

Report to: Cabinet



Date of Meeting 8 January 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Draft Revenue and Capital Budgets 2025/26

Report summary:

This report presents the draft revenue and capital budgets for 2025/26 for adoption by the Cabinet before consideration by a joint meeting of the Overview and Scrutiny Committees and the Housing Review Board.

Recommendations from these meetings will be presented back to Cabinet on 5th February 2025 when members will finalise budget proposals to recommend to Council.

This report has been compiled before the Provisional Local Government Finance Settlement announcement on the 18th December, it can be confirmed that the outcome of the Settlement is in line with the estimates made in this report and no amendments are required.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the draft revenue and capital estimates including the associated fees and charges schedule are adopted before forwarding to a joint meeting of the Overview and Scrutiny Committees and Housing Review Board for consideration.

Reason for recommendation:

There is a requirement to set a balanced budget and a Council Tax for 2025/26

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Portfolio(s) (check which apply):

- ☒ Climate Action and Emergency Response
- ☒ Coast, Country and Environment
- ☒ Council and Corporate Co-ordination
- ☒ Communications and Democracy
- ☒ Economy
- ☒ Finance and Assets
- ☒ Strategic Planning
- ☒ Sustainable Homes and Communities
- ☒ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

An analysis of budget changes has not highlighted areas that give rise to any equality issues that need highlighting. There are no changes proposed from the current service provisions because of the draft budget that will affect individuals. [Equalities Impact Assessment](#)

Climate change Medium Impact

The budget approval gives the Council the resources necessary to undertake its business which will contribute to the carbon footprint of the Council. The Council is committed to reducing its carbon net emissions to zero by 2040 and resources have been factored into the budget to meet this priority including key actions identified in the Directorate Service Plans.

Risk: Medium Risk; Risks have been considered in preparing the budgets and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates; estimates on the level and timing of capital receipts; the treatment of demand led pressures; the treatment of planned efficiency savings/productivity gains; levels of income; financial risks inherent in any new arrangements; capital developments; the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered to prepare robust budget proposals. Other specific areas of risk have been highlighted where appropriate within the report.

Links to background information [2025/26 Budget Book](#);
[Fees & Charges Schedule with proposed charges for 2025/26](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ A supported and engaged community
- ☒ Carbon neutrality and ecological recovery
- ☒ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

1. Process

- 1.1 The Constitution requires Cabinet to approve the draft revenue and capital budget prior to consideration by the Overview and Scrutiny Committees. The Housing Review Board will undertake the same function in relation to the Housing Revenue Account budgets.
- 1.2 Recommendations from these meetings will be presented back to Cabinet at its meeting on 5th February, along with any comments from the business community. At this meeting members will be required to recommend to Council a budget and the Council Tax requirement for 2025/26.
- 1.3 Directorate Service Plans were prepared alongside the draft budget and brought forward for early consideration by a joint meeting of the Overview and Scrutiny Committees on 10th December. Recommendations from this meeting are presented in the minutes to Cabinet on the agenda.

2. General Fund Budget

The Overall Financial Picture

- 2.1 The General Fund records day to day spending and income on the delivery for all Council services except for items relating to its Council House landlord function which is recorded in the Housing Revenue Account (HRA) and detailed in Section 3 of this report.
- 2.2 Members will be aware the Council's costs are mainly met through Business Rate income, a decreasing sum from New Homes Bonus Grant (NHB), Council Tax and through fees and charges on services it provides. A relatively smaller proportion is met from general government grant, although in recent years the settlement has included an important element; the minimum funding guarantee, this protects councils from sudden reductions in Government funding between years. The calculation looks at authorities Core Spending Power (CSP) taking account of Government Grants to be received and an assumed council tax level. We estimate through this we receive £2m for 2025/26.
- 2.3 The Local Government Finance Settlement is a crucial part in the Council's budget preparation. This details the rules and allocations around key income streams and how much the Council can expect to receive from them. The exception being fees and charges which in the main the Council can determine itself, except those controlled by Government for example planning fees.
- 2.4 The settlement was not expected until 19th December, therefore assumed too late to be reflected in this report to meet the agenda publishing timetable. However, the provisional settlement was published a day earlier on the 18th December, and it can be confirmed that the assumptions made in this report have not been materially affected.
- 2.5 Part of the financial picture that has helped us build our budget is the Governments Autumn Budget which took place on 30 October; the Office for Budget Responsibility (OBR) also published its updated economic and fiscal outlook for the next 5 years. The Budget announced £1.3bn new grant funding for local government in 2025/26, £600m of which will be earmarked for social care. While new funding is positive, the distribution methodology is unknown and any additional funding is unlikely to meet the continuing financial pressures on the authority. The key headlines included:
- Core Spending Power will increase by an estimated 3.2% in real terms in 2025/26. This includes £1.3bn of new grant funding – with £600m earmarked for social care, and £700m for general services.
 - Additional funding of £233m for homelessness prevention in 2025/26.
 - The distribution of both will not be known until the provisional Local Government Finance Settlement.
 - The Small business rates multiplier will be frozen and retail, hospitality and leisure (RHL) businesses will receive a 40% business rates relief in 2025/26. Councils will be compensated for the loss of business rates income.
 - Business rates will be reformed from 2026/27 to include lower multipliers for high-street RHL businesses, funded by increases for properties valued over £0.5m.
 - The Affordable Homes Programme will increase by £500m in 2025/26.
 - Right-to-buy discounts will be reduced by government, and local authorities will be able to retain 100% of the receipts from right-to-buy purchases.
 - Government will consult on a new long-term social housing rent settlement of CPI+1% for 5 years as well as the option on further potential measures such as a 10-year settlement.
 - Employer National Insurance Contributions will increase by 1.2% in 2025/26 and a lowering of the contribution threshold from £9,100 to £5,000 – although for the public

sector, including local government, the increase for direct employees is expected to be compensated.

- There was no explicit mention of Council Tax principles in the Budget however it has been indicated that for 2025/26 these would remain at 2.99% main rate and 2% Adult Social Care (ASC) precept.

2.6 The adopted Financial Plan containing the Medium Term Financial Plan (MTFP) model was developed and presented before the Autumn Budget announcement. The details in the budget were not materially different to that assumed in the MTFP and prior announcements by Government leading up to the budget were helpful. The model takes several factors and assumptions into account giving us a high-level estimate of the likely position before detailed work is undertaken on the Council's annual budget preparation. It was assumed that business rate rebasing would not occur until 2026/27.

2.7 The Financial Sustainability Model (FSM), also part of the Financial Plan, is used to steer the Council into actions to deliver a balanced budget. After taking such actions into account there remained a balance outstanding in the MTFP of the £225k to find, the adopted Plan stated the balance would be found from a reduction in the staffing establishment with non-replacement of vacant posts. The ability for the Executive Leadership Team to determine which posts not to replace, determine where it is necessary to redirect resources towards new posts where there are capacity, skill or resilience gaps in the establishment, with the overall requirement for the year to make the necessary savings.

