Minutes of the meeting held on 13 November 2014 (copy previously circulated).
- 2 Apologies for Absence/Declaration of Substitute Members**
- 3 Declarations of Interest**  
Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct
- 4 Urgent Items**  
Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972
- 5 Written Questions**

To deal with written questions from councillors pursuant to Council Procedure Rule 11.3 (page D8 of the Constitution)

**6 Scrutiny Committee Work Programme 2014/15**

To consider a suggestion from the Chair of the Scrutiny Committee for inclusion in the Scrutiny Committee Work Programme 2014/15

**7 2015/2016 Revenue Budgets and Capital Programme**

To consider the Report of the Director of Finance (Report No 9/15 herewith)

**8 Date of Next Meeting**

To note the next scheduled meeting of the Scrutiny Committee meeting on Thursday 5 March 2015 at 10.00am in the Telscombe Room, Southover House, Lewes

For further information about items appearing on this Agenda, please contact Rachel Allan at Southover House, Southover Road, Lewes, East Sussex BN7 1AB Telephone Lewes (01273) 471600

**Distribution:** Councillors: S J Osborne (Chair), P F Gardiner, S J Gauntlett, J V Harris, J M Harrison-Hicks, C R O'Keeffe, E E J Russell, S Saunders, J Stockdale, C Sugarman and I J White



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9 January 2015

To all Members of the Scrutiny Committee

Dear Members of the Scrutiny Committee,

**Scrutiny Committee**

I refer to item 7 on the Agenda for the Scrutiny Committee to be held on 15 January 2015 and have enclosed Report No 9/15, 2015/16 Revenue Budgets and Capital Programme.

The Chair has agreed, in accordance with Section 100B(4) (b) of the Local Government Act 1972, that Report No 9/15 be considered as a matter of urgency in order that the Committee can take its decisions based on the most relevant information which is available.

Yours sincerely

**Rachel Allan**  
Performance Officer (Scrutiny)

**Agenda Item No:** 7 **Report No:** 9/15  
**Report Title:** 2015/2016 Revenue Budgets and Capital Programme  
**Report To:** Scrutiny **Date:** 15 January 2015  
**Cabinet Member:** Councillor Andy Smith  
**Ward(s) Affected:** All  
**Report By:** John Magness, Director of Finance  
**Contact Officer(s)-**  
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**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 2015/2016 Housing Revenue Account draft budget and proposed rent increase.

## **Reasons for Recommendations**

**1** At its meeting on 12 February 2015 Cabinet will consider reports containing proposals for the General Fund and Housing Revenue Account budgets for 2015/2016 and a Capital Programme for the next three years. Cabinet will make final recommendations on the budgets to Council which meets on 25 February 2015. The Council's Constitution identifies the Scrutiny Committee as a key consultee to the budget setting process.

## **2 General Fund Budget 2015/2016 - National Context**

### **2.1 Deficit Reduction**

On 18 December 2014, the Government released for consultation its Provisional Local Government Finance Settlement for 2015/2016. Unlike previous years, no provisional figures for the following year have been provided to assist local authorities with their forward financial planning.

The Settlement confirms that local government will continue to see a reduction in their revenue spending power, 1.8% in overall terms across all authorities excluding the Greater London Authority. In comparison, the overall reduction in spending power for 2014/2015 was 2.9%.

The Government will continue to pay an Efficiency Support Grant to councils which would otherwise have a revenue spending power reduction of more than 6.4%. 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.

### **2.2 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 updated 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.

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. As a base, the Council keeps approximately 8.7% of the 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. Local authorities have the opportunity to enter into Pooling arrangements in order to

retain more income locally for use in promoting economic regeneration (see para 4.7 below).

The Government continues to compensate local authorities for the loss of income arising from measures which it has introduced to assist businesses, for example the doubling of small business rare relief.

### **2.3 Council tax**

The Government believes that all authorities should be freezing their council tax and helping people with their cost of living. It is providing additional funding, equivalent to a 1% council tax increase, to help authorities achieve this freeze.

For authorities wishing to increase their council tax by 2% or more in 2015/2016, a local referendum will be required. Town and Parish Councils continue to be outside the referendum requirement, although the Local Government Minister is welcoming views on whether the highest spending Town and Parish Councils should be subject to the same referendum principles as the rest of local government.

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 General Fund Budget 2015/2016 – Local Context**

**3.1** Cabinet has set financial Principles and Objectives in its Medium Term Financial Strategy. These are reproduced in Appendix A.

**3.2** The 2015/2016 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 2.2% has been made for movements in the pay bill in line with the national pay settlement .
- (d)** provision has been made for annual contractual salary increments.

- (e) the Council's budgeted employer's pension contribution rate for 2015/2016, 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 ie 20.5% plus a fixed sum amount of £97,000 (equates to 21.5% in total)

Inflation:

- (f) no allowance for general price increases other than where these are unavoidable eg business rates and insurance (where premiums are linked to property values and salary costs)
- (g) agreed cost indices in tendered contracts have been estimated at 3.0%. It should be noted that, following negotiation, the Council's management agreement with Wave Leisure Limited, is no longer subject to an inflation clause. In due course the actual index movements will replace the start of year estimates.

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

**3.4** 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 1.9% in 2015/2016 for all income. However, reductions in usage and activity have meant that that this projection could not be met, resulting in an overall shortfall of £61,000 which has increased the savings target for 2015/2016.

