

additional papers 1



Overview and Scrutiny Committee

Tue 13 Jan
2015
7.00 pm

Committee Room 2
Town Hall
Redditch

REDDITCH BOROUGH COUNCIL

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Welcome to today's meeting.

Guidance for the Public

Agenda Papers

The **Agenda List** at the front of the Agenda summarises the issues to be discussed and is followed by the Officers' full supporting **Reports**.

Chair

The Chair is responsible for the proper conduct of the meeting. Generally to one side of the Chair is the Democratic Services Officer who gives advice on the proper conduct of the meeting and ensures that the debate and the decisions are properly recorded. On the Chair's other side are the relevant Council Officers. The Councillors ("Members") of the Committee occupy the remaining seats around the table.

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Overview and Scrutiny

Committee

Tuesday, 13th January, 2015

7.00 pm

Committee Room 2 Town Hall

Agenda

Membership:

Cllrs: Jane Potter (Chair) Carole Gandy
Gay Hopkins (Vice-Chair) Alan Mason
Joe Baker Paul Swansborough
David Bush Pat Witherspoon
Andrew Fry

5. Medium Term Financial Plan 2015/16 to 2017/18 - Pre-Scrutiny

(Pages 1 - 12)

Jayne Pickering, Executive Director, Finance and Resources

To pre-scrutinise the content of the Medium Term Financial Plan 2015/16 to 2017/18.

(Report to follow)

All Wards

6. Housing Revenue Account Rent and Capital 2015 - 16 - Pre-Scrutiny

(Pages 13 - 20)

Liz Tompkin, Head of Housing

To pre-scrutinise the content of the Housing Revenue Account Rent and Capital 2015 – 16.

(Report to follow)

All Wards

REDDITCH BOROUGH COUNCIL**OVERVIEW AND SCRUTINY
COMMITTEE**

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MEDIUM TERM FINANCIAL PLAN 2015/16 – 2017/18

Relevant Portfolio Holder	John Fisher
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering (Executive Director for finance and corporate Resources)
Wards Affected	All
Ward Councillor Consulted	None specific

1. SUMMARY OF PROPOSALS

To enable Members to consider the current financial position for the revenue budget 2015/16 – 2017/18.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

the Executive Committee be asked to note the current position for 2015/16 – 2017/18 and to request that officers review the savings that can be delivered to achieve a balanced budget.

3. KEY ISSUES**Financial Implications**

3.1 The Council's Medium Term Financial Plan (MTFP) provides the framework within which the revenue and capital spending decisions can be made over a 3 year period. The plan addresses how the Council will provide financial funding to the Strategic Purposes and ensure residents receive quality services to meet their needs in the future. The Purposes that drive the financial considerations are :

- Help me find somewhere to live in my locality
- Provide good things for me to see, do and visit
- Help me live my life independently
- Help me run a successful business
- Help me be financially independent
- Keep my place safe and looking good

3.2 When reviewing the budget projections officers consider the impact of demand on service and the costs associated with this demand. This may result in additional costs (associated with maintaining current service delivery) or reductions in anticipated income revenue over the next 3 years.

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- 3.3 As Members are aware there continue to be considerable pressures facing the Council over the next 3 years as a result of a number of issues including:
- Reduction in Council Tax Benefit Grant received
 - Changes to welfare reform and the impact on the Council from residents service need
 - Transfer from Housing Benefit to Universal Credit
 - Continued reduction in Government Grant
- 3.4 Officers will continue to work with our partners to identify the costs that may be associated with some of these changes.

