REPORT TO:	**FINANCE & MANAGEMENT COMMITTEE**	**AGENDA ITEM: 7**
DATE OF MEETING:	**15th OCTOBER 2015**	**CATEGORY: RECOMMENDED**
REPORT FROM:	**DIRECTOR OF FINANCE and CORPORATE SERVICES**	**OPEN**
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SUBJECT:	**UPDATE of the COUNCIL'S MEDIUM TERM FINANCIAL POSITION**	**REF:**
WARD (S) AFFECTED:	**ALL**	**TERMS OF REFERENCE: FM 08**

1.0 Recommendations

1.1 That the updated financial projections on the General Fund to 2021 and the Housing Revenue Account to 2025 as detailed in the report, are approved.

1.2 That the financial projection provides the basis for planning purposes and for setting the General Fund and Housing Revenue Account's Base Budget for 2016/17.

1.3 That the Housing Revenue Account Business Plan is reviewed and in particular the capital investment programme following the proposed reduction in social housing rents.

2.0 Introduction and Purpose of the Report

2.1 In accordance with the Council's Financial Strategy, the report updates the Council's medium term financial position. This follows the reported out-turn for 2014/15, together with known and identified changes since the 2015/16 budget-round. These were summarised in the quarterly budget monitoring report considered by the Committee on 3rd September.

The Council's Financial Planning Framework

2.2 A key factor within the Council's overall Financial Strategy is medium term financial planning. This is considered good practice and is based on Audit guidance which directs councils to achieve a resilient and sustainable financial position. The Council's arrangements for achieving this, together with its performance, are subject to an External Audit each year.

2.3 The main target within the Financial Strategy is to achieve a minimum level of general reserves (£1m) on the General Fund and the Housing Revenue Account (HRA) by the end of every financial planning period. This is based on a Medium Term Financial Plan which sets out a financial projection for 5-years on the General Fund and 10-years for the Housing Revenue Account (HRA).

2.4 The main focus of the projections is to estimate the Council's future financial position and provide an early warning sign of any financial challenges that may lie ahead in future years. This then provides an opportunity to take a planned approach to remedial action. In addition, it is used as the basis for building detailed budget plans each year.

2.5 It also helps the Council to focus on the resources that it will have available at the end of each period. In addition, it identifies where resources and spending are changing in the medium term to enable action to be taken at an early stage to prevent any loss of financial stability.

2.6 The financial models project forward current base spending and income. This is adjusted for anticipated changes in factors such as interest rates, inflation, together with the economic situation, Central Government policy and local spending/financing plans, etc. It is regularly updated to take account of previous spending changes and their effects on the medium term. The projection aims to show a prudent but realistic position over the 5 and 10-year periods.

Aim of this Update

2.7 The Council's financial policy requires a mid-year review of the medium term financial position. This follows the budget out-turn for the previous year and before the forthcoming annual budget round. This provides a basis for planning purposes and identifies potential issues, risks and opportunities.

2.8 A key element of this review is the potential impact of the Government's July 2015 Budget. Currently, the Government is undertaking a Spending Review which is due to be completed by the end of November 2015.

2.9 The Government's Budget set out some broad financial targets for Government Departments. It is likely that further reductions in overall Government funding will be filtered down to councils over the next 3 to 4 years. In addition, the Government are proposing a significant change to previous policy regarding social housing rents.

2.10 This review includes the potential impact of the main policy directions contained in the July Budget. However, specific details of how individual councils are affected, in particular for grant settlements, are not likely to be known until January 2016.

2.11 The report is divided into the following sections:

- Section 3 – A detailed Analysis of the General Fund
- Section 4 – An updated General Fund position and overall analysis
- Section 5 – Housing Revenue Account
- Appendix 1 – General Fund Medium-Term Projection to 2021
- Appendix 2 – Housing Revenue Account Projection to 2025

3.0 <u>General Fund – Detailed Analysis</u>

3.1 Following the budget round for 2015/16, the medium term financial position was projected as shown in the following table.

General Fund: Medium-Term Projection as at February 2015

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve
Base Budget 2014/15	-£149,586	£202,000	-£5,857,676
Proposed Budget 2015/16	-£91,189	£881,000	-£5,067,865
Projection 2016/17	-£84,724	£420,000	-£4,732,589
Projection 2017/18	£526,904	£90,000	-£4,115,685
Projection 2018/19	£814,773	£20,000	-£3,280,912
Projection 2019/20	£1,101,315	£20,000	-£2,159,597

3.2 The table showed that the General Fund had a budget surplus for 2015/16 and 2016/17 based on current projections. A deficit was then forecast from 2017/18 as expected reductions in core government funding took effect.

3.3 In the meantime, the balance on the General Reserve was forecast to remain healthy and after allowing for the deficit in the 3 years after 2016/17, the projected level of £2.1m in 2019/20 was forecast to be above the minimum contingency level of £1m.

3.4 However, the Committee noted the recommendation in the budget report that the Council should remain cautious in the short-term, until the future funding position for local authorities was more certain and to remain flexible to meet any additional spending pressures. Future budget deficits were still projected based on increasing expenditure for current service provision, together with a reduction in core funding

3.5 Following the Budget out-turn surplus for 2014/15 of approximately £277,000, the balance on the General Fund Reserve increased to over £6m. However, the Reserve is being utilised over the planning period to meet anticipated reductions in Government funding and other capital commitments, such as vehicle replacements.

3.6 Since February 2015, additional spending has been approved by the Committee and the Budget out-turn for 2014/15 has been confirmed. The following table shows the overall impact on the General Fund Reserve as it currently stands.

Projected General Fund Reserve Balance

	£'000
Projected Balance as at 2020 (in previous table)	2,160
Add: Increase in Reserve - 2014/15 Accounts	277
Purchase of Town Centre Land	-230
Restructure in Electoral Services	-58
Melbourne Sporting Partnership (Section 106)	-213
External Facilitator - Pay and Grading Review	-100
Projected Balance as at 2020 - Updated	**1,836**

3.7 After accommodating these additional items, the Reserve Balance is still projected to be above the recommended minimum level of £1m by 2020.

3.8 However, when a further year is added to maintain a rolling 5-year planning period, in accordance with the Government's financial planning period to 2021, the Balance would fall below the minimum level based on a forecasted deficit of £1m in 2020/21.

3.9 The critical year is 2017/18 as that is the first year that the General Fund is forecast to fall into deficit. The overall financial position today is fairly stable and healthy. However, in the medium term, this could change as the financial projection shows.