2.8 As stated, the Local Government Finance Settlement was not published when drafting this report but as precursor the Local Government Policy Statement was issued on the 28th November giving more headline details of what is to be expected in the actual Settlement. The key messages to add from the Autumn Budget are:

- Initial steps are being taken in the 2025/26 Settlement to rebalance local government finance between councils, there is a redirecting of resources to authorities with social care responsibilities with an increase of £680m and creating a new £600m Recovery Grant to be distributed to areas with greater need and demand for services (using deprivation as a proxy for this, therefore unlikely for EDDC to receive an allocation), and less ability to raise income locally. This money has been found from abolishing two existing grant streams that we currently benefited from:
 - Rural Services Delivery Grant we currently receive £265k
 - Services Grant we receive £58k
- New Homes Bonus (NHB) will continue in 2025/26, but the allocation pot is likely to reduce – Currently we are receiving £1.15m, this is estimated to reduce to £0.685m, with the indication this will be the final year of payment.
- All councils will receive additional income from Extended Producer Responsibility for Packaging (EPR) payments (our allocation being £899k). EPR payments will be guaranteed and is not ringfenced funding. This funding derives from some organisations and businesses having to pay a fee for packaging they supply to or import into the UK market. Local authorities are being passed this income to support the net costs of collecting, managing, recycling and disposing of household packaging waste.

- The Policy included the statement that considering all funding allocated through the Finance Settlement and EPR payments, almost all councils will receive a real-terms increase in funding. The EPR is an additional payment but is being taken into account, along with assumed council tax increases by Government in ensuring councils are no worse off year on year. However, the Policy also states that the EPR is excluded from councils' Core Spending Power (CSP) used to calculate the Minimum Funding Guarantee. The wording is vague, and it is not until the final settlement we will know for certain, there is a risk in treating this as additional monies in our budget, this is further considered in Section 2.11 of this report.
- Council Tax referendum principles for district councils will remain at 2.99% or £5 with the continuation of an additional 2% for social care authorities. In 2025/26 a £5 increase equates to a 3% increase for us. If the principles remain at the same level then from 2026/27 then 2.99% will become greater than a £5 increase for us.
- Confirmation that Councils will be compensated for the cost of the Employers National Insurance increase for directly employed staff only.
- There will be a fundamental reform to the local government funding model after 2025/26. The Government will launch a consultation in December on a new approach to allocating funding (Fair Funding) and will launch in January a technical consultation on resetting business rates for 2026/27. This has major implications on this Council for 2026/27, members will be kept informed as this progresses.

Draft Revenue Budget 2025/26

- 2.9 The Council's draft budget is Balanced, it includes £899k EPR grant income and assumes that the outcome of the Finance Settlement we will be a standstill position for our Core Spending Power (CSP) with no inflationary increase. This position is achieved through grant income from the Minimum Funding Guarantee, without this adjustment we would be seeing a 12.1% reduction in funding. This assessment has been taken from LGFutures who provide councils with detailed calculations at individual authority level based on Government announcements, a service we subscribe to. We have checked these calculations against our own understanding, and they accord. They are estimates and it is not until the final settlement is published that we will know the position for sure. As stated now the Provisional Settlement has been announced just prior to this report publication so it can be confirmed that the assumptions made on Government Funding and other areas of the Settlement are in line with this report and no amendments to the budget are required.
- 2.10 The current budget for 2024/25 increased the General Fund Balance by £500k to mitigate the risk related to the new Recycling and Waste contract terms and at the time outstanding negotiations regarding the Leisure Agreement. Both these areas are now more certain within the draft budget for 2025/26, it proposed to leave the additional sum in the General Fund Balance at this stage to mitigate the risk of an adverse Settlement announcement compared with the draft budget. The Council also has a MTFP Risk Reserve with £2.9m available but this is likely to be required in considering the 2026/27 budget. Now this risk for 2025/26 no longer exists based on the Provisional Settlement announcement it is proposed the Balance remains at the higher level to mitigate the risk of pay inflation as detailed later in this report.
- 2.11 The MTFP assumed there would be a balance to find from staff establishment savings, as outlined in 2.6 above, we have seen variations in the detailed budget preparation compared

with the MTFP estimate, as would be expected, but a main difference is the inclusion of income from ERP. To offset this additional income, we had assumed inflationary increases across Government Grants we are now expecting a stand still position. The draft budget is balanced without the necessity for a staff saving line in the budget which is a preferable and more certain position to present to Council. The Executive Leadership Team will still need to make decisions on staffing going forward as the budget has not accommodated new post requests, these will still have to be met from savings from the existing establishment.

2.12 A summary position of the General Fund draft budget is given below. Further details are contained in the Budget Book linked to this report showing the current budget and the proposed budget for 2025/26 alongside. The draft budget has been prepared based on continuing to provide existing services. The draft budget includes key areas that align to the Council Plan and the draft Directorate Service Plans.

2.13 Members will note a change in layout of the summary below and the budget book compared with previous years. More detailed budget analysis is provided defining “Controllable” and “Non-Controllable” expenditure and income.

- Controllable – This refers to expenditure or income that results in an actual payment or receipt of money to the Council. Reducing expenditure or increasing income within these budget heads has a real effect on the net cost of running the Council and the budget manager can control and manage these areas.
- Non-Controllable – This pertains to internal transfers between services, no actual money is involved. It involves one service of the Council working for another, this results in a recharge cost for the receiving service and reversing recharge income for the supporting area. These transactions net off to zero and do not affect the net cost of running the Council.
- Variation analysis between budget years looks at Controllable budgets, these are relevant to the budget position. We have reviewed the methodology of recharges for 2025/26 creating lots of variations between years, but they have no effect on the overall position and by excluding them for comparison this helps compare true costs. Appendix 1 gives further details on the recharge process.

General Fund Revenue Budgets 2025/26

	24/25 Controllable** £	24/25 Non-controllable** £	24/25 Original*** £	25/26 Controllable £	25/26 Non-controllable £	25/26 Original £	Controllable Variance £	Notes
Portfolio Budget - Net Expenditure	(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f) = (d) + (e)	(a) vs (d)	
Corporate Business	120,680	112,310	232,990	96,960	43,321	140,281	-23,720	1
Corporate Services	6,907,580	-4,336,320	2,571,260	6,431,363	-6,175,874	255,489	-476,217	2
Economy And Regenern Portfolio	1,508,478	-936,850	571,628	1,668,340	-764,092	904,248	153,862	3
Environment Portfolio	5,825,929	52,830	5,878,759	6,227,375	395,081	6,622,456	401,446	4
Finance	85,310	-662,140	-576,830	42,810	-905,033	-862,223	-42,500	5
Strategic Development & P'Ship	1,821,062	1,026,750	2,847,812	2,080,356	1,680,417	3,760,773	253,294	6
Street Scene Portfolio	13,043,350	1,322,660	14,366,010	14,143,670	1,395,434	16,139,104	1,100,320	7
Sustainable Homes & Communitie	2,088,892	19,264	2,108,156	2,098,440	545,162	2,643,602	9,548	8
Portfolio Totals	31,401,281	-3,401,496	27,999,785	32,783,314	-3,185,584	29,603,730	401,446	
			24/25 Original £ (c) = (a) + (b)			25/26 Original £ (f) = (d) + (e)	Variance Original £ (c) vs (f)	
Reversal of Capital Charges (Depreciation)			-3,347,540			-3,125,220	-377,680	
Portfolio Totals Net of Capital Charges			24,652,245			25,878,510	23,766	
Interest Receipts (Net of investment management fees)			-1,581,690			-2,071,410	-489,720	
Interest Payable			300			310	10	
PWLB Interest & Principal Repayments			506,410			1,260,447	754,037	
Net Expenditure			23,577,265			25,067,857	288,093	
Government Grants								
New Homes Bonus Grant			-1,147,701			-685,040	462,661	
Rural Services Delivery Grant			-265,000			0	265,000	
Minimum Funding Guarantee Grant			-1,714,000			-2,096,870	-382,870	
Service Grant			-58,000			0	58,000	
EPR Grant			0			-839,000	-839,000	
Use of Reserves								
Use of Collection fund surplus			-96,000			-464,120	-368,120	
Earmarked Reserves			-865,411			-373,455	491,956	
Use of MTFP Risk Reserve			0			0	0	
Contribution to/(from) General Fund Balance			500,000			0	-500,000	
Budget Requirement			19,931,153			20,549,372	618,219	
Revenue Support Grant			-278,000			-282,190	-4,190	
Business Rate Baseline Funding			-3,733,000			-3,789,000	-56,000	
Business Rate Retention Inflation Uplift			-5,077,242			-4,835,000	242,242	
Business Rate Pooling Gain			-428,000			-453,000	-25,000	
Reported Council Tax Requirement			10,414,911			11,190,182	775,271	