Formula Grant / Localised Business Rates

- 3.5 The provisional settlement that was received recently by the Council for 2015/16 was as indicated previously at £3,580. However this confirms the £647k reduction in the grant allocated for 2014/15. The grant includes a number of allocations that were previously received as separate funding streams and therefore the cut is across all funding received by Central Government.
- 3.6 Forecasting Government funding beyond 2015/16 is challenging, the key issue will be the outcome of the next Comprehensive Spending Review (CSR), due for publication after the General Election in May 2015. Recent Government and opposition announcements indicate that the austerity measures are set to continue into future years, in line with the Government's objective of achieving a budget surplus. Further estimated reductions of approximately 5% per annum have been factored into the MTFP.
- 3.7 The forecast for Council Tax income includes a Council Tax increase (1.9% p.a.) in the assumptions over the medium-term plan period but decide on the actual increase each year as part of the budget setting process. The Government has continued to provide a Council Tax Freeze Grant of up to 1% as part of the settlement for 2015/16. Redditch did not take up this grant in 2014/15 due to the impact it has on the future income generated. However there remains Council Tax Freeze grant included in the projections from prior year decisions.
- 3.8 The new localised regime on Business Rates (BR) took effect in April 2013. Redditch is part of the Greater Birmingham and Solihull Business Rates Pool, set up as a mechanism to retain more BR growth funding within the area, and to manage risk on BR losses on a shared basis.
- 3.9 In the first year of this new regime, all members of the pool benefited financially from being in the pool. A net £750k growth levy was

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retained in the area which would have been returned to Central Government. An allocation of £307k was to the LEP Growth Fund and a payment to Redditch of £200k was made in relation to the “safety net” payment arrangement to compensate for the loss in Business Rate income for the financial year.

New Homes Bonus

- 3.10 The Council has received notification that the New Homes Bonus (NHB) total grant for 2015/16 will be £803K. This includes the 2015/16 grant of £129k which is significantly higher than the £126k included in the original budget estimates. This is due to the number of properties in the District increasing during 2014/15. A review of future years has been made and additional properties have been included in the medium term plan calculations. The Finance team will work more closely with Planning in the future to ensure that a more accurate estimate is used for projections.
- 3.11 As Members are aware all income received from New Homes Bonus grant is currently used within the General Funds of the Council and is utilised to offset the pressures facing the Council over the medium term.

Council Tax

- 3.12 To ensure that necessary levels of funding are available given the large reductions in government grant highlighted above, the Council Tax increases will have to be sufficient to ensure that funding is available for the services that create value to the customer have appropriate levels of financial resource.
- 3.13 The government have offered a grant equivalent to a 1% rise in Council Tax for 2015/16 for councils who freeze their Council Tax in the next financial year. Acceptance of this freeze grant will cost the Council £101k pa once the grant ceases (assuming Council Tax would otherwise rise by 1.9% in 2015/16). The budget projections include an increase of 1.9% each year.

Transformation

- 3.14 The significant reductions in funding are not anticipated to improve for a number of years and therefore officers have looked at alternative ways to deliver savings whilst improving services to the community. As previously reported the services provided by the Council are undergoing transformational change using a different approach to assessing the value provided by the service. This work will focus on

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the purpose of services to the community and will aim to realise savings and protect those services that create value to our customers.

3.15 Members will be aware of the recent review to the provision of some services across a locality /place and the significant savings that have been identified whilst improving and enhancing the services to the community. In addition the work across customer services and departments continues to develop to ensure that an expert is on hand to support our residents.

3.16 Officers are focused on reducing costs of services that do not provide front line services to support the Strategic Purposes and will continue to drive out waste and redesign provision to reduce costs.

Current Position

3.17 Officers have also identified a number of budget pressures that have either been deemed “unavoidable”. Unavoidable includes the ongoing effects of pressures identified during 2014/15 together with any issues that have been raised as fundamental to maintaining service provision as part of the budget process. In addition income shortfalls that cannot be managed by improved marketing or price increases have been addressed during the budget planning. These pressures are detailed in Appendix 1 and include :

- Loss of Supporting People funding £39K
- Loss of income from Concessionary Rents £49K

3.18 In addition to the unavoidable pressures one revenue bid has been identified to continue to support the essential living fund which will no longer be supported from any external grant allocations. The bid is for £30k which will provide a minimum level of support to our residents who are in need of urgent financial support. In the last 2 years the funding received from County was £489k which is being fully utilised. It has been confirmed recently by Central Government that this funding will no longer be made available separately and there is an expectation that Councils will fund any support from existing budgets.