Financial Strengths

3.10 The Council is required to maintain a resilient and sustainable financial position. Currently, the Council continues in this position due to:

- Positive cash flow
- No debt outstanding (on the General Fund)
- Not reliant on interest rates rising to generate additional income
- Current General Reserve healthy
- Contingent sums in the Base Budget to guard against inflation and growth
- Budget for a full employee establishment – no vacancy rate is assumed
- Earmarked reserves for capital replacements for IT, vehicles and plant
- Separate provision made for bad debts and unexpected/one-off costs that could arise such as pay and grading, the Local Plan and pensions
- Earmarked reserves to sustain project and ad-hoc work
- Steady growth in the Tax Base and service income
- Capital expenditure not heavily reliant on revenue funding or borrowing

3.11 The Council also has a history of spending within its Net Budget. However, this cannot be guaranteed in future years and is never assumed for future budgeting purposes.

Financial Risks

3.12 There are many variables that are included in the projection that carry a risk in that should they impact, they could have a significant effect on the overall financial position. The main risks in the financial register are:

- Further reductions in Government Grant and changes to the national distribution system
- Sustainability of the economy and its impact on core funding and income
- Limitations on Council Tax increases
- Underlying cost pressures yet to surface due to growth/demand on services
- Ageing assets increasing the cost of repairs and maintenance
- Greater cost of Housing Benefits being met locally
- Pressure on local pay rates and pensions including Auto Enrolment

The Government's Budget 2015

3.13 In addition, the main changes likely to have an impact on the General Fund, arising from the Government's Emergency Budget in July 2015, are as follows:

- Confirmation of reductions in Government spending
- Changes to welfare benefit
- Business Rates Review
- Introduction of a National Living Wage with effect from April 2016.
- Limits on public sector pay rises at 1% per year

3.14 The following sections set out the potential impact of changes to current assumptions and how the identified risks in particular are being mitigated.

Core Funding

3.15 Besides Council Tax, the Council's core funding comprises:

- Revenue Support Grant (RSG)
- Retained Business Rates (RBR)
- New Homes Bonus (NHB)

3.16 RSG and RBR are combined for grant purposes into a Settlement Funding Assessment (SFA). The RBR element of SFA sets a baseline level based on current collection rates and projections for growth.

3.17 Some of the NHB allocations and parts of the RBR system are funded by top slicing RSG nationally, in order for the Department for Communities and Local Government (DCLG) to remain within its Departmental Spending limit and to redistribute resources in specific grants.

3.18 As regards NHB, every new home built attracts an annual bonus for six years equal to the amount of Council Tax (the national average) payable on that home (depending on its Tax Band) with an additional bonus (£350) for every new affordable home delivered. This figure is adjusted up or down depending on the change in empty properties between years.

3.19 The MTFP includes the following forecasts for core funding.

MTFP Projections	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Change 2015 to 2020	
Revenue Support Grant	1,811	1,378	823	811	800	-1,011	-56%
Retained Business Rates	2,291	2,374	2,439	2,506	2,750	459	20%
Funding Settlement	4,102	3,752	3,262	3,317	3,550	-552	-13%
New Homes Bonus	2,322	2,717	2,729	2,540	2,163	-159	-7%
Total - Core Funding	**6,424**	**6,469**	**5,991**	**5,857**	**5,713**	**-711**	**-11%**

3.20 The profile of funding is based on an increase in RBR and NHB due to residential and business growth, with a reduction in RSG, but with overall resources falling until 2019/2020 in accordance with forecasts from the independent Office of Budget Responsibility (OBR).

The Distribution System

3.21 The current distribution system for resources is geared towards councils becoming self-sufficient. Where growth impacts, this increases Council Tax receipts, Business Rates and the NHB with a reduction in the general RSG.

3.22 The Council’s projected funding profile fits that strategy. However, the Government has to achieve this within a finite resource. The current MTFP shows a significant reduction in RSG but with increasing funding coming through in the Business Rates and NHB mechanisms.

3.23 The Government’s Budget introduced a policy to extend the period for eliminating the national budget deficit by 1-year. However, Departmental spending limits will still be reduced over the next 3 to 4 years and it’s the impact on the DCLG that is important for most councils.

3.24 The main risk to the Council is that the overall resources in the Rates Retention system are reduced. The MTFP forecasts an overall reduction in the Funding Settlement year-on-year from 2016 to 2020. Every 1% variance to the forecast is approximately £40,000 per year, or £200,000 cumulatively over 5-years.

Future Funding of the NHB

3.25 The NHB is guaranteed and paid on each property for six years. The Government has given no indication of an end point for the scheme. Therefore, the MTFP assumes that current and previous years’ allocations will each last 6 years.

3.26 On this basis, from 2019/20, current allocations will start to drop out unless the scheme is continued and NHB is paid for new homes after this date. The preceding table shows a reduction in NHB in 2019/20 on this basis.

3.27 For each year that the NHB mechanism is extended, this would generate up to £1/2m in the final year of the current MTFP, depending on the amount of new properties. The forecasts are based on an increase of 380 properties per year, which has been the average over the last 3 years.

3.28 The amount of new properties in the area, depending on the outcome of the Local Plan, could be significantly higher in future years. However, at this stage, the effects of numbers in the proposed Local Plan have not been included in the MTFP. Whilst the continuation of NHB could be a significant benefit to the Council, it also presents a risk if it is reduced. On current projections, the NHB will eventually become the main component of the Council's core funding.

Overall Core Funding

3.29 The whole issue of core funding continues to be a major financial risk in that the uncertainty will remain until the current Spending Review reports in November and detailed figures are released for each council. This is not expected until as late as January 2016.

3.30 In the background, the Government is also conducting a wider review of the distribution of resources for local government, although any outcomes are unlikely to take effect in the short-term.

Growth

3.31 Although in recent years, the Council has benefitted from increasing income due to the growth of the area, this has not generally led to a significant increase in day-to-day revenue expenditure. The financial risk register highlights a risk of "*cost pressures yet to surface*."

3.32 Some additional resources have been provided in services such as Planning, but other services such as Waste Collection, Street Cleansing and Grounds Maintenance have so far generally managed within existing resources. Additional grounds maintenance works are met from Section 106 contributions, but once these are used there is no guarantee that they will be replaced.

3.33 The MTFP continues to set-aside a sum of £100,000 per year in a growth provision. This is an historical amount which has been kept in the MTFP for a number of years. This has yet to be earmarked for anything specific and each year where it is not required, it is returned to the General Reserve.

3.34 However, it would be prudent to maintain the provision in the MTFP until future service provision has been reviewed. It is considered that future investment could be higher, but the amount of £100,000 currently set-side would provide a contribution in the short-term.

National Living Wage

3.35 Following the Government's Budget, there is a proposal to introduce a National Living Wage from April 2016. Initially, this will be £7.20 per hour, rising to £9 per hour by 2020.

3.36 Within the General Fund, there are 12 part-time posts currently earning slightly less than £7.20 per hour. There are a further 10 posts earning less than £9 per hour.

3.37 Although the overall cost initially will be small (£1,200 in 2016/17) this will rise so that all 22 posts are at £9 per hour by 2020. The total cost by 2020 is estimated at £14,000 per year at current pay rates. Cumulatively, between 2016 and 2020, the cost is estimated at £32,000 and this has been added into the MTFP.