*controllable - expenditure and income (cash) **non-controllable - e.g. internal recharge ***Original budget - total annual budget

2.14 Significant variations between years to note:

- Overall, employment related costs have risen by £1m offset by £476k for the expected compensating income regarding the National Insurance increase. For 2025/26 an assumed pay increase of 2% has been built in, any actual change to this is a financial risk to the council.
- Premises and Transport costs have increased to £3.9m (2024/25 £3.6m) across service budget areas.
- Total income in fees and charges has increase by £0.7m to £17.1m from £16.4m.

Service specific variations referenced to the table above.

1. Corporate Business

End of a fixed term Information and Complaints Officer post, funded by transformation reserve in 2024/25.

2. Corporate Services

Reduction following removal of 2024/25 staff contingency (pay award) budget, now built into base budget.

Compensated amount (£565k) for the increase in National Insurance is held within Corporate Services pending further detail of scheme operation.

Strata IT provision budget increase of £132k.

3. Environment

£200k LED service payment decrease over 2024/25 budget, offset with new Senior Leisure Officer post (£60k).

Sports centre maintenance budget increased by £30k, reflect historical level of spend.

4. Finance

Additional Parking income of £350k (net) at +10%. Offset with an increase in maintenance costs (£30K) and increases in Rates of £54k.

5. Strategic Development & Partnerships

Reduction in income within Development Management (£280k). Budget now reflects growth based on ten-year average.

Increase of £50k (£200k) to the New Town budget.

6. StreetScene

Total expenditure on recycling and waste has increased by £450k, reflecting the new contract arrangements and increased property numbers (£667k), staffing cost £100k, premises costs totalling £89k, offset with increased materials income receipts of £404k.

Green Waste has an improved position of £75k, reflecting increases in income of £122k but increased provision of replacement bins of £43k.

Parks & Ground maintenance has seen increase to budget of £87k for the purchase of Plant per the rolling replacement programme.

7. Sustainable Homes and Communities

No net material change.

2.15 There are specific areas of risk to highlight to members from the draft budget:

- As raised the budget has been prepared without the details of the final Settlement. Best information has been used but it is likely there will be an adverse or favourable variation. It is proposed within a reasonable limit any variation will be handled as:
 - Adverse – the General Fund Balance will be used with the mitigation that the Balance is being maintained with the additional sum of £500k to offset this eventuality.
 - Favourable – Currently the General Fund Budget has an assumed pay inflation of 2% for 2025/26 it would be preferable to add a further sum as a budget contingency, 1% equates to £289k, any Favourable variance should be used for this purpose. The HRA does have such a contingent budget.

To update members on this position with the Provisional Settlement being announced just prior to publication of this report there is no material overall difference from what was estimated compared with the Settlement. It is therefore proposed to leave the General Fund at the higher sum as currently reflected in the draft budget and for this to mitigate the possibility of higher pay inflation than assumed.

- The increase in NI contributions is a cost of £565k to the General Fund and £97k to the HRA, the budget assumes that these costs will be reimbursed to the Council in line with the Government's commitment, we await the detail of how this will be calculated and happens in practice.
- A New Town budget of £200k is included, the initial request was £300k, but the service has been asked to reprofile expenditure and consider the current year underspend and reserve sums in this area in helping us manage the budget position. We are also still pursuing external grant funding for this work but there is a risk the budget sum may fall short in year.
- The budget has been prepared under tight constraints, pressures have been raised during the processes with staff resources; pressures with capacity and skill gaps which have not been accommodated in the draft budget because of affordability.

StreetScene have highlighted pressures in front line operational capacity and in the Engineers team. Other service areas are under pressure with the implications of a growing district, the Executive Leadership Team have also identified organisational

capacity and skill gaps such as project management, transformation capacity, and other corporate functions.

The Executive Leadership are considering this position in how best we can manage within our overall staffing budget envelope.

2.11 Council Tax

The draft budget assumes the Council will increase the Council Tax for 2025/26 by £5 a year. This is in line with the MTFP and assumptions made by Government on funding available to the Council. This gives a precept for the Council of £11,190,436 raising the current annual council tax charge from £166.78 to £171.78 for a band D property, a 3% increase. This is the maximum increase allowed within the Referendum regulations (£5 or 2.99% which is ever is the greater).

This is based on the Council Tax Base of 65,142.52 band D properties; an increase of 2,695.52 compared with the current year.

The ability to allow Councils to charge double council tax for 2nd homes is to be introduced 2025/26. This Council has approved the policy for the additional charge and is included in the above taxbase calculation.

2.12 General Fund Balance

At the beginning of the current financial year the General Fund Balance stood at £4.3m with an additional £0.5m added in year following approval of the 2024/25 budgeted increase given the reported risks within the approved budget. This is at the upper end of the agreed adopted range between £4m and £4.8m.

The purpose of this statutory reserve includes:

- Holding a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
- a contingency to cushion the impact of unexpected events or emergencies.
- a means of building up funds, this can take the form of earmarked reserves.

To assess the adequacy of unallocated general reserves when setting the budget, the chief finance officer should take account of the strategic, operational, and financial risks facing the authority.

Authorities have been faced by increasing financial pressures and a period of severely constrained resources since 2008. Demands on local government services continue to increase. Local authorities now face significant resource pressures because of previous increased inflation and the cost-of-living challenges.

Events such as the floods and severe weather episodes and the COVID-19 pandemic have emphasised the need for authorities to be prepared for major unforeseen events. Adequate insurance cover combined with appropriate levels of reserves will enable authorities to manage the demands placed on them in such circumstances.

The 2024/25 budget included £0.5m General Fund contribution specifically to increase the headroom within the balance to help mitigate against the identified risks with the Recycling and Waste Collection contract and also the Leisure Agreement. Its proposed to leave the additional sum in the General Fund Balance at this stage to mitigate the risk of a higher pay inflation than assumed..

There is no set formula in determining the appropriate level to be held but a common approach we have adopted is to consider a percentage of the Net Expenditure Budget over

a period; we have set 10% to cover a year and half giving £3.5m. To this we have added £1.3m as additional headroom to help cover any significant unforeseen service risks.