3.19 Savings have been considered across the Council to ensure that front line services that add value to the residents are protected. The schedule at Appendix 2 details the savings proposed to include:

- Reviews with Customer Services / Fraud £62k
- Place review – Environmental & Community Services £225k
- Alternative models of Leisure Service Delivery £195K

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Financial Position

- 3.20 The current summary position at 3.22 includes the financial impact of the above in addition to the following assumptions:
- 2.2% pay award in relation to the National Agreement in place
 - General inflationary increases in relation to contract arrangements
 - A estimate of reduction for 2016/17 (10%) & 2017/18 (5%) in Central Government Grant
 - 3% increase in fees and charges (where appropriate)
 - An estimation of the New Homes Bonus income
 - Additional income estimated in relation to the Business Rates receivable by the Council

3.21 The revised position is shown below.

	2015/16	2016/17	2017/18
	£'000	£'000	£'000
Base cost of General Fund Services	11,788	11,788	11,788
Pressures –unavoidable & income shortfalls	337	280	289
Savings (quick wins, additional income, shared services, transformation)	-709	-842	-842
Other pressures – pay award/contract increases	-	273	396
Borrowing to fund capital programme	1,016	1,016	1,016
Investment Income	-484	-484	-484
Recharge to capital programme	-598	-598	-598
Bids	30	30	30
Previous Years Savings	-200	-200	-200
Vacancy Management	-150	-150	-150
Net operating expenditure	11,030	11,113	11,245
New Homes Bonus	-803	-1,011	-1,015
Parish Precept	8	8	8

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Business Rate Retention	-2,003	-2,003	-2,003
Net Business Rate Growth	-200	-200	-200
Council Tax Freeze Grant	-58	0	0
Surplus from Collection Fund	0	0	0
Government Grant	-1,567	-1,499	-1,424
Assumed Council Tax	-5,397	-5,504	-5,712
Use of Reserves	-805	-	-
Overall Shortfall	205	904	899

- 3.22 The Council is to set a balanced budget for 2013/14 – 2015/16 and therefore will have to approve further savings, increase income or reduce high pressures for the 3 year period. Any additional spending, over and above the pressures identified above, would also need to be funded by additional savings. Officers are committed to realise the necessary levels of savings through transformation and will continue to work with staff to enable services to be delivered at a reduced cost to meet the cuts anticipated.

General Fund Balances

- 3.23 The level of the general fund balance is currently £1.1m. The current level of balances is sufficient but it is recommended that these should not drop below £750K.
- 3.24 The estimated level of government funding over the MTFP will reduce more rapidly than the increase in Council Tax revenues. Consequently, there will be a continuing focus on transforming service delivery to reduce waste and to ensure that the funding available is aligned to the services that create value to the community of Redditch.

Capital Programme

- 3.25 The Capital Programme is a 3 year rolling programme and officers are currently working to ensure that the level of expenditure falls within the current estimated project allocation. The full details will be brought to the early February Executive for approval. The plan currently includes :

- Replacement of Fleet
- S106 funded Leisure schemes
- Disabled Facilities Grants

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Legal Implications

3.26 None as a direct result of this budget update.

Service / Operational Implications

3.27 The MTFP will enable services to be maintained and, where achievable, improvements to the community.

Customer / Equalities and Diversity Implications

3.28 The impact on the customer has been reduced due to the savings being realised by reduction of waste in the services and ensuring that all service that create value to the customer are resourced.

4. RISK MANAGEMENT

To mitigate the risks associated with the financial pressures facing the Authority regular monitoring reports are presented to both officers and Members to enable proactive action being undertaken to address any areas of concern.

5. APPENDICES

Appendix 1 – Unavoidable Pressures (including income shortfalls)
Appendix 2 – Savings Proposed

AUTHOR OF REPORT

Name: Jayne Pickering – Exec Director Finance and Resources
Sam Morgan – Financial Services Manager
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UNAVOIDABLE PRESSURES	2015/16 £'000	2016/17 £'000	2017/18 £'000	
ENABLING				
Customer Access & Financial Support	139	87	85	<i>increased cost of building/reduction in income/ impact of concessionary rent scheme</i>
IER - estimated costs of delivery	5	-	-	<i>Additional cost to be incurred in respect of Individual Electoral Registration</i>
Postage - additional postage costs	4	4	4	<i>Additional postage costs incurred to meet demand for information being sent across the District</i>
Land Charges	-	-	11	<i>Changes to Land Charges scheme will impact on income received</i>
Business Transformation	71	71	71	<i>Additional maintenance within the IT servers and systems</i>
PROVIDE GOOD THINGS FOR ME TO SEE, DO AND VISIT				
HELP ME RUN A SUCCESSFUL BUSINESS				
increased building costs/loss of income	33	33	33	<i>there are increase building costs and also an income pressure on sport pitches</i>
Car Parking Income - reduced income from enforcement	36	36	36	<i>There is a projected shortfall in income relating to enforcement as drivers are now parking in a more compliant way</i>
HELP ME LIVE MY LIFE INDEPENDENTLY				
Community Services	10	10	10	<i>income pressure for Shopmobility</i>
Losses of Supporting People income/transitional from HRA	39	39	39	<i>Reduction in Supporting People income from WCC</i>
TOTAL PER SUMMARY ABOVE	337	280	289	