**3.5** Spending Power.

**3.5.1** As noted in paragraph 2.1, the Government's Finance Settlement reduces local authority spending power by an average of 1.8% in 2015/2016. However, the reduction in this Council's spending power, 3.5% is higher than the average because it is not eligible for a number of Government funding streams eg Public Health Grant and the Better Care Fund. The table overleaf analyses the change in the Council's spending power.

|  | 2014/2015<br>£m | 2015/2016<br>£m | Change<br>£m |
|--|-----------------|-----------------|--------------|
| Council Tax Requirement (see para 3.5.2)         | 6.673           | 6.711           | 0.038        |
| Settlement Funding Assessment                    | 4.398           | 3.740           | -0.658       |
| Section 31 grants for business rates initiatives | 0.021           | 0.030           | 0.009        |
| minus Council Tax Support Funding to Parishes    | -0.322          | -0.322          | 0.000        |
| Community Right to Challenge funding             | 0.009           | 0.009           | -0.009       |
| Community Right to Bid funding                   | 0.008           | 0.000           | -0.008       |
| Indicative Council Tax Freeze Grant 2015/2016    | -               | 0.075           | 0.075        |
| New Homes Bonus                                  | 1.169           | 1.376           | 0.207        |
| New Homes Bonus: returned funding                | 0.007           | 0.007           | 0.000        |
| LCTS/Housing Benefit Subsidy Admin               | 0.484           | 0.447           | -0.037       |
| Council Tax Support New Burdens Funding          | 0.076           | 0.022           | -0.054       |
| Estimated Revenue Spending Power                 | 12.523          | 12.086          | -0.437       |
|  |                 |                 | -3.49%       |

**3.5.2** The table above shows the nationally published figures. The reality is that the Council Tax Requirement will be less than £6.711m because savings on the Grounds Maintenance budgets will be passed on through Special Expenses in 2015/2016.

**3.5.3** The most significant reduction in Spending Power is in respect of the 'Settlement Funding Assessment' which has reduced by £0.658m, 15%. This comprises two elements, as follows:

| Analysis of Settlement Funding Assessment | 2014/15<br>£m | 2015/16<br>£m | Change<br>£m | Change<br>% |
|---|---------------|---------------|--------------|-------------|
| Revenue Support Grant                     | 2.401         | 1.704         | -0.697       | -29.0       |
| Baseline Funding Level                    | 1.997         | 2.036         | 0.038        | 1.9         |
| Total                                     | 4.398         | 3.740         | -0.658       | -15.0       |

The reduction in Revenue Support Grant from the Government is the key driver behind the Council's savings target for 2015/2016 and across the whole period of the Medium Term Finance Strategy: it is projected to reduce each year through to 2019/2020 when no grant is anticipated.

#### **4 Draft General Fund Budget for 2015/2016**

**4.1** The draft General Fund Budget Summary for 2015/2016 is shown at Appendix B. As in 2015/2016, service budgets have been grouped using CIPFA's standard 'Service Expenditure Analysis'. This approach provides consistency between years and is in the statutory format in which all councils are required to present their accounts.

**4.2** The Budget Outlook presented to Cabinet at its meeting in November 2014, was on the basis of a further year's council tax freeze. Following the introduction of Special Expenses in 2014/2015, the council tax comprises two elements – an amount for General Expenses which is the same for all Band D



taxpayers across the District, and a Special Expenses amount which varies across Town and parish areas. The position is as follows:

|   | 2014/2015 £ | 2015/2016<br>Draft Budget £ | Change<br>£ |
|---|-------------|-----------------------------|-------------|
| Band D Council Tax General Expenses           | 172.11      | 172.11                      | 0.00        |
| Band D Council Tax Special Expenses (average) | 20.37       | 17.55                       | -2.82       |
| Total   | 192.48      | 189.66                      | -2.82       |

The average Special Expenses element of the Council Tax reduces as a result of savings in the cost of Grounds Maintenance and the expected devolution of two sites to Lewes Town Council and one site to Ringmer Parish Council. The General Expenses element of the Council Tax is frozen at its 2014/2015 level. The average Council Tax amount for the District reduces by £2.82 (1.5%).

**4.3** The gross amount to be raised from Council taxpayers will be £6,634,432. In order to achieve this, it will, as expected, 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 savings target, £611,000 (of which £50,000 has already been found), and the use of the working balance, £397,555, are shown at lines 10b and 24 respectively. However, Cabinet will agree the final position at its meeting on 12 February 2015 when it considers the Medium Term Budget Outlook.

**4.4** Progress on Delivering the Savings Target

**4.4.1** 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 2014. That report noted that the 2014/2015 recurring savings target of £596,000 had been achieved; the savings have predominantly arisen from the Council's Modernisation Programme and the Voluntary Severance Scheme.

**4.4.2** Following the Local Government Finance Settlement, the savings targets for 2015/2016 and 2016/2017 are broadly in line with the latest Medium Term Budget Outlook reported to Cabinet in November 2014 although in January 2015 Cabinet also noted that next year's target would increase by £61,000 as a result of the shortfall in income from fees and charges. 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.

**4.4.3** 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.

## **4.5 New Homes Bonus**

- 4.5.1** 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, based on the national average council tax of £1,468. There is also an extra payment of £350 for each additional affordable home. The New Homes Bonus is shared between the district council (80%) and county council (20%) in two-tier areas.
- 4.5.2** Many councils are now using the New Homes Bonus to fund core expenditure. This Council does not and this means that it has a long stop income stream to offset against savings targets should they fail to be delivered. It is also a prudent approach because the future of the New Homes Bonus remains uncertain. It is an area identified for review by the Local Government Finance Commission and the Local Government Association. Of the anticipated New Homes Bonus grant receivable in 2014/2015 and 2015/2016, £2.98m, Cabinet has allocated a maximum of £2.25m to fund investment in technology to support the Organisational Development Strategy.