Budget proposals for 2025/26 propose the General Fund Balance adopted range is £4m to £4.8m.

2.13 Business Rates

The 2025/26 budget uses the Government's assumed funding calculation at £3.789m (to be confirmed), to this an additional £4.835m has been added to reflect the estimated income above base received in business rates (projection in line with LGFutures estimates for EDDC).

Also, a business rate gain has been included for remaining in the Devon Pool estimated at £0.453m.

The Council does hold a Rates Volatility Fund of £1.172m accumulated from previous Business Rate surplus to mitigate the risk if Rates do not achieve this full level and it helps smooth out year on year fluctuations.

2.14 New Homes Bonus (NHB)

The Government intention is to end the NHB scheme, the grant for 2025/26 is assumed at only £0.685m but is to be confirmed, this is a reduction of £0.401m from 2024/25. Prior to final settlement being known an assumption has been made that this reduction will be compensated by an increase in the Minimum Guarantee Funding for the Council, but these figures should be considered preliminary and likely to change.

2.15 Fees & Charges Schedule

Attached (background links) is the 2025/26 Fees & Charges Schedule, this lists the current charges in place and the proposed charges for next year. The related income has been included in the draft budget and the schedule and associated charges are to be approved as part the budget process. In the main charges are increased in line with inflation, car park charges have increased by inflation in accordance with officers understanding of previous member debate and request not to have periods of no increase followed by a significant uplift to keep pace with inflation as was the case previously with a 10 year stand still. We have now reached an inflation point where a rounded amount can be applied on the main hourly car park charge of 10p.

Budget Strategy for future years

2.16 The Council's adopted Financial Plan 2025 – 2035 comprised two parts:

Part A - The Medium Term Financial Plan Model (MTFP)

The MTFP provided a financial model and forecast of the cost of providing services over a rolling ten year-period, together with an estimate of the financial resources that are likely to be available to the Council. An extract from that Model is shown below and highlighted the possible impact of business rates rebasing in 2026/27 with a shortfall of £4m. The Government has now stated its intention that this will happen, it was only an assumption in the MTFP, how this will be introduced and

what safeguards might be put in place we await details with the consultation promised.

General Fund	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000	2029/30 £000	2030/31 £000	2031/32 £000	2032/33 £000	2033/34 £000	2034/35 £000
Budget Shortfall/(Surplus)	225	3,970	1,249	563	487	485	484	482	370	587

The draft budget now prepared in detail for 2025/26 gives a balanced budget, however future year budget shortfalls remain.

Part B – Financial Sustainability Model (FSM)

This part of the Financial Plan considers how the Council will balance its finances over the coming years to continue to provide service for its residents and customers. It ensures we are achieving Value for Money throughout the Council within each service; it evidences this and seeks improvement and savings where possible. Key enablers are identified to aid us in this process.

Depending on the outcome of this work and savings achieved, consideration will then need to be given to service reductions to balance the books to achieve financial sustainability.

If the funding gap estimated in 2026/27 of £4m materialises, which is dependent on Government direction, then efficiencies and income generation are unlikely to drive the level of savings required and we may need to propose service reductions. Importantly, as mentioned, phasing and any mitigations the Government may introduce is a key factor, as details are released members will be kept informed and a further report is likely in February to give members an update.

A key factor is the English Devolution White Paper published on 16th December which will shape local government going forward, consideration needs to be given on the impact and timings for this Council and the implications on future service provision to residents and businesses in the District. It is too early to determine any detail at this stage.

3 Housing Revenue Account Budget

3.1 Housing Revenue Account (HRA) Overview & Introduction

Below is an overview of the Housing Revenue Account (HRA) with prescribed categories of expenditure and income giving the proposed budgetary implications for 2025/26. There is also a Q&A section in Appendix 2 included to assist.

The HRA records expenditure and income on running the council's own housing stock and related services or facilities, which are provided primarily for the benefit of the council's own tenants. The HRA is a ringfenced account within the General Fund with strict legal and accounting rules to maintain separation from the General Fund. The HRA Account must always remain in surplus, and this must be considered when setting each year's budget and when planning for the future.

The HRA consists of capital and revenue elements. Capital is typically asset enhancing items such as kitchens, bathrooms, windows etc or a project of more minor works to multiple properties. Revenue is typically low-level repairs and maintenance with regards to spend on assets plus staff and service costs, overheads etc. The Council is allowed to

borrow to fund capital expenditure, but not revenue without specifically required central government permission.

3.2 **2024/25 HRA Budget Evolution**

The initial budget presented to members in this same paper a year ago was in effect a “roll over” budget from the previous year, with few changes other than known inflationary uplifts from that presented for 2023/24.

As members will be aware, the 2023/24 HRA outturn and capital spend far exceeded the expectations that were included within that year’s budget, requiring the contribution of all HRA earmarked revenue reserves and adding an additional £2.5m to the HRA’s borrowing requirement in order to maintain the £3.1m adopted level of the HRA balance.

Therefore, shortly after the start of the current financial year, it was established that the proposed 2024/25 budget would be insufficient to meet the needs and demands of the housing service and provide the investment required to ensure regulatory compliant homes. A revised budget was approved by Council in July 2024.

During the 2024/25 financial year there have been numerous significant budget movements within the HRA (virements) which in effect have transferred significant sums from revenue to capital. This has been the result of the underlying works included within the revised budget being scrutinised in detail within the regular collaborative financial management framework which has been established. This has been presented and where necessary approval given through HRA financial monitoring reports to Committees. The 2024/25 budget figures presented for comparison are those which are currently being reported, and monitored against in 2024/25.

3.3 **Revenue Budget**

The following outlines the key budget areas, headline figures and comparatives for the HRA in 2025/26 v 2024/25. The general spending categories below are set by the Chartered Institute for Public Financial Accountancy (CIPFA) with a brief summary of what is included in each.

3.4 **Income**

The primary sources of income for the HRA are rents on dwellings, garage income and other income including service charges. Rent on dwellings has been increased by the central government recommendation of September CPI +1% (1.7%+1% = 2.7%) with the remaining income streams also appropriately inflated. The forecast income is expected to be:

- £21.66m for dwellings, an increase of £0.57m year on year
- £0.26m for garages, an increase of £0.1m year on year
- £0.74m for other income, an increase of £0.05m

3.5 **Repairs and Maintenance (R&M)**

This includes all major expenditure which falls into the revenue category and is segregated into general or responsive R&M and planned R&M, the vast majority of which is covered by our Integrated Asset Management contract (IAMC) with Ian Williams Ltd.

- General or responsive R&M generally results from issues that have been raised by tenants for resolution and can vary from incredibly simple jobs such as fixing a tap to much more complicated involved issues to address. These more complex issues, upon surveying, may well become asset enhancing and therefore would be moved to the Capitalised responsive repairs and maintenance budget.

- Planned R&M includes the more routine or cyclical in nature works such as decoration, planned minor works and compliance related testing and servicing.
- The budgeted spend on Repairs and Maintenance as a whole is approximately £7.13m an increase of £0.05m v 2024/25, which can be attributed to the inflationary increase on the Price Per Property payment under the IAMC.