STRATEGIC PURPOSE SAVINGS	2015/16 £'000	2016/17 £'000	2017/18 £'000	Comments
ENABLING				
Customer Access & Financial Support - Service Review Fraud / Customer Services / General savings	-247	-230	-230	<i>Number of initiatives to reduce the costs of Enabling the Council to include: - Customer Access & Financial Support - Legal and Democratic Services - Human Resources - Financial Services</i>
Finance - various general savings	-42	-42	-42	<i>Various Supplies and Service and Contracted payment Savings</i>
KEEP MY PLACE SAFE AND LOOKING GOOD				
Place Review - Environmental/Community Services savings	-225	-225	-225	<i>Service review to reduce the costs of keep my place safe and looking good</i>
PROVIDE GOOD THINGS FOR ME TO SEE, DO AND VISIT				
Leisure Services	-195	-345	-345	<i>Potential savings that could be delivered from a review of how Leisure Services are delivered</i>
TOTAL AS PER SUMMARY ABOVE	-709	-842	-842	

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HOUSING REVENUE ACCOUNT INITIAL ESTIMATE 2015/16

Relevant Portfolio Holder	Councillor Mark Shurmer, Portfolio Holder for Housing
Portfolio Holder Consulted	Yes
Relevant Head of Service	Jayne Pickering, Director Finance & Resources Liz Tompkin, Head of Housing
Wards Affected	All Wards
Ward Councillor Consulted	N/A
Non-Key Decision	

1. SUMMARY OF PROPOSALS

To present Members with the Initial Estimates for the Housing Revenue Account for 2015/2016 and the proposed dwelling rents for 2015/2016.

2. RECOMMENDATIONS

The Committee is asked to RECOMMEND that

- 1) the draft 2015/2016 Estimates for the Housing Revenue Account attached to the report at Appendix A, be approved;**
- 2) the actual average rent increase for 2015/2016 be 2.2% (1.2% CPI plus 1% as per government guidelines); and**
- 3) that £3m be transferred to a reserve as a Revenue Contribution to Capital to fund the future Capital Programme and repay borrowing.**

3. KEY ISSUES

Financial Implications

- 3.1 This report only considers those items included in the Housing Revenue Account (HRA). General Fund items will be considered separately when setting the Council Tax.
- 3.2 The system of housing revenue account subsidy ceased on the 31st March 2012 and was replaced with a devolved system of council housing finance called self-financing. The proposal in the form of a financial settlement meant a redistribution of the 'national' housing debt. This resulted in the Council borrowing £98,929 million from the PWLB.

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- 3.3 Self-financing has placed a limit (Debt Cap) on borrowing for housing purposes at the closing position for 2011/12. This is set at £122,158,000. The figures at Appendix A allow for the payment of interest on this sum. This means that all future capital programmes will have to be funded from revenue contribution, capital receipts or grants.
- 3.4 Rent convergence was due to continue until 2015/16, however government policy has changed. In May 2014 Government produced a paper on Guidance on Rents for social Housing which signalled their change in policy. From 2015/16 rents in the social sector should increase by CPI plus 1% annually, rather than the previous formula of RPI + 1%. The move from RPI to CPI follows the office for national statistics' announcement in January 2013 that the formula used to produce the retail price index does not meet international standards.
- 3.5 Failure to increase the rents by the recommended amount will affect the authority's ability to manage the debt in line with the 30 year Business case that was agreed as part of self-financing. The capital programme for maintaining our stock at decent homes standards also requires a high level of investment which can only be achieved by increasing our rents.