## **4.6 Town And Parish Council Taxbase Support Grant**

- 4.6.1** As in 2014/2015, funding for local council tax support schemes is included in the core Finance Settlement and is not separately identified at individual local authority level. The initial national total funding was £3.3 billion, including an element to reflect reductions in the parish tax base which arise as a consequence of the way that the schemes are structured. In a speech to the Annual General Meeting of the National Association of Local Councils in October 2014, the Local Government Minister confirmed that 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, and was disappointed that billing authorities are passing down 20% less in 2014/2015. He has written to the 31 authorities which intended to pass no funding down.
- 4.6.2** In November 2013 Cabinet approved a schedule of payments to Town and Parish Council for 2014/2015, along with indicative grant amounts for 2015/2016, assuming annual reductions of 15% in line with the expected reductions in Revenue Support Grant. The grant to Town and Parish Councils within the 2015/2016 draft budget £236,600, follows this approach and the Town and Parish Councils have been advised accordingly.
- 4.6.3** With Revenue Support Grant expected to be withdrawn altogether in 2019/2020, maintaining grant payments to the Town and Parish Councils at a reducing rate of only 15% annually would require an increase in the Council's saving target. The Medium Term Budget Outlook is therefore being updated and will then show a slightly higher recovery rate from

2016/2017 to 2019/2020 (£45,000 pa). However, this will still leave grant payments £56,000 to be made in 2019/2020 with this Council receiving no compensating funding from the Government.

#### **4.7 East Sussex Business Rates Pool**

- 4.7.1** As noted in paragraph 2.2, local authorities are able to form a Business Rates Pool which enables more business rate income to be retained locally. Cabinet received a report in September 2014 which explained that the East Sussex District and Borough Councils, East Sussex County Council and East Sussex Fire Authority could gain from combining in a Pool.
- 4.7.2** An expression of interest was made to the DCLG which was accepted. The final decision on whether to join in a Pool will be made by the local Chief Finance Officers in February 2015, in the light of the latest information concerning the local business rates base. Current indications are that an East Sussex Pool will be established. This Council's share of additional retained income is projected to be £200,000 and this will be made available to support business growth within the District.

### **5 Financial Resilience**

- 5.1** In December 2013, Grant Thornton (auditors to a large number of local authorities) published a national report on local authorities' financial resilience. The Scrutiny Committee considered this report as part of its budget review process and called for a detailed review of the Council's performance against Grant Thornton's 'Good Practice Checklist'. This review was completed at the Scrutiny Committee meeting held on 22 April 2014 and with one exception (the working capital ratio, which was not considered to be a significant measure) the Council was shown to conform with the Checklist.
- 5.2** In 2014/2015 the Council has continued to meet the key elements of good financial performance, strategic financial planning, governance and control identified by Grant Thornton. It is essential that a constant focus is maintained on all of these areas while the Council goes through the process of organisational development in 2015/2016 and beyond.
- 5.3** 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.
- 5.4** The Audit Commission 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.

**5.5** Cabinet considers the level of reserves twice a year (at budget time and after the year end). Appendix C gives a summary of all the General Fund Reserves along with the Housing Revenue Account's Major Repairs Reserve.

**5.6** The Audit Commission 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 identifies the position at 31 March 2014 and gives 2013 comparative figures for this Council

|                             | Total Reserves<br>£'000 | Total Reserves as<br>% of net<br>expend | Unallocated Reserves<br>£'000 | Unallocated Reserves as<br>% of net<br>expend |
|-----------------------------|-------------------------|---|-------------------------------|---|
| All Districts               | 2,484,594               | 101.6                                   | 882,718                       | 36.1  |
| Other East Sussex Districts | 47,250                  | 87.5                                    | 13,205                        | 24.5  |
| Lewes District Council      | 12,975                  | 89.9                                    | 2,341                         | 16.2  |
| 31 March 2013               | 12,731                  | 98.5                                    | 2,679                         | 20.7  |

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

**5.8** 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, although the aggregate level of returns is small in comparison to pre-2008 levels.

## **6 The Capital Programme Outlook**

**6.1** 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.

**6.2** 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.

**6.3** Local authorities are expected to follow CIPFA's 'Prudential Code' when planning their capital expenditure and determining whether it is affordable. The 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.

**6.4** Borrowing in respect of Housing Revenue Account capital expenditure, including the provision of new housing, is constrained by a 'Borrowing Cap' set for each authority by the Government in April 2012. This Council's Borrowing Cap was set at £72.9m. In the last year the Government announced that it would raise national HRA borrowing limits by £150 million in 2015/2016 and £150 million in 2016/2017, to be allocated on a competitive basis to local authorities. The Government indicated that it would prioritise its support for schemes which were firm, offered value for money and maximise the use of Council's existing assets. The Council made a bid under round 2 of the Government's programme in respect of schemes on 7 under-used HRA sites which will deliver 30 units of new affordable housing. In December 2014, the Government announced that it would support the Council's bid, and has allocated additional borrowing headroom of £2.317m.