3.6 Supervision & Management (S&M)

The S&M section of the HRA covers a wide variety of costs related to the management and administration of council-owned housing. Key types of expenditure include;

- All HRA direct staffing costs including training, development etc with regards to the day to day activities, management and administration of the service.
- Property Management costs – supervision of repairs, managing of empty properties and development of strategic property decisions.
- External Services & Overheads – including consultants' costs and recharges from the general fund for shared services such as IT, Legal Services, Accountancy etc
- The budget for Supervision & Management as a whole in 2025/26 is £9.1m a decrease of £0.29m v 2024/25, the most notable of which being;
 - **£0.12m decrease in Employment costs**
The 2024/25 budget stated that the structure of the service was under review and included a significant contingency balance to address this. As stated in the recent Housing Review board meetings, housing senior management are now confident that we have roles in the right places, therefore the 2025/26 staffing budget has been based upon this structure. A 2% inflationary uplift has been applied to all roles and an additional 1% contingency, with the 15% change in National Insurance included but assumed to be refunded by central government as per the General Fund.
 - **£0.20m decrease in Overheads/Recharges**
Recharges have been reviewed within the year through the collaborative financial management framework and despite increases due to Strata inflationary uplifts for external IT costs for example, savings have still been made year on year.

3.7 Other expenditure/Special Services

This section mainly includes the budgets for tenant engagement related activities such as the Tenant Participation and Community Development teams as well as special services that the Council must provide with regards to tenants. The most notable of this latter category is the decanting of tenants to temporary accommodation when major works are being undertaken and their Council dwelling is uninhabitable. The forecast expenditure is expected to be £1.15m an increase of £0.06m on the prior year.

3.8 Capital Charges

The two entries within this section of HRA expenditure are;

- Changes to the bad debt provision – this is difficult to predict and in the past when reviewing the actual movements has not been material therefore no entry has been made.
- Depreciation/Major Repairs Reserve/Revenue Contribution to Capital – the HRA guidelines require the council to make in effect what is a revenue contribution to capital which is equivalent to the amount of depreciation calculated on the council dwellings in that financial year. A £2m contribution has been included for 2025/26 a very marginal change to the budget of 2024/25 (the value of depreciation within the 2023/24 financial accounts was £1.8m).

3.9 HRA Financing

The HRA financing section can be split into 3 specific areas which are addressed below;

- **Debt Financing**

- As at 31st March 2024, the principal amount of debt the HRA owed was £84.6m, with £78.5m owed to the Public Works Loan Board and the remaining £6.1m owed to the General Fund.
- The 2025/26 financing charges have been increased by £0.47m. This reflects both the cost of additional borrowing based upon the 2024/25 Capital Financing requirement of £9.1m @ 4.5% plus a marginal outturn variation adjustment v the 2024/25 budget. This is addressed further in the Q&A section as there has been change in the assumptions made and stated in the final 2024/25 July budget report.

- **Interest Income**

- The 2024/25 budget did not contain an amount for interest income and the current treasury forecast is that the HRA will receive £0.43m based upon the balance of useable HRA reserves held (the HRA balance plus the right to buy receipts reserve).
- In 2025/26 an income amount has been included, however, due to the agreed reduction in the HRA balance in 2024/25 and capital expenditure in year on affordable homes, under the right to buy replacement program, this has been reduced to a conservative estimate of £0.24m.

- **Movement in Reserves**

- The current 2024/25 budget contains a revenue contribution to capital of £0.9m which finances the capital program and achieves the in year capital financing requirement as stated in the 2024/25 budget papers. The introduction of this has resulted from the in year virements previously mentioned. This will not be continued in 2025/26 as all revenue and capital spend has been correctly allocated.
- As stated in the 2024/25 budget, the agreed annual contribution to the HRA balance to be made each year of £0.25m, to reinstate the HRA balance to the adopted level of £3.1m, has been included in the 2025/26 budget.

3.10 Table of Movements

The following table shows the movements described above and the overall impact they have upon the 2025/26 budget in comparison with 2024/25.

INCOME	BUDGET		
	24/25	25/26	Diff
Dwelling Income	-21,088,320	-21,659,900	-571,580
Garage Income	-155,292	-262,800	-107,508
Other Income	-692,628	-738,826	-46,198
	-21,936,240	-22,661,526	-725,286

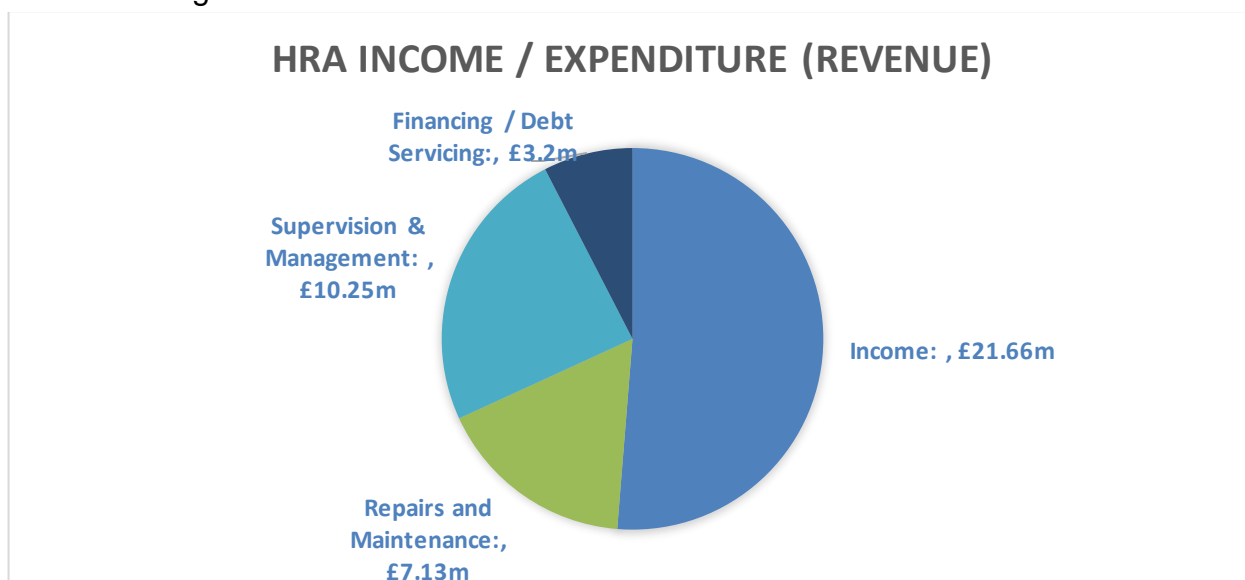
EXPENDITURE	BUDGET		
	24/25	25/26	Diff
REPAIRS & MAINTENANCE	7,083,504	7,133,867	50,363
SUPERVISION & MANAGEMENT	9,388,046	9,101,700	-286,346
OTHER EXPENDITURE	1,091,844	1,154,351	62,507
CAPITAL CHARGES	2,028,300	2,000,000	-28,300
	19,591,694	19,389,918	-201,776

FINANCING	BUDGET		
	24/25	25/26	Diff
Debt Financing	2,787,276	3,256,608	469,332
Interest Income	0	-235,000	-235,000
Reserve/Capital Contribution	893,270	250,000	-643,270
	3,680,546	3,271,608	-408,938

HRA Account	BUDGET		
	24/25	25/26	Diff
Surplus/Deficit	1,336,000	0	-1,336,000

3.11 Graphical Split of HRA Budget Areas

The following table graphically highlights the four main categories that drive the makeup of the HRA budget for 25/26.