3.38 There is a risk nationally that the implementation of a National Living Wage could have knock-on effects on the overall pay bill for local government. There may be pressure to maintain "differentials" as the pay of those posts affected become closer to higher graded posts. At this stage, no account has been taken of this potential issue in the MTFP.

Pay

3.39 The Government also intends to limit pay increases for public sector employees to 1% per year from 2016/17.

3.40 The local government pay award is subject to annual negotiation. However, the 1% policy direction is likely to be a key factor in negotiations. The MTFP forecasts pay increases at 2% in 2016/17 and 2.5% per year thereafter. This is in accordance with forecasts for the general CPI inflation index, which in recent months has fluctuated at around 0%.

3.41 Given this, the forecast in the MTFP has been reduced to a 1.5% in the medium term for pay increases. This would still allow for a rise above the intended cap of 1%.

3.42 The effect on the MTFP is fairly significant. A reduction of 1% equates to approximately £70,000 per year. Cumulatively, this reduces the forecast, compared to previous assumptions, for the overall pay bill by approximately £575,000 between 2016 and 2020.

National Insurance Contributions (NIC)

3.43 During the previous Parliament, approval was given to make changes to the State Pension. From April 2016, a new flat rate state pension will replace the multi-tier arrangement for new pensioners.

3.44 Currently, the basic state pension is supplemented by either the Additional State Pension (ASP) paid for by NIC or by occupational "contracted out" pension schemes such as the Local Government Pension Scheme.

3.45 Effectively, contracted out schemes substitute the ASP and in return, employers offering these schemes receive a rebate on their NIC. The introduction of a new flat rate state pension will mean that there is no requirement for an alternative ASP and consequently, contracted out status is being ended.

3.46 Therefore, councils will lose the rebate, which is 3.4% of NIC due. Employees will also lose their individual rebate of 1.4%. The additional cost to the Council is estimated at £18,000 per year from 2016/17.

Auto Enrolment (AE)

3.47 Up until 2012, employees had to apply and opt-in to join the Local Government Scheme (LGPS). Under the Pensions Act of 2008, all councils must now automatically enrol employees into the LGPS.

3.48 Except for new starters, the Council approved (in April 2013) to defer AE, for all existing employees currently opted out of the LGPS, until October 2017. This was to take advantage of a transitional period allowed by the Legislation.

3.49 However, from October 2017, any Council employee not in the LGPS will need to be automatically opted in until such a time that they choose to opt out. Currently, there are 31 employees at the Council who are not in the LGPS but who are eligible.

3.50 When they are opted in, the additional cost to the Council on current rates will be approximately £75,000 per year.

3.51 Immediately following AE, some employees may choose to opt straight back out. However, it is now considered prudent that provision is made from October 2017 and that this is kept under review.

Pension Increases

3.52 The next Actuarial Valuation of the Derbyshire Pension Fund will be undertaken in 2016. Any changes to contribution rates will be effective from April 2017.

3.53 It is unlikely that employer contributions will reduce, but they could increase. This will depend on the investment returns in the Fund, together with the impact of recent pension reform which has been aimed at reducing the burden of local government pensions on the public purse.

3.54 The Council has set aside an earmarked Pension Reserve of £182,000. This was funded from reductions in past deficit payments which arose out of the previous valuation in 2013. This should help to mitigate the effect of any increases and the position will be kept under review ahead of the next Valuation in April 2017.

Vacancy Rate

3.55 The Base Budget and MTFP assume a full establishment year-on-year. Clearly, vacancies do arise. However, the saving on vacant posts during the year funds cover and temporary replacements, together with covering for other absences where this is required. This is particularly important where service units are small.

3.56 It is considered prudent that this strategy is continued as this provides resilience in the overall pay budget.

Pay and Pensions - Overall Effect

3.57 The changes to the pay costs in the MTFP are summarised in the following table.

	2016/17 £	2017/18 £	2018/19 £	2019/20 £
National Living Wage	1,239	5,990	10,604	14,099
Pay Inflation	-34,418	-105,146	-178,691	-255,139
National Insurance Contributions	17,850	18,326	18,768	19,244
Auto Enrolment	0	37,720	75,440	75,440
	-15,329	**-43,110**	**-73,879**	**-146,356**

***Note: At this stage, no adjustments are being made to the Pensions Budget and Vacancy Rate*.**

3.58 Overall, the changes made to pay forecasts over the MTFP improve the financial position to 2020, compared to the projection approved in February 2015.

Pay and Grading – Job evaluation

3.59 Provision continues to be made for the estimated on-going and one-off costs associated with the current job evaluation exercise. The on-going sum earmarked in 2015/16 has been taken out of the MTFP as the implementation date is now 2016/17. However, the one-off budget continues to be aside.

Inflation Contingency

3.60 Inflation is not universally applied to all expenditure items in the Base Budget and provision is only made where it is considered unavoidable. This mainly applies to items such as fuel, energy/utility costs, repairs/maintenance and contracted services.

3.61 Annual increases are also applied to concurrent expenses paid to parish councils, together with grants to voluntary bodies.

3.62 Many cost heads are cash limited and in particular those relating to supplies, office and other overhead expenses. Increases are also applied to fees and charges where the Council has discretion to do so.

3.63 General inflation has been applied to the relevant cost heads at 2% per year (2.5% average for fees and charges). The overall amount calculated is held as a separate contingent sum in the MTFP and is drawn down during the year if necessary. In addition, it also covers any additional increases required for bad debts, and to meet one-off, urgent and unexpected expenditure that may arise during the year.

3.64 Any unused balance on this contingency is returned to the General Reserve at the year end. There are also on-going savings if the base budget is not actually increased from one year to the next in accordance with the inflation factors, because the base position is lower compared to that forecast.

3.65 The overall amount calculated for inflation is reviewed during the annual Budget Round following the review of the Base Budget. This will be undertaken in December 2015.

Replacement of Vehicles, Plant and Equipment

3.66 Over the last 2 years, additional revenue expenditure has been incurred on the maintenance of vehicles and plant and this has been one of the main cost pressures in the Council's budget. It has been identified that there is a need to replace some of the aging items in the short-term.

3.67 The Council maintains a separate Replacement Fund which is financed from annual capital and revenue contributions of £250,000 and £20,000 respectively. The balance on the Fund as at March 2015 was £782,000.

3.68 It is planned to replace a number of vehicles and items of plant in 2015/16 and 2016/17, including refuse freighters. The overall replacement schedule has been reviewed and this has identified items, in need of more immediate replacement, totalling just under £2m.

3.69 The current level of the Fund (£782,000) together with the annual contributions of £250,000 for 2015/16 and 2016/17 will not provide sufficient funding for all immediate replacements. Therefore, some replacements will need to be deferred.

3.70 In addition, alternative procurement and financing methods (e.g. hiring) are being reviewed to determine if whole life costs of purchasing and maintaining vehicles and plant can be reduced. The position will need to be kept carefully under review and needs to be balanced against on-going revenue costs of maintaining ageing assets.