**6.5** The following table shows a draft of the indicative three year programme to be considered by Cabinet at its meeting on 12 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).

| Line |   | 2015/16<br>£'000 | 2016/17<br>£'000 | 2017/18<br>£'000 | Total<br>£'000 |
|------|---|------------------|------------------|------------------|----------------|
|      | <b>HRA Programme</b>                      |                  |                  |                  |                |
| 1    | New affordable homes                      | 3,817            | 0                | 0                | 3,817          |
| 2    | Property purchases                        | 185              | 185              | 185              | 555            |
| 3    | Renewal and improvement of stock          | 5,345            | 5,345            | 5,345            | 16,035         |
| 4    | Sub-total                                 | 9,347            | 5,530            | 5,530            | 20,407         |
|      | <b>Private Sector Housing Programme</b>   |                  |                  |                  |                |
| 5    | Mandatory Disabled Facilities Grants      | 600              | 600              | 600              | 1,800          |
| 6    | Other support                             | 135              | 135              | 135              | 405            |
| 7    | Sub-total                                 | 735              | 735              | 735              | 2,205          |
|      | <b>General Fund Programme</b>             |                  |                  |                  |                |
| 8    | New Service Delivery Model Technology     | 1,300            | 950              | 0                | 2,250          |
| 9    | PV Panel Housing installation programme   | 2,700            | 0                | 0                | 2,700          |
| 10   | Vehicle Replacements                      | 1,334            | 725              | 426              | 2,485          |
| 11   | IT Replacements                           | 50               | 0                | 0                | 50             |
| 12   | Property Assets Major Repairs             | 150              | 150              | 150              | 450            |
| 13   | Newhaven Fort Major Repairs               | 50               | 50               | 50               | 150            |
| 14   | Sub-total                                 | 5,584            | 1,875            | 626              | 8,085          |
| 15   | <b>Total Indicative Capital Programme</b> | <b>15,666</b>    | <b>8,140</b>     | <b>6,891</b>     | <b>30,697</b>  |
| 16   | Funding:                                  |                  |                  |                  |                |
| 17   | Borrowing HRA                             | 2,502            | 185              | 185              | 2,872          |
| 18   | Borrowing General Fund                    | 2,700            | 0                | 0                | 2,700          |
| 19   | Capital Receipts                          | 1,856            | 356              | 356              | 2,568          |
| 20   | HRA Major Repairs Reserve                 | 4,625            | 4,625            | 4,625            | 13,875         |
| 21   | Government Grant (DFG)                    | 379              | 379              | 379              | 1,137          |
| 22   | HRA Revenue Contribution                  | 720              | 720              | 720              | 2,160          |
| 23   | Reserves                                  | 2,884            | 1,875            | 626              | 5,385          |
| 24   | <b>Total Funding</b>                      | <b>15,666</b>    | <b>8,140</b>     | <b>6,891</b>     | <b>30,697</b>  |

## 6.6 Details of the capital programme are:

Line 1: as noted above, the Council plans to build 30 new affordable homes on 7 sites across the District which are currently predominantly used for garages. The Government has increased the Council's Borrowing Cap by £2.317m, on condition that work starts by March 2016. Capital receipts will fund £1.5m of the cost of this programme, using receipts under the Government's initiative explained in paragraph 6.8.

Line 2: a provision to acquire property (for example, former Right to Buys) if the opportunity arises.

Line 3: the HRA renewal and improvement programme is consistent with the 30 year Business Plan and can be financed from the resources available under 'self-financing'.

Line 5: 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 capital receipts generated from Right to Buy sales.

Line 6: a provision for discretionary support for private sector Housing schemes, for example emergency repair funding.

Line 8: in November 2014 Cabinet agreed to allocate £2.25m to implement new technology which will deliver end-to-end customer service and generate recurring efficiency savings amounting to £1.2m. The project will be funded from the New Homes Bonus Grant to be received from the Government in 2015/2016 and 2016/2017. In the event that the phasing of expenditure exceeds the New Homes Bonus received in a year, an interim call will be made on the General Fund working balance. An appropriate contribution will also be made from the Housing Revenue Account, the amount of which will be determined following the receipt of tenders in Spring 2015.

Line 9: in November 2014, Cabinet agreed to install PV panels on council-owned housing properties. Electricity generated by the panels will entitle the Council to receive Feed in Tariff payments, which will produce an average annual surplus to the General Fund of £49,000, net of all costs including loan interest and repayments. When achieved this revenue income will count towards the savings target.

Line 10: 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 11: provision is made for the replacement of existing IT equipment in 2015/2016, funded from the IT Reserve. The funding requirement for future years will be assessed in the light of the investment in new technology shown in line 8.

Line 12: provision for major repairs to Council-owned property can be maintained at this level from the REAM Reserve provided that annual contributions remain at their present level.

Line 13: the operation of Newhaven Fort is being transferred to Wave Leisure. The Council will continue to own Newhaven Fort, and as 'landlord' will be obliged to keep the structure of the building in a good state of repair. This provision may also provide a source of match-funding for future grant applications.

- 6.7** Other than the allocation for new homes referred to above, the HRA Programme does not, at this stage, include a provision for large-scale affordable housing schemes. The Capital Programme will be updated when proposals for specific sites are developed. It is projected that the Council will have the ability to borrow £8.1m to support such schemes as at 31 March 2015. An element of the Lewes District Property Portfolio development agreement is the delivery of rented housing into the Council's HRA. All of this borrowing headroom will be used on this Property Portfolio development ('49 sites') project. Allied to this strand is the opportunity to secure significant grant funding from the Homes and Communities Agency (HCA) for new homes to be built. An allocation of £300,000 has been made within the HRA to fund the imminent appointment of architects and consulting engineers on a proposed development at one of the sites within the Property Portfolio.
- 6.8** 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 £1.4m have been retained, requiring spend of £4.4m on new affordable homes. Of this amount £1.7m was spent on the acquisition and commissioning of 12 flats at The Crest and the conversion of 2 other properties into homes.
- 7** Housing Revenue Account Draft Budget 2015/2016
- 7.1** Appendix D sets out the draft HRA budget for 2015/2016. At the time of writing this report, the draft budget was being finalised.
- 7.2** The draft budget has been prepared in line with the 30 year business plan which can be fully funded under the self-financing arrangements introduced by the Government in April 2012. In simple terms, HRA expenditure is funded from the resources generated by tenants' rents and service charges.
- 7.3** The Council has been following the Government's guidance for rents for social housing since April 2003. 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.
- 7.4** Under the current approach to Rent Setting, the rent for each property is based on a formula set by Government. The formula rent was fixed at the start of the system, but has been subject to inflationary increases. When the system was introduced, the actual rent for each property invariably differed from its