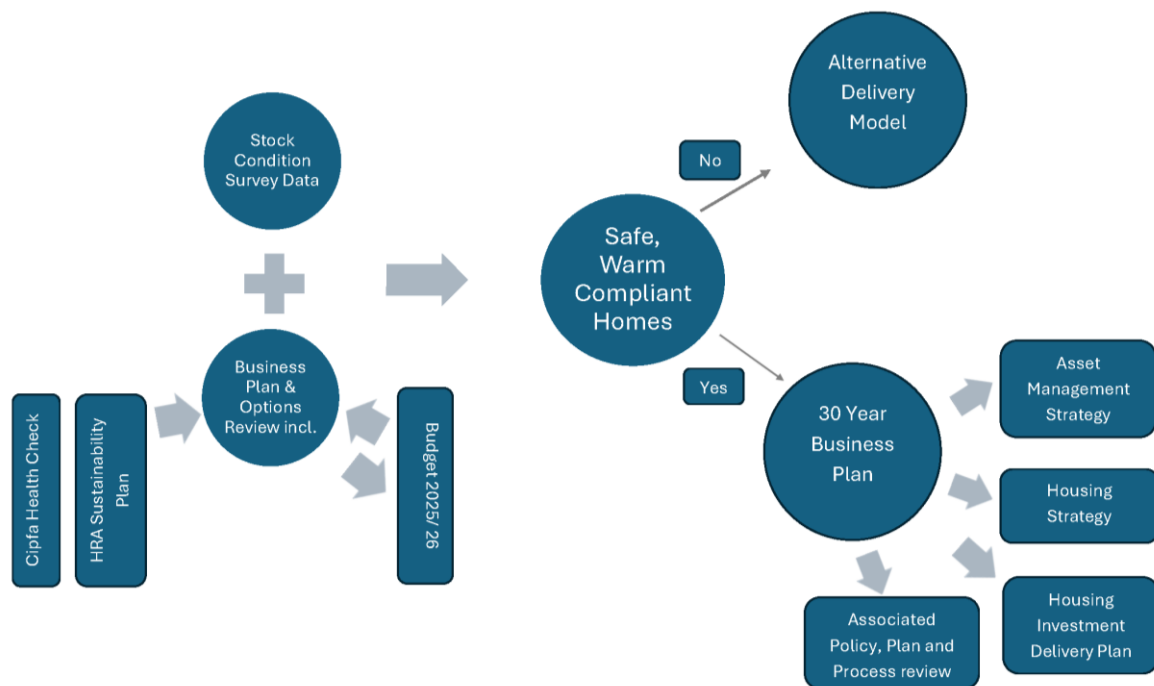
3.12 HRA Future Financial Pressures

The Housing Revenue Account has and continues to face, significant financial pressure in the immediate and longer term. These pressures arise from a range of factors including an

historic underinvestment, increased consumer and regulatory standards, general inflation, restrictions in rent increases, net zero expectations, disrepair claims, complaint resolution, high void and decant costs and other issues. Similar cost pressures are being seen in other stock holding local authorities.

3.13 Longer Term Financial Plan

In recognition of the above, the Council has developed a strategic plan to address these immediate pressures and ensure a long-term sustainable business model is in place to ensure we can provide safe, warm and regulatory compliant homes. This plan includes a series of interlinked plans, workstreams and strategies as set out in the diagram below.



A Financial Sustainability Plan is in place to address and respond to the short-term financial pressures facing the HRA. This plan sets out a range of measures to increase income and deliver savings over the next 1 – 2 years and includes recommendations from the Chartered Institute of Public Finance & Accountancy (CIPFA), who have undertaken a Health Check of the HRA.

Savills, a market leading expert in Asset Management consultancy, are also assisting the Council with a Business Plan and Options review. This will enable the Council to produce a robust Asset Management Strategy whilst considering alternative delivery models if appropriate and create a 30-year Business Plan to ensure the HRA remains a going concern.

The objective of a business plan is to ensure sufficient annual budget is available to improve and maintain our homes whilst continuing to provide good quality services to our tenants. It's aim is to model income streams whilst also setting out and phasing the key objectives for maintaining the housing stock on an ongoing basis. Including within these objectives will be priorities such as decarbonisation, stock management (including plans to acquire or build new affordable homes) and required essential upgrades and enhancements throughout the plans lifecycle.

The results of the stock condition survey will interlink with the longer-term financial planning outlined above, ensuring investment is targeted and efficient.

3.14 2025/26 Proposed Capital Budget Considerations

Unfortunately, as has been discussed in previous committees, the Stock Condition data is not available to drive the 2025/26 budget preparation. There are, however, clear known priorities for capital investment in our stock which has influenced the creation of the 2025/26 capital programme. These include.

- Addressing Category 1 & 2 Hazards
- Tackling Damp & Mould
- Continuing to ensure Regulatory Compliance
- Increasing the number of Decent Homes
- Reduced responsive repairs through planned investment programmes.
- Addressing major repair works
- Reducing void turnover times

3.15 Proposed Capital Programme 2025/26

The following Table outlines the proposed capital programme for 2025/26, categorised by their appropriate programme areas, compared with the current 2024/25 position.

Programme Area	Project / Programme	24/25 Budget	25/26 Budget	Diff
Affordable Homes	RTB Acquisitions	3,320,000	750,000	-2,570,000
Housing Compliance	FRA Actions	800,000	500,000	-300,000
	Co2 & Detection	400,000	500,000	100,000
	Fire Doors	650,000	1,050,000	400,000
	RADON	0	150,000	150,000
	Sewerage Plants	500,000	500,000	0
General Housing Programmes	Disrepair And Complaints	1,810,000	1,500,000	-310,000
	Social Serv Adaptations	746,000	700,000	-46,000
	LAD Programme Completion	150,000	2,099,520	1,949,520
	Capital Major Works	710,000	3,242,900	2,532,900
Major Repairs	Windows	150,000	416,000	266,000
	Roofing Renewal	132,000	264,000	132,000
	Replacement Bathrooms	240,000	400,000	160,000
	Replacement Kitchens	550,000	1,300,000	750,000
	Pvcu Fascia Replacement	0	150,000	150,000
	Heating Upgrades	0	150,000	150,000
	Gas Boilers Replacement	500,000	750,000	250,000
	Electrical Updating	975,000	700,000	-275,000
	Capitalised Responsive Repairs	1,000,000	1,000,000	0
	Ppv Voids	2,500,000	2,250,000	-250,000
TOTAL		15,133,000	18,372,420	3,239,420

3.16 HRA Capital Programme Overview

Affordable Homes Programme (AHP) (£0.75m)

The AHP is expenditure allocated to the acquisition and development of new affordable housing. It is now funded entirely from Right to Buy receipts per the recent central Government guidance. The Council are currently developing a Housing Investment and Delivery plan which will set out our intentions for investment in future years. Whilst we have

paused our acquisitions programme until this is completed, an amount of £0.75m has been included to account for operational or strategic acquisitions that may arise in 2025/26.