Replacements - Capital Contributions

3.71 The main contribution to the Replacement Fund of £250,000 is financed from the General Capital Receipts Reserve. This has been drawn down for a number of years from previous receipts generated and is part of the strategy for replacing vehicles and plant. The level of receipts is due to be fully utilised by the end of 2016/17.

3.72 In lieu of this, the General Fund Reserve includes a provision of £250,000 in 2017/18 as a safeguard against further capital receipts not being generated. However, from 2018/19, if no further receipts are generated, then this amount would need to be identified as an on-going expenditure item in the General Fund.

3.73 A tranche of land previously approved for disposal is due to be sold in 2016/17. This should generate sufficient resources to finance a further two years of capital contributions. However, it is likely that at some point beyond this, the annual contribution may need to become on-going cost in the General Fund.

Fees and Charges

3.74 The level of increase for fees and charges does present a risk. Year-on-year, it may not be possible to generate the increase on each and every charge made.

3.75 In accordance with the Council's Charging Policy, the level of fees and charges is reviewed on an annual basis during the budget round, with an average increase across each service area being used as a "target."

Service Income

3.76 The current Base Budget estimates certain levels of income from the main charging areas as shown in the following table.

	£'000	Annual Increase Applied
Planning Fees	550	No - this is the base figure to 2019/20
Building Regulations	250	No - this is the base figure to 2019/20
Trade Waste	240	Annual inflation uplift on base budget
Licensing	250	Annual inflation uplift on base budget
Land Charges	100	No - this is the base figure to 2019/20
Property Rents	710	Subject to phased rent reviews and lettings
TOTAL	**2,100**	

3.77 The income effectively contributes to the cost of these services. In accordance with Regulations, income should not be to such an extent from year-to-year, that large surpluses are made.

3.78 This is particularly the case for Planning Fees, Building Regulations, Land Charges and Licensing. Any additional income should be reinvested back into the service, used as a contribution to non-chargeable work or future prices for the service reduced.

3.79 After charging overheads, none of these services currently show large surpluses. In addition, additional income from Planning Fees has been set-aside to meet one-off costs associated with staffing resources, appeals and the Local Plan.

3.80 Income from property is effectively investment income as it provides a rate of return on Council assets.

3.81 The following table compares actual income received in recent years with the current Base Budget for 2015/16.

	Base Budget £'000	Actual 2011/12 £'000	Actual 2012/13 £'000	Actual 2013/14 £'000	Actual 2014/15 £'000	Projection 2015/16 £'000
Planning Fees	550	597	420	707	1,043	800
Building Regulations	250	224	252	245	258	275
Trade Waste	240	234	249	252	276	275
Licensing	250	258	254	267	281	275
Land Charges	100	99	103	121	125	120
Property Rents	710	619	665	760	810	850
Total	**2,100**	**2,031**	**1,943**	**2,352**	**2,793**	**2,595**

3.82 Since 2011/12, overall income has steadily increased with the increase in Planning Fees being more significant. Current levels of income are above the Base Budget in all categories, but except for Planning, not to a great extent.

Planning Fees

3.83 It is anticipated that the current level of Planning Fees will continue for at least a further 2 years. Realistically, the base position is too low and there is scope for it to be increased to reflect current demand. Therefore, it is recommended that the current budget of £550,000 is raised to £700,000 in 2016/17 and 2017/18. The MTFP has been updated to reflect this.

Property Rents

3.84 The largest rent generated is from the Council's factory site. The lease of this site with the current tenant has recently been extended. The Council has also provided capital investment to enable significant alteration works to the buildings.

3.85 There is a break clause in the current lease and this occurs towards the end of the MTFP period. Although the current overall level of property rents exceeds the base budget, it is considered prudent to maintain the (lower) budgeted level for forecasting purposes in the MTFP.

Licensing

3.86 Due to a change in the licensing of Private Hire Vehicles, the Council's income will reduce by £40,000 over a 3-year period. This arose from the Deregulation Act 2015.

3.87 Following this, the Council's Private Hire Policy and licensing arrangements were amended by the Environmental and Development Services Committee in August 2015. Therefore, it is considered prudent to maintain the current budgeted level for overall licensing income in the MTFP for forecasting purposes.

Interest on Short-term Deposits

3.88 Interest received from money held on short-term deposit is currently based on the interest rates and average deposit balances as shown in the following table.

	Rate	Deposit £m	Gross Interest £'000	Less HRA Share £'000	General Fund Interest £'000
2015/16	0.65%	6	39	-7	32
2016/17	1.15%	5	58	-8	50
2017/18	1.65%	5	83	-12	71
2018/19	2.15%	4	86	-22	64
2019/20	2.15%	4	86	-22	64

3.89 The current Bank of England Base rate of 0.5% could increase in the coming months. However, this is not certain and there is mixed views amongst economic commentators although any increases, it is generally agreed, will be incremental and small.

3.90 Currently, there are few predictions showing the Rate exceeding 2.5% over the current MTFP period. Given this, it is considered necessary to reduce the projected interest rates in the current MTFP to accord with latest economic forecasts.

3.91 However, this can be mitigated by the level of money on deposit. This continues to be above that projected in the MTFP. The revised forecasts for interest are shown in the following table.

	Rate	Deposit £m	Interest £'000	Less HRA Share £'000	General Fund Interest £'000
2015/16	0.35%	14	49	-18	31
2016/17	0.85%	10	85	-26	59
2017/18	1.35%	7.5	101	-34	67
2018/19	1.85%	5	93	-37	56
2019/20	1.85%	4	74	-28	46

3.92 Overall, there is a modest increase in interest now forecast in the MTFP of approximately £20,000. The level of interest received is not a big risk for the MTFP due to the low level of interest rates and that the Base Budget only assumes a moderate amount of income each year.

3.93 Clearly, if interest rates were to rise more quickly than predicted, then this would have a beneficial impact on the MTFP.

Council Tax

3.94 A 2% increase per year in the rate of Council Tax continues to be included in the projection for planning purposes. This reflects the Government’s limit above which a local referendum would be required to set a higher increase.

3.95 The Council has frozen the level of Council Tax for the last 5 years. This has been partly funded by Government Grant. A 1% variation in the rate of Council Tax equates to approximately £45,000 per year.

3.96 If a Council Tax freeze policy was built into the MTFP on an on-going basis, this would reduce budgeted resources by approximately £1m. If this was partly funded on an-going basis by the Government at a rate of 1%, this would net down to approximately £1/2m.

Council Tax Base

3.97 The projections for Council Tax income assume a continuation of growth in new properties (Band D equivalent) of around 1% per year (300 properties). The average growth since 2002, when Council Tax was introduced, has been 495 properties, with the lowest being in 2 years between 2008 and 2010 of just below 300. The average since 2010 has been 560 properties.