formula rent. Following Government 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. In 2014/2015 the position on rent convergence is as follows:

|  |                  |              |
|--|------------------|--------------|
| 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            | <b>2,970</b> |

- 7.5** The Government's new guidance is that rent increases should continue to be index-linked (applying CPI + 1%) but that annual convergence to formula rent should no longer apply and that any move up to formula rent should take place when a property is relet following vacancy. Although the Government expects authorities to comply with the new guidance, it is not compulsory to do so. The challenge facing local authorities, such as this Council, at which a large proportion of properties are yet to reach their formula rent level, is that less income will be generated over the 30 year business planning period than was anticipated at the outset of HRA self-financing in 2012.
- 7.6** For this reason, it is proposed to continue in 2015/2016 with a policy of rent convergence so that, over time, all tenancies will be let at formula rent. The convergence mechanism would be based on the principal 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, with the weekly increase for a property below formula rent limited to CPI + 1% + £3. Following this approach, at least 93% of tenancies will be at formula rent by 2017/2018.
- 7.7** This policy is the basis on which the HRA budget for 2015/2016 has been prepared and was the subject of formal consultation undertaken with 'TOLD', the tenants representatives group. In a letter of response, TOLD have noted that 'although we would prefer no rent rise at all (considering the cost of living increase and wages not moving in the same direction) we as a committee agree that the proposed increase is fair, taking into account the aims set out within the business plan and the desire to reach convergence with target rents as set out by government guidelines'.
- 7.8** The effect of the rent proposal is an average rent increase of 2.83%/£2.49 per week in 2015/2016.
- 7.9** 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. Compared with the Government guidance, projected rent income for the next three years is as follows:

|                                     | <b>2015.16</b> | <b>2016.17</b> | <b>2017.18</b> |
|-------------------------------------|----------------|----------------|----------------|
| 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       |

- 7.10** It is essential that the long-term HRA 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. As agreed by Cabinet in September 2014 a provision of £457,000 is included in the 2014/2015 budget for a stock condition survey and associated administration. This expenditure will be funded from the HRA balance.
- 7.11** Cabinet has agreed to make available £350,000 in respect of preliminary costs associated with the development of potential sites for housing development. This expenditure is expected to be incurred across 2014/2015 and 2015/2016.
- 7.12** After allowing for the funding of the significant one-off items of expenditure referred to above, the HRA balance at 31 March 2016 is projected to be £2.5m, a net reduction of £0.2m compared with the current position. £0.6m will be retained within the balance as funding for future ‘Special Projects’, the first call on which will be an appropriate contribution towards the cost of the Council’s Organisational Development Strategy including the purchase and implementation of new technology.
- 7.13** The key measure for the HRA is that the finances continue to remain in a sound position.

### **Sustainability Implications**

- 8** 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**

- 9** 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.
- 10** 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.

### **Legal Implications**

**11** There are no legal implications arising from this report.

### **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 2015.

### **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>

**14** Department for Communities and Local Government – Guidance on Rents for Social Housing  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/313355/14-05-07\\_Guidance\\_on\\_Rents\\_for\\_Social\\_Housing\\_\\_Final\\_.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/313355/14-05-07_Guidance_on_Rents_for_Social_Housing__Final_.pdf)

### **Appendices**

**15** Appendix A - Medium Term Finance Strategy – Principles and Objectives

**16** Appendix B – The Draft General Fund Estimates Summary for 2015/2016

**17** Appendix C – Schedule of Reserves

**18** Appendix D – Draft Housing Revenue Account Budget Summary 2015/2016

## Appendix A

### Extract From the Medium Term Finance Strategy

*The Objectives of the Council's MTFs are as follows:*

|   | <b>Objective</b>  |
|---|---|
| 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:*

|    | <b>Key Principles</b>  |
|----|--|
| 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.  |