2015/16

- 3.6 This section of the report outlines the major issues which have an impact upon the Housing Revenue Account budget setting process for 2015/16.
- 3.7 Based on the CPI figure for September 2014 of 1.2% and using the new government guide lines for calculating dwelling rents, the actual average rent increase for 2015/16 will be 2.2%. The average rent on a 52 week basis will be £80.23 or £86.91 on a 48 week basis. This compares to the actual average for 2014/15 on a 52 week basis of £78.59 and £85.14 on a 48 week basis. See Appendix B for examples of rent by property type.

Capital Resources

- 3.8 From the 1st of April 2004 capital receipts from the sale of housing land and dwellings have been subject to pooling, (75% of Right to Buy (RTB) receipts have to be paid to the Government for redistribution).
- 3.9 In April 2013 the government gave council's the option to retain these receipts in agreement that they would be used to replace the sales with either new build, buy back of properties or purchase on the open market. In the case where these receipts are not used then the council

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will have to pay a fee back to the government for retaining them. This Council has opted to retain the receipts.

- 3.10 Officers have estimated that in the short term the number of RTB sales for this Council will be around 40 per annum, generating around £600k in usable capital receipts.
- 3.11 The introduction of the Major Repairs Allowance from April 2001 provided the Council with additional capital resources. Following the introduction of self-financing the Council is able to continue to use this amount for a transitional period of 5 years. The figure has been adjusted for the reduction in stock and uplifted by CPI in line with the rents. The figure for 2015/16 is £5,834,171.
- 3.12 The Council has previously made transfers of monies from the HRA, when resources permit, to a reserve to fund future capital programmes. It is estimated that there will be sufficient resources in the HRA in 2015/16 to allow £3.m to be transferred in this way. With the introduction of a Debt Cap from 1st April 2012 these monies will be required to support the Housing Capital Programme. The approved capital programme for 2015/16 totals £7.48million.

Housing Repairs Account

- 3.13 The budgeted contribution to the Housing Repairs Account as shown at Appendix A is £4,682,986 for 2015/16, including inflationary increases where appropriate.

Right to Buy Scheme – Rent Income

- 3.14 In 2015/16 figures it is anticipated there will be the sale of 40 Council homes. However it is not likely to impact rental income due to the plans to 'buy back' properties and the mortgage rescue scheme which will increase the rental income.

Housing Revenue Account Balances

- 3.15 The Section 151 Officer has previously advised Members on the minimum level of revenue balances to be maintained in lieu of unforeseen events affecting the Housing Revenue Account and the Council's housing stock. Members have previously approved the retention of a minimum balance of £600,000.
- 3.16 The figures shown in Appendix A indicate that the estimated balance carried forward at the 1st April 2015 will be £1,106,002 which will leave a working balance of £978,097 at the 31st March 2016.

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Legal Implications

- 3.17 Section 76 of the Local Government and Housing Act 1989 requires that the Council sets its budget relating to the Housing Revenue Account such that the account does not plan to be in a deficit position.

Service/Operational Implications

- 3.18 The Council needs to approve the rents in a timely manner in order to allow officer time to notify the tenants of the annual rent increase.

Customer/Equalities and Diversity Implications

- 3.19 The rents have been increased by the same percentage regardless of property size. The increase enables us to keep rents affordable also enabling the continuation of the capital programme investing in the councils housing stock.

4. RISK MANAGEMENT

There is a risk to the HRA Capital Programme if sufficient resources do not exist within the Housing Revenue Account to provide funding now that the Council is unable to borrow to fund the housing capital programme.

5. APPENDICES

Appendix A – Housing Revenue Account Budget 2015/16.
Appendix B – Examples of rent by property type

6. BACKGROUND PAPERS

None.