3.98 Residential growth could be much higher in future years depending on the outcome of the Local Plan. The impact of the Local Plan on the MTFP will be considered more once the position on new property numbers has been confirmed.

3.99 However, in the meantime, it is realistic that for planning purposes, the forecast in growth can be increased to 400 Band D equivalent properties per year. This increases resources over the period of the MTFP by approximately £160,000.

Surplus on the Collection Fund (Council Tax)

3.100 The MTFP forecasts the Council’s share (11%) at £20,000 per year. Any variation to this is not likely to be significant.

Business Rates

3.101 The Council is yet to fully realise its share of the increase in Business Rates following the introduction of the Rates Retention System in 2013/14. A deficit was incurred in the first year (2013/14) with a surplus generated in 2014/15.

3.102 The cumulative surplus on the Business Rates Account is currently estimated at £470,000 by the 31st March 2016. The Council’s share at 40% is £188,000. It is considered realistic to include a Business Rates Surplus in the MTFP in 2016/17 of £150,000 and £100,000 for future years.

3.103 If this level is not achieved, the additional share of growth from the Derbyshire Pool could compensate. 2015/16 is the first year of the Pool and it would be prudent to await the performance of the first year, together with forecasts for future years, before including any additional amounts in the MTFP at this stage.

Business Rates Review

3.104 The Government had previously indicated that they would review the Rates Retention System after 10 years and no earlier than 2020. The Government are currently reviewing the impact of Rates on businesses to determine if the current assessment of liability is fair and reasonable. Whether this impacts on the distribution system is not yet known.

Welfare Reform – Council Tax Support

3.105 Changes to welfare benefits could have an impact on the Local Council Tax Support Scheme. The Council's scheme largely mirrors the previous national benefits scheme, whereby claimants are entitled to a level of support based on their entitlement to other benefits, although this is reduced for working age claimants.

3.106 This matter is subject to a separate report elsewhere on the Agenda of this Committee. At this stage, no additional financial implications have been included in the MTFP.

4.0 Updated General Fund Position

4.1 Section 3 analysed in detail, the main variables and risks included in the General Fund medium term financial plan. The revised projection is detailed in **Appendix 1**. The changes that have been reflected in the updated MTFP are summarised in the following table.

Summary of Changes to the MTFP Projection	£
5 Year General Reserve Balance - 2015/16 Budget	2,159,597
Increase in Opening Balance - 2014/15 Out-turn	277,324
Purchase of Town Centre Land	-230,000
Electoral Services Restructure	-57,500
Melbourne Sporting Partnership - Section 106	-213,000
External Facilitator - Pay and Grading Review	-100,000
Introduction of the National Living Wage	-31,932
Increase in National Insurance Contributions	-74,188
Auto Enrolment	-188,600
Reduction in Pay Costs (lower inflation)	573,394
Pay and Grading Provision 2015/16	165,000
Increase in Planning Fee Income 16/17 and 17/18	300,000
Increase in interest on short term deposits	20,347
Projected increase in Council Tax Base	159,478
Business Rates Surplus	450,000
Provision for District Election in 2019/2020	-125,000
Projected Reserve Balance as at 2019/20	**3,084,920**
Less: Projected Deficit 2020/21	-1,115,766
Less: Estimated Capital Contributions 2020/21	-270,000
Projected Reserve Balance as at 2021	**1,699,154**

4.2 The MTFP still projects a reserve balance above the recommended minimum level of £1m by 2021. A summary of the yearly position is shown in the following table.

General Fund: Medium-Term Projection as at September 2015

Year	Budget Deficit / Surplus (-)	Sums Earmarked against Reserve	Balance of General Reserve
Base Budget 2015/16	-£144,689	£911,000	£5,368,689
Projection 2016/17	-£424,381	£433,000	£5,360,071
Projection 2017/18	£206,616	£420,000	£4,733,455
Projection 2018/19	£603,559	£90,000	£4,039,895
Projection 2019/20	£934,976	£20,000	£3,084,920
Projection 2020/21	£1,115,766	£270,000	£1,699,154

4.3 The overall position is forecast to improve compared to the previous projection. This is due to additional income being included and a reduction in overall pay costs as detailed in Section 3.

4.4 Section 3 also detailed how certain other changes could affect the medium term position. These changes, although quantifiable based on certain assumptions, have not been built into the updated MTFP due to their uncertainty. The following tables give some indication of the potential impact on the MTFP based on possible scenarios.

Strengths

New Homes Bonus – will the current 6 year rolling programme continue?	If the current funding mechanism continues, this could add in an extra £1/2m per year from 2019/20 based on current growth projections. However, this would also depend on resources earmarked overall nationally by the Government.
Inflation and Contingent Sums – may not be fully utilised each year	Recent years has not required all of these sums to be used. They tend to cover any additional contributions to bad debt provisions, but even allowing for these, there has typically been an underspend. These sums could also be transferred to meet additional cost pressures in the future through growth as highlighted in the risk table, below.
Base Budget – projected to increase	In addition, the projection assumes that the current base budget for net expenditure overall, continues to incrementally increase over the next 5-years by over 10% (£1.1m). In recent years, a net decrease has occurred, although this cannot be guaranteed.

Risks

Future funding settlements – overall resources nationally could reduce further compared to that currently forecast	Every 1% reduction equates to approximately £200,000 cumulatively, over 5 years.
Growth Provision – this may need to be increased in future years.	The current sum set-aside in the MTFP of £100,000 per year may need to be increased to meet future cost pressures. These could be in the form of extra demand on services, together with maintenance of existing and new assets/recreational facilities such as the new Depot.
Pension Costs – these could increase following the next actuarial valuation of the Pension fund in 2016.	A one-off reserve of £182,000 is available. However, an interim valuation of the Fund which has been reflected in the 2014/15 accounts shows an increasing deficit. This may require increased contributions from April 2017. Every 1% increase equates to approximately £17,000 per year.

Council Tax increases – it is likely that there will be "pressure" to keep rises very low or not at all.	The MTFP assumes a 2% increase per year. A 1% reduction equates to approximately £45,000 per year or a £1/4m over 5 years.

4.5 Following this review, the financial profile on the General Fund still follows the same pattern, with budget surpluses forecast in 2015/16 and 2016/17. From 2017/18, a deficit is then forecast based on overall net expenditure increasing with an overall reduction in core funding. This deficit is projected to increase sharply from 2018/19 to 2020/21.

4.6 The projected deficit in 2017/18 is fairly modest and the current position ahead of that remains relatively strong. This should provide sufficient time for planned and remedial action to be undertaken if required.

4.7 The General Fund continues to benefit from increased income due to growth, together with costs, in general terms, being kept under control. Any significant additional costs being identified are being covered in earmarked reserves.

4.8 The sustainability of additional income is never certain, although the outlook is still, at this stage, positive. This has allowed some additional sums to be included in the projection in the short term.

4.9 The two greatest financial risks are still considered to be:

- Future cost pressures, especially through additional demand on services
- Reductions in national funding and/or changes to the distribution system.