| LINE NO. | LEWES DISTRICT COUNCIL<br>GENERAL FUND SERVICES SUMMARY                                    | 2013/14<br>ACTUAL<br>£ | 2014/15<br>BUDGET<br>£ | 2015/2016<br>BUDGET<br>£ |
|----------|--|------------------------|------------------------|--------------------------|
|          | <b>Service Expenditure Analysis</b>  |                        |                        |                          |
| 1        | - Central Services   | 1,007,191              | 1,243,200              | 1,350,200                |
| 2        | - Cultural and Related Services  | 2,482,998              | 2,359,800              | 2,050,500                |
| 3a       | - Environmental and Regulatory Services  | 4,229,689              | 4,509,800              | 4,194,500                |
| 3b       | - Environmental and Regulatory Services - Environment Agency Levy                          | 123,530                | 127,200                | 127,200                  |
| 4        | - Highways and Transport Services  | (277,710)              | (316,800)              | (257,200)                |
| 5        | - Housing General Fund Services  | 1,525,727              | 1,609,200              | 1,382,600                |
| 6a       | - Planning Services  | 1,395,264              | 1,266,400              | 1,336,100                |
| 6b       | - Supporting Business Growth   |                        |                        | 370,000                  |
| 7        | - Corporate and Democratic Core  | 2,660,015              | 2,147,200              | 2,038,500                |
| 8        | - Non-Distributed Costs : general  | 122,481                | 165,100                | 134,400                  |
| 9        | Net Service Expenditure  | 13,269,185             | 13,111,100             | 12,726,800               |
| 10a      | Use or Working balance assuming mid year delivery of savings (on average)                  | 0                      | 255,000                | 280,000                  |
| 10b      | - Non-Distributed Costs : Savings target   | 0                      | (511,000)              | (561,000)                |
| 11       | <b>COST OF SERVICES</b>  | <b>13,269,185</b>      | <b>12,855,100</b>      | <b>12,445,800</b>        |
| 12       | Other Operating Income and Expenditure - Town and Parish LCTS Grant                        | 337,885                | 278,300                | 236,600                  |
| 13       | Financing and Investment Income and Expenditure  | (904,664)              | (758,300)              | (822,700)                |
| 14       | <b>COST BEFORE TRANSFERS TO/(FROM) RESERVES</b>  | <b>12,702,406</b>      | <b>12,375,100</b>      | <b>11,859,700</b>        |
| 15a      | Contribution to Service Priorities   | 0                      | 390,000                | 311,784                  |
| 15b      | Transfers from Earmarked Reserves  | (2,812,307)            | (983,700)              | (795,800)                |
| 15c      | Transfers to Earmarked Reserves  | 4,212,536              | 2,364,030              | 2,390,600                |
| 16       | <b>NET EXPENDITURE REQUIREMENT</b>   | <b>14,102,635</b>      | <b>14,145,430</b>      | <b>13,766,284</b>        |
|          | <b>TAXATION AND NON-SPECIFIC GRANT INCOME</b>  |                        |                        |                          |
| 17       | Retained Business Rates and Section 31 Grants  | (2,480,002)            | (2,444,930)            | (2,806,858)              |
| 18       | Contribution from the East Sussex Business Rates Pool for Economic Development initiatives |                        | -                      | (200,000)                |
| 19       | <b>Government Grants</b>   |                        |                        |                          |
| 19a      | - Revenue Support Grant  | (2,945,151)            | (2,325,200)            | (1,703,960)              |
| 19b      | - Compensation for Business Rates Multiplier Cap   | 0                      | (21,200)               | 0                        |
| 19c      | - New Homes Bonus  | (877,754)              | (1,169,100)            | (1,376,500)              |
| 19d      | - New Homes Bonus returned funding   | 0                      | (6,900)                | 0                        |
| 19e      | - Council Tax Freeze Grant 2013/14   | (75,459)               | 0                      | 0                        |
| 19f      | - Council Tax Freeze Grant 2014/15   | 0                      | (76,100)               | 0                        |
| 19g      | - Council Tax Freeze Grant 2015/16   | 0                      | 0                      | (75,459)                 |
| 19h      | - Housing Benefit Administration Subsidy   | (592,976)              | (521,800)              | (484,800)                |
| 19i      | - Council Tax Support New Burdens Funding  | (58,000)               | (76,400)               | (21,670)                 |
| 19j      | - Community Right to Challenge   | (8,551)                | (8,500)                | 0                        |
| 19k      | - Community Right to Bid   | (7,851)                | (7,900)                | 0                        |
| 19l      | - Ad Hoc Grants  | (25,247)               | 0                      | 0                        |
| 20       | <b>Council Tax Income</b>  |                        |                        |                          |
| 20a      | - Lewes District Council Precept on the Collection Fund - LDC after Collection F           | (6,628,241)            | (6,673,400)            | (6,634,432)              |
| 20b      | - Lewes District Council Collection Fund Surplus   | (64,759)               | (64,990)               | (65,050)                 |
| 21       | <b>TOTAL TAXATION &amp; NON-SPECIFIC GRANT INCOME</b>                                      | <b>(13,763,991)</b>    | <b>(13,396,420)</b>    | <b>(13,368,729)</b>      |
| 22       | <b>TRANSFER (TO) / FROM WORKING BALANCE</b>  | <b>338,644</b>         | <b>749,010</b>         | <b>397,555</b>           |
| 23       | Working Balance as at 1 April  |                        | 2,415,600              | 1,592,350                |
| 24       | Transfer (From) / To Working Balance   |                        | (749,010)              | (397,555)                |
| 25       | Working Balance as at 31 March   |                        | 1,666,590              | 1,194,795                |
| 26       | Taxbase  |                        | 34,670.70              | 34,979.80                |
| 27       | <b>Band D Council Tax (line 20a/line26)</b>  |                        | <b>-192.48</b>         | <b>-189.66</b>           |