Housing Compliance (£2.7m)

The Council has a duty to ensure our homes meet the required legal and regulatory compliance standards. Our compliance work includes capital expenditure to remediate fire risks, undertake programmes of co2 and smoke detection installations and other similar capital expenditure. Areas such as servicing and testing of existing compliance equipment are non-capital works and accounted for within the Revenue budget.

HRA Capital Programme – General (£7.5m)

The Capital Programme – General, includes the following items

- **Disrepair And Complaints**
Capital expenditure on disrepair and complaints is forecast to amount to £2.15m during 2024/25 and includes essential repairs work. Expenditure in this area is forecast to reduce in 2025/26 as planned programmes address issues with stock condition resulting in a reduction in disrepair and complaints.
- **Social Services Adaptations**
This includes major adaptations including remodelling, accessible bathrooms, stairlifts etc to provide suitably adapted accommodation for our residents.
- **LAD - Programme Completion**
The LAD is a programme of improvement works focused on energy efficiency to an identified number of properties for which the Council received partial government funding. The budget provides the necessary capital to complete the programme and meet our obligations under the grant funding award.
- **Capital Major Works**
This programme includes specific Major Projects allocated to a specific property, group of properties or block of flats. These items range widely in nature and cover a multitude of issues from whole block refurbishments to items identified in specific properties which if left unresolved may result in health and safety issues for tenants.

Major Repairs £7.4m

The major repairs capital budget includes expenditure for our major repairs programme such as windows, doors, kitchens etc alongside repairs to void properties and some responsive repair costs.

3.17 Additional Borrowing Implications

The impact of the above capital programme will add an additional £15.15m borrowing requirement to the HRA after applying the following funding streams to the £18.37 Capital Expenditure figure;

- £0.75m RTB receipts for Affordable Housing
- £0.47m unringfenced RTB receipts
- £2m depreciation related/Major Repairs Contribution

3.18 Potential In Year Variations/Virements

The recent stock condition survey provides the necessary data to develop a robust Business Plan and Asset Management Strategy. This will enable future investment to be targeted efficiently and effectively to address the issues and maintenance requirements identified through the Stock Condition Survey. This process is ongoing and may result in a change in a change in capital investment priorities during the year. For example, this may include an increase in capital expenditure in one area and a reduction in another. Any changes will however be within the overall cost envelope of the approved capital programme budget.

3.19 Risks & Future Implications of the Capital Programme

It should be noted that the proposed capital programme amounts to a significant investment in the Council's housing stock. This investment will result in a substantial level of additional borrowing and an increase in the overall HRA Debt burden. The servicing of this debt will be met from within the HRA Revenue Budget and therefore create further pressure on revenue in future years. This additional interest expense burden will need to be offset by efficiencies, savings and income generation through strategic asset disposals. The longer-term revenue implications of capital investment will be modelled as part of the Business Plan review to ensure the HRA remains a going concern.

4 Council's Overall Capital Programme

The Financial Picture

- 4.1 The draft Capital Programme for 2025/26, after in year available resources are used, gives an overall funding need of £27.633m; comprising £12.483 General Fund and £15.15 HRA. The funding position across years will be managed in the most efficient manner considering the Council's overall Treasury Management position.
- 4.2 Any underfunded capital is factored into the Council's Minimum Revenue Provision (MRP) calculation (the amount required to be charged to the revenue account for unfunded capital) in line with the Council's MRP Policy. In addition, there will either be interest on any external loans required to be factored in, or the loss of investment interest on any internal borrowing used. This has been factored into the 2025/26 draft budget. The HRA is not required to charge MRP, instead a depreciation charge annually to the account.
- 4.3 The preparation of the draft Capital Budget has been directed by the Budget Setting & Allocation Panel who met on 11th November 2024 to consider scheme proposals. The Panel considered funding resources available, the capital appraisal process and then each scheme proposal in turn. A total of £6.522m was approved to be included in the programme, however £1.580m was forward funding of Exmouth SANG with a further £0.106m relating to property linked to LED will be subject to further discussion to ensure compatibility with the agreed LED SLA position. Minutes of this meeting are presented to Cabinet.
- 4.4 The capital appraisal process has been used to build a capital programme aimed at delivering the Council's stated priorities and ensuring schemes meet set outcomes. Each scheme is given a score against a set criteria such as how the project meets the Council Plan, the risk involved, any part funding, invest to save, service provision and carbon implications; scoring schemes higher which contributed to a reduction in carbon. This scoring is used to measure priority against the funding available.

For each scheme proposed an Initial Project Proposal Form was completed as governed in the adopted "Guide to Project Management". It was recognised by BSCAP the importance of the emerging Asset Management Plan in determining capital spend allocations going forward.

Draft Capital Budget 2025/26

4.5 The budget book details the draft capital programme for 2024/25 to 2028/29.

4.6 A summary of the capital funding position is given below:

Capital Programme Financing	2024/25	2025/26	2026/27	2027/28	2028/29
Budget	Budget	Budget	Budget	Budget	Budget
£	£	£	£	£	£
Net Expenditure to be Financed (GF & HRA)	26,356,742	31,223,220	14,417,281	14,201,503	8,216,638
Adjust for unused income from grants/contributions:					
	26,356,742	31,223,220	14,417,281	14,201,503	8,216,638
Financing:					
In year capital receipts General Fund	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
3rd Party Loan repayments	(1,336,497)	(102,888)	(106,117)	(804,723)	(117,889)
GF Capital Receipts Reserve	0	0	0	0	0
General Fund Capital Receipts	(1,536,497)	(302,888)	(306,117)	(1,004,723)	(317,889)
HRA Released RTB and Misc Capital Receipts	(2,418,310)	(1,218,000)	(1,218,000)	(1,218,000)	(1,218,000)
HRA Rev contributions incl Depn	(2,921,570)	(2,068,870)	(2,068,870)	(2,068,870)	(2,068,870)
Other Revenue Funding incl Reserves	(982,995)	0	0	0	0
HRA funding	(6,322,875)	(3,286,870)	(3,286,870)	(3,286,870)	(3,286,870)
New Homes Bonus Funding	0	0	0	0	0
Net (internal borrowing) / Transfer to Capital Reserves balance	(18,497,370)	(27,633,462)	(10,824,294)	(9,909,911)	(4,611,879)
GF Loans/Internal Borrowing	(18,497,370)	(27,633,462)	(10,824,294)	(9,909,911)	(4,611,879)
Total Funding	(26,356,742)	(31,223,220)	(14,417,281)	(14,201,503)	(8,216,638)
Shortfall / (Surplus)	0	0	0	0	0

4.7 The draft capital budget for 2025/26 totals £31.223m (net of direct grants), with the unfunded amount being £27.633m; comprising £12.483 General Fund and £15.15 HRA. There continues to be no New Homes Bonus (NHB) or significant capital receipts/reserves available to fund the capital programme.

5 Other Balances & Reserves available to the Council

5.1 The Council holds a number of earmarked reserves set aside for specific purposes, the use of such reserves in the 2025/26 draft budget are detailed in the budget book for members' information.

6. Robustness of estimates and adequacy of reserves

6.1 This part of the report deals with the requirement of Section 25 (2) of the Local Government Act 2003 in that the Council's Chief Finance Officer (CFO) must report on the robustness of the estimates included in the budget and the adequacy of reserves for which the budget provides.