4.10 There are measures in place to mitigate any adverse outcomes from these risks. The Government's current spending review is due to report in November 2015.

4.11 In the meantime, it is recommended that a cautionary approach is maintained until firmer and specific details of the impact on the Council are made known. This is likely to be in January 2016.

5.0 Housing Revenue Account

5.1 During 2014/15, the Business Plan for the HRA was subject to a detailed review and update. This was to consider the resources available for New Build and to update the financial projection following the first 2 years of "self-financing."

5.2 The Business Plan review was undertaken by a working group consisting of members and tenants, supported by officers. The group reported in November 2014 and the revised business plan, comprising a 30-year financial projection, was considered and approved by the Committee in December 2014.

The Financial Model

5.3 The projection is based on a financial model designed so that a £1m minimum balance is maintained on the HRA's general reserve and that planned resources are set aside for debt repayment in future years. These are the priority financial objectives to ensure that the Business Plan is sustainable and the core housing service is delivered.

5.4 Given that these objectives are met, any increase or decrease in resources are reflected in the planned capital or new build programmes and these can be flexed accordingly into the longer term where there is a more significant change in resources.

5.5 The main focus of the Plan is over the medium term period of between 5 and 10 years. This ensures that any changes do not materially affect plans already in place to deliver the approved capital investment and new build programmes.

5.6 On implementation of "self-financing" in April 2012, provision was made in the HRA for a major capital upgrade programme due to the additional resources it gained at that time by the abolition of "negative subsidy." This initial investment programme is due to take around 5-years to complete.

5.7 Following this investment, the HRA is projected to generate operating surpluses which will be set-aside to repay the debt it took over from the Government as part of the self-financing framework.

5.8 A key factor in the current HRA Plan is that it is predicated on an on-going real terms increase in average rents (in accordance with national rent policy). Annual increases in responsive and cyclical repairs is in accordance with the main Business Plan and allows for inflation in the building cost index

HRA Reserves

5.9 The HRA has 4 separate reserves as shown in the following table.

Working Balance or General Reserve	Held as a contingency with a minimum balance of £1m.
New Build Reserve	Accumulated Capital Receipts pending expenditure on building new properties. The financial model assumes that these are drawn down each year to finance New Build ahead of any further borrowing. Therefore, the carrying balance from year-to-year remains low.
Major Repairs Reserve	This receives sums from the main HRA which are used to pay for the HRA's capital programme. Any unspent and committed resources are held in this reserve pending expenditure.
Debt Repayment Reserve	Sums set-aside to repay the initial "self-financing" debt; contributions to the Reserve are due to start from 2017/18 in accordance with the debt repayment profile.

Key Variables and Assumptions in the Plan (as February 2015)

5.10 The Business Plan was updated in February 2015 to reflect the 2015/16 Base Budget, together with the approved rent increase for the year. The key variables on which the financial plan was based are summarised in the following table.

Cost inflation	Based on the latest economic forecast of 2.2% per year.
Annual rent increase	Inflation (as at September) as measured by the CPI +1% - based on the Government's national rent guideline.
Void level	0.65% - based on historical levels.
Supported Housing Grant	£250,000 per year – cash limited.
Right to Buys	• 2015/16 - 15 • 2016/17 - 15 • 2017/18 - 15 • 2018/19 - 13 • 2019/20 – 13

Capital Receipts	In accordance with current policy, all HRA retained receipts (after Pooling) are reinvested back into New Build as part of the "1-2-1" agreement with the Government.
New Build Units	• 2015/16 – 50 (financed) • 2016/18 – 60 (planned) • Up to 2024 – 130 (subject to resources)
Responsive and Cyclical Maintenance	£950 per property per year, plus £350,000 per year for disabled adaptations.
Capital Improvements	£27m investment programme over the first 5 years of the Plan and then £36,659 per property over 30 years as identified in the latest stock condition survey.
Interest Rates	Predominantly fixed; £10m variable debt at 0.7%, in 2014/15 rising to 1.1% in 2015/16 and to 2% in 2019 at maturity.
Minimum HRA Working Balance	£1m

New Build Programme

5.11 The Phase 1 programme is now well underway. This phase has a budget of £5.4m and is being financed mainly from resources already in the HRA and accumulated capital receipts. It is planned to provide up to 50 new properties.

5.12 The Plan also allows for the HRA to borrow a further £9m up to its debt cap over the life of the plan. This is designed to maximise the amount of New Build.

5.13 Although the 30-year Plan allows for a further 60 properties by 2018 and then 130 up to 2024, each phase in the future will need to be subject to a separate financial assessment and appropriate approval.

5.14 The Business Plan Group recommended that alternative delivery models should be considered in the future to achieve the aims set out in the Plan. This could include the sale of HRA assets, including land holdings.

Financial Risks

5.15 The Plan is affordable if the above parameters and associated budgets are met. As planned at the outset of the self-financing framework, the HRA is forecast to generate surpluses in order to repay debt.

5.16 It was noted in setting the HRA budget for 2015/16 that the biggest risk in the HRA was future rent rises. The Financial Plan was fundamentally based on the Government's national rent guideline from 2015/16, i.e. inflation +1% year on year.

5.17 It was noted that if corresponding income levels were not achieved, this would have an effect on projected spending plans and investment.

Overall Rent Strategy

5.18 As part of the Business Plan, the following Rent Strategy is in place:

- Let all New Build and acquired properties at Affordable Rent Levels, i.e. 80% of Market Rent.

- Let all existing properties at their "old formula rent" if still below this level where they become void and then subsequently relet.

- Increase the rent annually of all properties at the national guideline of CPI + 1%.

Changes to the Financial Projection

5.19 The main changes that have been considered in this review are based on matters arising from the Government's Budget in July 2015. These are:

- A reduction in social rents of 1% per annum for 4 years
- Tenants earning over £30,000 per year to pay market rents
- Introduction of the National Living Wage from April 2016
- 1% cap on public sector pay rises

5.20 The changes to pay will have similar effects in the HRA as in the General Fund, as detailed in Section 3. However, the amounts involved are estimated to be much lower.

National Living Wage

5.21 There are currently 2 part-time posts in the HRA currently earning slightly less than £7.20 per hour. There are a further 5 posts earning just less than £9. The additional cost to the HRA is relatively negligible and is estimated at £7,000 per year by 2020, based on current pay rates.

Pay Rises

5.22 Similar to the General Fund, it would be reasonable to reduce the forecast to 1.5% in the medium term for pay increases. This would still allow for a rise above the intended limit of 1%. The effect on the HRA is approximately £16,000 per year.

Rents

5.23 As previously highlighted, the current Business Plan is predicated on the previous Government's rent policy of an increase in rents of inflation (as measured by the CPI) plus 1%. This policy was expected to remain for 10 years, well into the next decade to allow investment and New Build to become well established.

5.24 Current rent income in the HRA equates to approximately £12.5m in 2015/16 and this was forecast to rise to approximately £16.5m by 2024.