## A Statement of Council Reserves and how they are used through to 31 March 2016

| Ref | Reserve                                    | Updated Budget 2014/2015      |                            |                     |                     |                            | Budget 2015/2016               |                            |                     |                     |                            |                                |
|-----|--|-------------------------------|----------------------------|---------------------|---------------------|----------------------------|--------------------------------|----------------------------|---------------------|---------------------|----------------------------|--------------------------------|
|     |  | Balance at<br>1 April<br>2014 | Contribution<br>to reserve | Used for<br>revenue | Used for<br>capital | Total<br>Use of<br>reserve | Balance at<br>31 March<br>2015 | Contribution<br>to reserve | Used for<br>revenue | Used for<br>capital | Total<br>Use of<br>reserve | Balance at<br>31 March<br>2015 |
|     |  | £'000                         | £'000                      | £'000               | £'000               | £'000                      | £'000                          | £'000                      | £'000               | £'000               | £'000                      | £'000                          |
|     | <b>General Fund</b>                        |                               |                            |                     |                     |                            |                                |                            |                     |                     |                            |                                |
| 1   | Budget Carry Forward                       | 74                            | 0                          | 74                  | 0                   | 74                         | 0                              | 0                          | 0                   | 0                   | 0                          | 0                              |
| 2   | Building Control Charging Scheme           | 81                            | 21                         | 0                   | 0                   | 0                          | 102                            | 46                         | 0                   | 0                   | 0                          | 148                            |
| 3   | Change Management and Spending Power       | 2,396                         | 1,176                      | 338                 | 1,723               | 2,061                      | 1,511                          | 1,377                      | 123                 | 1,300               | 1,423                      | 1,465                          |
| 4   | Clean and Green Reserve                    | 26                            | 0                          | 5                   | 0                   | 5                          | 21                             | 0                          | 0                   | 0                   | 0                          | 21                             |
| 5   | Corporate Building Repairs                 | 190                           | 50                         | 50                  | 0                   | 50                         | 190                            | 46                         | 46                  | 0                   | 46                         | 190                            |
| 6   | Housing Benefit standards and improvements | 864                           | 105                        | 30                  | 0                   | 30                         | 939                            | 105                        | 56                  | 0                   | 56                         | 988                            |
| 7   | Insurance                                  | 165                           | 27                         | 4                   | 0                   | 4                          | 188                            | 27                         | 0                   | 0                   | 0                          | 215                            |
| 8   | Leisure Buildings Repairs                  | 100                           | 50                         | 67                  | 0                   | 67                         | 83                             | 50                         | 67                  | 0                   | 67                         | 66                             |
| 9   | Leisure Trust                              | 258                           | 50                         | 0                   | 76                  | 76                         | 232                            | 50                         | 0                   | 0                   | 0                          | 282                            |
| 10  | All Weather Pitch Reserve                  | 121                           | 20                         | 0                   | 0                   | 0                          | 141                            | 20                         | 0                   | 0                   | 0                          | 161                            |
| 11  | Leisure Trust Buildings Maintenance        | 198                           | 80                         | 100                 | 0                   | 100                        | 178                            | 80                         | 100                 | 0                   | 100                        | 158                            |
| 12  | Newhaven Enterprise Centre Reserve         | 71                            | 13                         | 0                   | 0                   | 0                          | 84                             | 13                         | 0                   | 0                   | 0                          | 97                             |
| 13  | Community Safety Partnership Fund          | 37                            | 22                         | 20                  | 0                   | 20                         | 39                             | 0                          | 0                   | 0                   | 0                          | 39                             |
| 14  | Housing and Planning Delivery Grant        | 41                            | 0                          | 0                   | 0                   | 0                          | 41                             | 0                          | 0                   | 0                   | 0                          | 41                             |
| 15  | Major Planning Applications Reserve        | 56                            | 0                          | 0                   | 0                   | 0                          | 56                             | 0                          | 0                   | 0                   | 0                          | 56                             |
| 16  | PSL/Homelessness Initiatives               | 28                            | 34                         | 10                  | 0                   | 10                         | 52                             | 29                         | 5                   | 0                   | 5                          | 76                             |
| 17  | Recycling Reserve                          | 354                           | 0                          | 0                   | 0                   | 0                          | 354                            | 0                          | 0                   | 0                   | 0                          | 354                            |
| 18  | Revenue Equalisation and Asset Maintenance | 2,006                         | 252                        | 57                  | 1,001               | 1,058                      | 1,200                          | 252                        | 119                 | 200                 | 319                        | 1,133                          |
| 19  | Southover Grange                           | 41                            | 0                          | 0                   | 0                   | 0                          | 41                             | 0                          | 0                   | 0                   | 0                          | 41                             |
| 20  | Vehicle Replacement Reserve                | 2,008                         | 320                        | 0                   | 422                 | 422                        | 1,906                          | 245                        | 0                   | 1,334               | 1,334                      | 817                            |
| 21  | Strategic Priority Fund                    | 390                           | 147                        | 87                  | 175                 | 262                        | 275                            | 0                          | 60                  | 0                   | 60                         | 215                            |
| 22  | Business Rate Equalisation                 | 371                           |                            | 50                  |                     | 50                         | 321                            | 0                          | 220                 | 0                   | 220                        | 101                            |
|     | <i>Partnership Projects</i>                |                               |                            |                     |                     |                            |                                |                            |                     |                     |                            | 0                              |
| 23  | Denton Island Reclamation                  | 75                            | 0                          | 0                   | 0                   | 0                          | 75                             | 0                          | 0                   | 0                   | 0                          | 75                             |
| 24  | Newhaven Fort Refurbishment                | 15                            | 0                          | 0                   | 22                  | 22                         | -7                             | 50                         | 0                   | 50                  | 50                         | -7                             |
| 25  | West Quay Development                      | 48                            | 0                          | 0                   | 0                   | 0                          | 48                             | 0                          | 0                   | 0                   | 0                          | 48                             |
| 26  | General Fund Sub-total                     | 10,014                        | 2,367                      | 892                 | 3,419               | 4,311                      | 8,070                          | 2,390                      | 796                 | 2,884               | 3,680                      | 6,780                          |
|     | <b>HRA</b>                                 |                               |                            |                     |                     |                            |                                |                            |                     |                     |                            |                                |
| 27  | Major Repairs Reserve                      | 1,424                         | 4,424                      | 0                   | 5,121               | 5,121                      | 1,099                          | 4,421                      | 0                   | 4,625               | 4,625                      | 895                            |
| 29  | <b>Total</b>                               | <b>11,438</b>                 | <b>6,791</b>               | <b>892</b>          | <b>8,540</b>        | <b>9,432</b>               | <b>9,169</b>                   | <b>6,811</b>               | <b>796</b>          | <b>7,509</b>        | <b>8,305</b>               | <b>7,675</b>                   |