AUTHORS OF REPORT

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Appendix A – Budget for Housing Revenue Account

	2014/15 Budget £	2015/16 Budget £
B/fwd Balance	1,031,192	1,106,002
INCOME		
Dwelling Rents (Gross)	23,941,960	24,465,780
Non-Dwelling Rents (Gross)	460,000	471,000
Charges for Services and Facilities	298,750	472,040
Contribution towards Expenditure	808,440	231,804
Interest Received	79,750	78,300
TOTAL INCOME	25,588,900	25,718,924

EXPENDITURE		
Supervision and Management (General) (includes 300K JE)	4,314,890	4,597,851
Supervision and Management (Special)	2,256,060	2,794,925
Rent, Rates, Taxes and Other Charges	171,390	188,653
Contributions to the Housing Repairs Account	4,665,630	4,682,986
Depreciation	5,986,920	5,834,171
Financing Charges	4,164,750	4,148,243
Subsidy Limitation transfer to GF	54,450	0
Provision for Bad / Doubtful Debts	400,000	600,000
Revenue Contribution to Capital Programme/set aside to repay borrowing	3,500,000	3,000,000
Transfer to Earmarked Reserves	0	0
TOTAL EXPENDITURE	25,514,090	25,846,829

Surplus / (Deficit) for the Year	74,810	(127,905)
C/fwd Balance	1,106,002	978,097

Appendix B – Examples of Property with current and proposed rents

Property Address	Current Rent	Govt CPI + 1% (2.2%)		Weekly Increase
		New 48wks	New 52wks	
Bedsit				
Salterns Lane Batchley	£ 64.26	£ 65.67	£ 60.62	£ 1.41
Winslow Close Winyates East	£ 61.29	£ 62.63	£ 57.82	£ 1.34
Malvern House Headless Cross	£ 66.62	£ 68.08	£ 62.85	£ 1.46
1 Bedroom Bungalow				
Ilmington Close Matchborough	£ 80.84	£ 82.62	£ 76.27	£ 1.78
Sandhurst Close Church Hill	£ 85.26	£ 87.14	£ 80.44	£ 1.88
1 Bedroom Flat				
Fownhope Close Winyates Wes	£ 71.42	£ 72.98	£ 67.37	£ 1.56
Neville Close Abbeydale	£ 71.67	£ 73.24	£ 67.61	£ 1.57
High Trees Close Oakenshaw	£ 75.22	£ 76.87	£ 70.96	£ 1.65
Bushley Close Woodrow	£ 74.39	£ 76.01	£ 70.17	£ 1.62
2 Bedroom House				
Arley Close Church Hill	£ 88.23	£ 90.17	£ 83.24	£ 1.94
Netherfield Greenlands	£ 88.97	£ 90.92	£ 83.93	£ 1.95
2 Bedroom Flat				
Fownhope Close Winyates West	£ 77.61	£ 79.32	£ 73.22	£ 1.71
Poplar Road Batchley	£ 83.53	£ 85.36	£ 78.80	£ 1.83
Lygon Close Abbeydale	£ 79.58	£ 81.32	£ 75.07	£ 1.74
Woodrow Centre Woodrow	£ 79.08	£ 80.81	£ 74.60	£ 1.73
3 Bedroom				
Loxley Close Church Hill	£ 94.41	£ 96.48	£ 89.06	£ 2.07
Eathorpe Close Matchborough	£ 110.00	£ 112.41	£ 103.77	£ 2.41
Salterns Lane Batchley	£ 97.63	99.78	92.11	2.15
4 Bedroom				
Langley Close Matchborough	£ 103.30	£ 105.57	£ 97.45	£ 2.27
Willow Way Batchley	£ 99.35	£ 101.53	£ 93.72	£ 2.18
Bushley Close Woodrow	£ 96.88	£ 99.00	£ 91.39	£ 2.12
Upperfield Close Church Hill	£ 100.58	£ 102.79	£ 94.89	£ 2.21
5 Bedroom				
Rushock Close Woodrow	£ 103.30	£ 105.57	£ 97.45	£ 2.27
Heronfield Close Church Hill	£ 106.77	£ 109.11	£ 100.72	£ 2.34
Farnborough Close Matchborough	£ 106.02	£ 108.35	£ 100.02	£ 2.33
6 Bedroom				
Barnwood Close Church Hill	£ 134.37	£ 137.33	£ 126.77	£ 2.96
Longdon Close Woodrow	£ 127.24	£ 130.04	£ 120.04	£ 2.80
7 Bedroom				
Beoley Rd Lakeside	£ 136.12	£ 139.11	£ 128.41	£ 2.99