Potential Impact of the Government's Rent Proposal

5.25 The 1% reduction will be given a legal basis under the Work and Welfare Reform Bill 2015. The 1% reduction will apply to whatever the existing rent level is for each tenant for the 4 years of 2016/17 to 2019/20 inclusive.

5.26 Clearly, this will reduce the overall income in the HRA compared to that currently projected, with a reduced income base having a cumulative effect on an on-going basis beyond 2020.

5.27 The effect on the HRA is significant. The current plan is based on the following rent increases of CPI +1%, which gives:

- 2016/17 – 2.1%
- 2017/18 – 2.6%
- 2018/19 – 2.8%
- 2019/20 – 3.0%

5.28 Whereas rents were forecast to rise by 10.5% in the next 4 years, they will in effect fall by 4%. Recalculating the rent income at a 1% reduction reduces resources cumulatively in the HRA by over £6m to 2020 and by approximately £19m to 2024 as shown in the following table.

£'000	2015.16	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24
Current Income	13,038	13,578	14,114	14,485	14,868	15,265	15,673	16,393	17,076
Revised Income	13,078	12,958	12,793	12,609	12,435	12,264	12,794	12,880	13,205
Reduction	**40**	**-620**	**-1,321**	**-1,876**	**-2,433**	**-3,001**	**-2,879**	**-3,513**	**-3,871**

5.29 The figures have also been adjusted for increased sales in 2015/16 and 2016/17 and the reprofiling of the current New Build programme, although these do not have a significant impact on their own. Due to the decreases over the next 4 years, it will take until 2023 to bring overall income back up to the current level existing in 2015/16.

Revised HRA Projection

5.30 The revised HRA projection is detailed in **Appendix 2.** The main implication is that the rent reduction reduces future operating surpluses in the HRA, to the point where the amount set-aside in the Debt Repayment Reserve will not be sufficient to repay the first tranche of debt in 2021/22.

5.31 This will mean that future capital investment budgets beyond 2016/17 in particular, will need to be reviewed in order that sufficient resources are set-aside to repay debt. Clearly, other budget savings could be considered including the day-to-day/planned maintenance budget of £3.5m, which is still forecast to increase by inflation year-on-year in the revised projection.

Capital Investment

5.32 The HRA makes a revenue contribution from rent income of £5.5m per annum to the Major Repairs Reserve. This reserve is then utilised to fund capital works. The level of this contribution is projected to reduce to £3.4m from 2017/18 and to £2.9m in 2021/22 as the current capital programme is completed.

5.33 Future amounts have previously been calculated based on affordability and will not necessarily have been committed at this stage. These figures will need to be reviewed. Future capital works will need to be based on lower amounts if the Debt Repayment Reserve is to have sufficient balances to repay debt.

5.34 Based on the revised projection, approximately £11m over this planning period will need to be identified to protect the Debt Repayment Reserve.

5.35 In line with financial strategy, the financial model is calibrated to ensure that the HRA reserve is maintained at its minimum contingency level of £1m.

New Build

5.36 The revised projection includes the Phase 1 New Build programme (as approved and committed) at a cost of £5.4m and this is being financed within the projection. Although the 30-year Business Plan makes provision for further New Build beyond this phase, the 10-year projection makes no further provision as highlighted earlier in the report.

5.37 The New Build Reserve continues to show some accumulated receipts as expected sales feed through. Approximately £1.2m of the Phase 1 programme is being financed through new borrowing and this is reflected in the projection.

The Borrowing Position

5.38 The HRA could borrow approximately £7m which is the headroom between current borrowing and its statutory debt cap. However, under the Prudential Capital Code, the Council would need to demonstrate that new borrowing is affordable and sustainable in its overall Plan.

5.39 The current balance on the Major Repairs Reserve is approximately £1.7m. Although a significant amount of this may be committed to the current capital programme, some contingency in the shape of unspent resources could be available.

Summary - Overall Position on the HRA

5.40 Clearly, the proposed change in social rent policy nationally, will have a significant effect on the Council's HRA. The financial projection shows that core services can be maintained but future aspirations for capital investment and New Build will need to be reviewed. In particular, a projected shortfall in the resources required for debt repayment needs to be addressed in the short-term.

5.41 A further review of the HRA Business Plan is due to be undertaken later in 2015/16. This will include a review of capital investment to update predictions for future expenditure.

6.0 Corporate Implications

As detailed in the report.

7.0 Community Implications

As detailed in the report.

8.0 Background Papers

None

APPENDIX 1

GENERAL FUND MEDIUM TERM FINANCIAL PROJECTION (September 2015)

	Budget 2015/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £	Projection 2020/21 £
BASE BUDGET - Net Service Expenditure	10,944,858	10,985,562	11,201,341	11,473,421	11,751,791	12,045,586
Reverse out depreciation	-645,650	-645,650	-645,650	-645,650	-645,650	-645,650
Minimum Revenue Provision (MRP)	232,781	223,470	214,531	205,950	197,712	189,803
Voluntary Revenue Provision (VRP - Green bins for kerbside recycling)	109,663	109,663	109,663	109,663	109,663	109,663
Known / Anticipated Changes to the Base Budget						
Reduction in Pay Costs (lower inflationary increases)	0	-34,418	-105,146	-178,691	-255,139	-335,139
Increase in Factory Site Rent (as per lease agreement)	0	-10,000	-5,000	-5,000	-5,000	-5,000
Anticipated Change in Net Interest Received	0	-27,000	-35,000	-23,000	-13,750	-20,000
External Facilitator - Pay and Grading Review	100,000	0	0	0	0	0
Pay and Grading - on-going costs	0	35,000	35,000	35,000	35,000	35,000
Incremental Salary Increases	0	17,000	17,000	17,000	17,000	17,000
Leisure Management Contract - Reducing Cost	0	-15,195	-18,061	-18,061	-18,061	-18,061
Electoral Services Restructure	11,500	11,500	11,500	11,500	11,500	11,500
Introduction of the National Living Wage	0	1,239	5,990	10,604	14,099	14,099
Increase in National Insurance Contributions	0	17,850	18,326	18,768	19,244	19,720
Provision for Auto Enrolment	0	0	37,720	75,440	75,440	75,440
Pay and Grading – on-going costs	0	130,000	130,000	130,000	130,000	130,000
Increase in Planning Fee Income	0	-150,000	-150,000	0	0	0
Contingent Sum - Inflation	89,704	264,780	321,079	327,371	333,809	340,385
Contingent Sum - Growth	100,000	100,000	100,000	100,000	100,000	100,000
District Elections	0	-125,000	-125,000	-125,000	0	-125,000
TOTAL ESTIMATED SPENDING	**10,942,855**	**10,888,799**	**11,118,293**	**11,519,313**	**11,857,657**	**11,939,346**