NOTE: Table excludes Developer and other third party contributions held pending use. Page 21 of 22

## HOUSING REVENUE ACCOUNT

| LINE NO. | 2013/14 ACTUAL<br>£ | SUMMARY                                      | 2014/15 ESTIMATE<br>£ | 2014/15 PROJECTED<br>£ | 2015/16 ESTIMATE<br>£ |
|----------|---------------------|--|-----------------------|------------------------|-----------------------|
| 1        | 14,507,107          | Rental Income                                | 15,092,200            | 15,325,800             | 15,465,200            |
| 2        | 947,910             | Charges for Services                         | 979,300               | 980,780                | 1,084,220             |
| 3        | 252,850             | Contributions towards Expenditure            | 214,600               | 207,400                | 200,600               |
| 4        | 144,817             | Community Amenities Contribution             | 154,200               | 154,200                | 168,800               |
| 5        | <b>15,852,684</b>   | <b>Total Direct Income</b>                   | <b>16,440,300</b>     | <b>16,668,180</b>      | <b>16,918,820</b>     |
| 6        | 2,462,651           | Supervision and Management                   | 2,299,500             | 2,694,410              | 2,723,350             |
| 7        | 1,228,242           | Special Services                             | 1,403,900             | 1,350,350              | 1,456,880             |
| 8        | 3,736,325           | Repairs and Maintenance                      | 3,489,900             | 3,489,900              | 4,244,550             |
| 9        | 213,467             | Rents and Rates                              | 175,400               | 169,500                | 153,800               |
| 10       | 41,365              | Provision for Bad Debts                      | 50,000                | 50,000                 | 50,000                |
| 11       |                     | Depreciation of Fixed Assets                 |                       |                        |                       |
| 12       | 3,884,273           | - Dwellings                                  | 3,237,000             | 3,921,830              | 3,921,830             |
| 13       | 498,568             | - Other Assets                               | 465,200               | 499,200                | 496,270               |
| 14       | 3,804               | - Intangible Assets                          | 2,900                 | 2,930                  | 2,930                 |
| 15       | (6,712,630)         | Impairment of Fixed Assets                   | -                     | -                      | -                     |
| 16       | 29,594              | Debt Management Costs                        | 30,300                | 30,300                 | 33,600                |
| 17       | 17,040              | Supporting People Non-Benefit Support        | 11,400                | 15,000                 | 15,000                |
| 18       | <b>5,402,699</b>    | <b>Total Direct Expenditure</b>              | <b>11,165,500</b>     | <b>12,223,420</b>      | <b>13,098,210</b>     |
| 19       | <b>(10,449,985)</b> | <b>Net Cost of Services</b>                  | <b>(5,274,800)</b>    | <b>(4,444,760)</b>     | <b>(3,820,610)</b>    |
| 20       | (466,857)           | Gain on Sale of HRA Fixed Assets             | -                     | -                      | -                     |
| 21       | (213,905)           | Capital Grants & Contributions               | -                     | -                      | -                     |
| 22       | 139,000             | Past Service Pension Gains & Costs           | -                     | -                      | -                     |
| 23       | 1,855,108           | Interest Payable                             | 1,868,900             | 1,873,920              | 1,836,110             |
| 24       | (25,967)            | Interest Receivable (Working Balance)        | (40,000)              | (20,000)               | (20,000)              |
| 25       | <b>(9,162,606)</b>  | <b>Net Operating Expenditure</b>             | <b>(3,445,900)</b>    | <b>(2,590,840)</b>     | <b>(2,004,500)</b>    |
| 26       | 1,184,750           | Repayment of Internal Borrowing              | 1,697,880             | 1,697,880              | 1,679,200             |
| 27       | 1,516,961           | Capital Expenditure Funded from Revenue      | 1,294,720             | 614,720                | 820,000               |
| 28       | (3,355)             | Amortised Premiums and (Discounts)           | (3,400)               | (3,350)                | (3,360)               |
| 29       | 2,325,985           | Reversal of Depreciation & Impairments       | (3,705,100)           | (4,423,960)            | (4,421,030)           |
| 30       | 466,857             | Reversal of Gain on Sale of HRA Fixed Assets | -                     | -                      | -                     |
| 31       | 213,905             | Reversal of Capital Grants & Contributions   | -                     | -                      | -                     |
| 32       | 4,386,645           | Transfer to / (from) Major Repairs Reserve   | 3,705,100             | 4,423,960              | 4,421,030             |
| 33       | (190,000)           | Transfer to / (from) Pensions Reserve        | -                     | -                      | -                     |
| 34       | <b>739,142</b>      | <b>Net (Surplus) / Deficit</b>               | <b>(456,700)</b>      | <b>(281,590)</b>       | <b>491,340</b>        |
| 35       | 3,466,662           | BALANCE 1 APRIL                              | 2,815,552             | 2,727,520              | 3,009,110             |
| 36       | 2,727,520           | BALANCE 31 MARCH                             | 3,272,252             | 3,009,110              | 2,517,770             |