	Budget 2015/16 £	Projection 2016/17 £	Projection 2017/18 £	Projection 2018/19 £	Projection 2019/20 £	Projection 2020/21 £
FINANCING						
Revenue Support Grant	-1,811,467	-1,378,000	-823,000	-811,000	-800,000	-700,000
Business Rates Precept	-2,290,654	-2,374,000	-2,439,000	-2,506,000	-2,750,000	-3,017,850
New Homes Bonus	-2,322,405	-2,716,900	-2,728,626	-2,540,029	-2,162,835	-1,730,077
Payment to Parish Councils - Share of Council Tax Support Grant	43,627	43,627	43,627	43,627	43,627	43,627
Council Tax Freeze Grant 2015/16	-50,794	0	0	0	0	0
Council Tax Income	-4,598,852	-4,752,131	-4,909,702	-5,071,674	-5,238,162	-5,409,280
Collection Fund Surplus - Council Tax	-57,000	-20,000	-20,000	-20,000	-20,000	-20,000
Collection Fund Surplus - Business Rates	0	-150,000	-100,000	-100,000	-100,000	-100,000
On-going reduction in DWP Benefits Administration Grant	0	34,223	65,024	89,322	104,688	110,000
TOTAL FINANCING	**-11,087,545**	**-11,313,181**	**-10,911,677**	**-10,915,754**	**-10,922,682**	**-10,823,580**
General Fund - Yearly Surplus (-) / Deficit	**-144,689**	**-424,381**	**206,616**	**603,559**	**934,976**	**1,115,766**
GENERAL FUND RESERVE BALANCE						
Balance b/f	-6,135,000	-5,368,689	-5,360,071	-4,733,455	-4,039,895	-3,084,920
General Fund - Yearly Surplus (-) / Deficit (as above)	-144,689	-424,381	206,616	603,559	934,976	1,115,766
Purchase of Town Centre Land	230,000	0	0	0	0	0
Pay and Grading Review - one-off costs	0	200,000	150,000	70,000	0	0
Melbourne Sporting Partnership (Section 106 Funding)	0	213,000	0	0	0	0
Contribution to Vehicle Replacement Fund	20,000	20,000	20,000	20,000	20,000	20,000
Provision for Capital Funding / Replacement Fund Contribution	661,000	0	250,000	0	0	250,000
Balance c/f	**-5,368,689**	**-5,360,071**	**-4,733,455**	**-4,039,895**	**-3,084,920**	**-1,699,154**

APPENDIX 2

HOUSING REVENUE ACCOUNT FINANCIAL PROJECTION

All figures in £'000s	2015.16 Approved Budget	2016.17 Forecast	2017.18 Forecast	2018.19 Forecast	2019.20 Forecast	2020.21 Forecast	2021.22 Forecast	2022.23 Forecast	2023.24 Forecast	2024.25 Forecast
INCOME										
Rental Income	-12,526	-12,407	-12,243	-12,060	-11,887	-11,713	-12,240	-12,323	-12,645	-12,980
Non-Dwelling Income	-117	-116	-115	-114	-113	-116	-119	-122	-125	-128
Supporting People Grant	-270	-270	-270	-270	-270	-270	-270	-270	-270	-270
Other Income	-165	-165	-165	-165	-165	-165	-165	-165	-165	-165
Total Income	**-13,078**	**-12,958**	**-12,793**	**-12,609**	**-12,435**	**-12,264**	**-12,794**	**-12,880**	**-13,205**	**-13,543**
EXPENDITURE										
General Management	1,577	1,597	1,617	1,638	1,660	1,682	1,704	1,726	1,749	1,773
Supporting People	932	844	857	872	886	901	917	934	951	969
Responsive & Planned Maintenance	3,372	3,450	3,528	3,609	3,692	3,778	3,866	3,956	4,049	4,144
Bad Debt Provision	44	43	43	42	42	41	43	43	44	45
Interest Payable & Receivable	1,681	1,731	1,846	1,847	1,847	1,847	1,847	1,548	1,548	1,278
Depreciation	2,876	2,954	2,999	2,986	2,976	2,965	2,956	2,947	2,940	2,932
Net Operating Income	**-2,596**	**-2,340**	**-1,903**	**-1,615**	**-1,332**	**-1,050**	**-1,461**	**-1,726**	**-1,924**	**-2,402**
Reversal of Depreciation	-2,876	-2,954	-2,999	-2,986	-2,976	-2,965	-2,956	-2,947	-2,940	-2,932
Capital Expenditure	5,500	5,500	3,452	3,452	3,452	3,452	2,997	2,997	2,997	2,997
New Build Contribution	287	287	287	287						
Incremental Salary Increases		6	6	6	6	6	6	6	6	6
HRA Surplus (-) / Deficit	**315**	**499**	**-1,157**	**-856**	**-850**	**-557**	**-1,414**	**-1,670**	**-1,861**	**-2,331**

All figures in £'000s	2015.16 Approved Budget	2016.17 Forecast	2017.18 Forecast	2018.19 Forecast	2019.20 Forecast	2020.21 Forecast	2021.22 Forecast	2022.23 Forecast	2023.24 Forecast	2024.25 Forecast
HRA Reserve B/fwd	-2,381	-2,066	-1,067	-1,024	-1,030	-1,080	-1,037	-1,201	-1,121	-1,032
(Surplus) / Deficit for year	315	499	-1,157	-856	-850	-557	-1,414	-1,670	-1,861	-2,331
Transfer to Debt Repayment Reserve	0	500	1,200	850	800	600	1,250	1,750	1,950	2,300
HRA Reserve C/fwd	**-2,066**	**-1,067**	**-1,024**	**-1,030**	**-1,080**	**-1,037**	**-1,201**	**-1,121**	**-1,032**	**-1,063**
Debt Repayment Reserve										
Balance B/fwd	0	0	-500	-1,700	-2,550	-3,350	-3,950	4,800	3,050	11,100
Transfers to reserve	0	-500	-1,200	-850	-800	-600	-1,250	-1,750	-1,950	-2,300
Repayment of loan	0	0	0	0	0	0	10,000	0	10,000	0
Reserve C/fwd	**0**	**-500**	**-1,700**	**-2,550**	**-3,350**	**-3,950**	**4,800**	**3,050**	**11,100**	**8,800**
New Build Reserve										
Capital Receipts B/fwd	-2,013	-0	-0	-796	-1,584	-1,976	-2,320	-2,627	-2,902	-3,100
New Build Expenditure	3,749	1,426	0	0	0	0	0	0	0	0
Contribution to Reserve	-287	-287	-287	-287	0	0	0	0	0	0
RTB Receipts in year	-591	-703	-509	-501	-392	-344	-306	-275	-198	-188
Borrowing in year	-858	-436	0	0	0	0	0	0	0	0
Balance c/fwd	**-0**	**-0**	**-796**	**-1,584**	**-1,976**	**-2,320**	**-2,627**	**-2,902**	**-3,100**	**-3,289**
New Build Properties	**23**	**22**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**