- 6.2 In terms of the robustness of the estimates, all known factors have been considered and the financial implications have been assessed at the point of preparation. Various budget assumptions have been made including the treatment of inflation and interest rates, estimates on the level and timing of capital receipts, the treatment of demand led pressures, the treatment of planned efficiency savings/productivity gains and levels of income, financial risks inherent in any new arrangements and capital developments and the availability of funds to deal with major contingencies and the need for any provisions. In each of these areas the Council's financial standing, management and track record have been considered in order to prepare robust budget proposals.
- 6.3 The proposed draft budgets for 2025/26 maintain both the General Fund balance and the Housing Revenue Account balance at agreed levels provided actual net expenditure is at, or below, the level forecast. Continuous monitoring and reports to Cabinet will highlight and make recommendations on any corrective action necessary to achieve this during 2025/26. The position on these Balances will be considered again at the 2024/25 Outturn stage when the final year end position is known.

This report has also been prepared without the Local Finance Settlement having been announced and members will be updated on the implications of the actual Settlement.

7. Prudential Code

- 7.1 The Local Government Act 2003 also requires under regulation for local authorities to have regard to the Prudential Code for Capital Finance in Local Authorities, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) when setting and reviewing their affordable borrowing limit.
- 7.2 The key objective of the Code is to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability.
- 7.3 To demonstrate that local authorities have fulfilled these objectives, the Prudential Code sets out the indicators that must be used and the factors that must be taken into account. These indicators will be presented to the next Cabinet meeting when a recommendation will be made on the budget for 2025/26, Council Tax levy and Council House Rents.
- 7.4 A Capital Strategy is required to be approved by Council annually to consider any investment property the Council holds or likely to hold, what this means in terms of financial exposure and risk. This will be presented along with the documents above at the next Cabinet for onward approval by Council in February 2024.

Financial implications:

This report outlines in detail the financial implications and risks associated with the budgets proposed.

Legal implications:

No legal observations are required.

Appendix 1: Recharging of Costs

The recent restructure of the council, addition of new director and assistant director posts and their underlying reporting lines has meant that the recharges applied across the council required significant review and change. Upon doing this, the decision was made within Finance to redesign the recharge process in its entirety, as the existing historic spreadsheet model being used was no longer fit for purpose and didn't allow for efficient recalculation upon changes being made.

The recharge process now applied can be broken down into the following sections, with recharges applied down the structure or levels below and not back upwards, as this can cause an infinite loop of cost allocation. The recharge process begins once all other costs have been finalised and establishment has been confirmed.

A. Level1: Strata IT costs and Corporate Buildings

This first section of recharges considers the above related cost centres and allocates them in their entirety across every cost centre on an FTE basis, from the Chief Exec level all the way down the structure of the council.

B. Level2&3: ELT Level Recharges

Upon receiving the above costs into their cost centres, the total achieved for the Chief Exec initially is allocated down to the Director level, again based upon FTEs, then with the CEO recharge also included the Directors costs are then allocated similarly.

C. Level4: Corporate Council Core Service Recharges

Those cost centres considered next are those which are core council services and which have previously been earmarked to be 100% reallocated, such as HR, Accountancy, Corporate Health & Safety & Medical fees as examples. The total on each cost centre for these areas, after the allocation of 1&2 above are then also reallocated across the council on an FTE basis.

D. Level5: Intra Service Recharges

The total on each of the cost centres that have chosen to reallocate charges from Operational or Management cost centres, down to their underlying service lines are then considered after 1-3 have been applied. These are generally done on a specific percentage basis, examples of these being Licensing, Planning Admin and Street Scene Management.

E. Level6: Specific Recharge Costs

The final level of recharges is where specific charges of specific amounts are made from one service/cost centre to the other. This generally occurs where it is either too complex to use overall percentages or a service is simply charging for a specific allocation of work/project costs that occurs within the year.

Appendix 2: HRA Q&A

Q: The statements made with regards to additional borrowing required within the 24/25 budget vary from those included within this report, why is that?

A: The 24/25 budget report included an amount referred to as a Voluntary Revenue Provision (VRP) that the HRA had made of £4.4m which would be used to reduce the borrowing requirement. The £4.4m referred to amounts that had been passed to the capital adjustment account (i.e. placed into a reserve between 2014-2017, although this reserve is unusable). The external advice we received from both an external HRA specialist consultant who was reviewing our accounts and then through CIPFA at the time was that we could spend against this £4.4m amount, contribute the expenditure element to the same reserve, netting to 0. Ultimately meaning for £4.4m of capital expenditure we would not require additional borrowing.

Unfortunately, these assumptions were incorrect as these amounts were not “available” VRP within the Capital Adjustment Account but contributions which paid down tranches of debt which became due in year (£0.6m in 2014, £1m in 2015, £1.5m in 2016 and £1.3m in 2017). The policy during these years was to pay down debt as it became due to reduce the interest burden on the HRA.

Q: The budget for Garage Income has increased significantly, whys is this considering the garage stock isn't in a good state of order?

A: The 24/25 budgeted amount for garage income is £0.155m. All income has been reviewed against the period 6/week 26 actuals for 24/25, forecast to the year end (multiplied by 2) and inflated. This provides a net figure of £0.263m (Income of £0.525m less an adjustment for void garages of £0.262m). The garage void ratio of 50% has been compared for the last 3 years in terms of actuals and it has remained consistent. As any redevelopment of garage sites awaits the decisions made within the options appraisal/asset management strategy the assumption made is that this will continue.

Q: What are the Council doing to address Damp and Mould

A: Damp and mould is a serious issue and can contribute to poor health. The Council are undertaking a range of measures to address the issue, including providing advice to tenants on how to avoid damp, making it easier for tenants to report damp and mould and also tackling the causes of damp through repair works. Our approach will prioritise any identified major damp issues before focusing on improving lower-level damp issues.

Q: What are the Council doing to address Category 1 and 2 Hazards

A: The Housing Health and Safety Rating System (HHSRS) is used to determine whether a house is "fit for human habitation" There are 2 categories of hazards. Cat 1 and 2. Category 1 are serious and require urgent remediation. Category 2 hazards are less serious but can cause health issues for occupants. The stock condition survey identified that 1.2% (44 homes) had Cat 1 hazards compared to a national average of 5.1%. All identified Cat 1 hazards are addressed as a matter of urgency once identified.

Q: What are the Council doing to deliver more decent homes.

A: The Decent Homes Standard (DHS) sets the minimum standards for social housing in England and ensures a property is in a reasonable state of repair. This includes key building components like the roof, chimneys, and internal amenities such as kitchens and heating systems. 11.96% of homes in East Devon fail the DHS which is broadly in line with the national average of

11.3%. The proposed budget includes a significant investment in key components that will improve our stock and increase the number of decent homes.

Q: Is there a limit on how much the Council can borrow to invest in the stock?

A: Borrowing for investment in our stock is governed by the CIPFA Prudential Code. Essentially this means that borrowing is limited to a level that can reasonably be afforded from future rental income. Our business plan work will establish our future borrowing capacity.

Q: Does the budget allocate funds to develop new housing, such as on our garage sites

A: There is no capital provision for development in the budget for 2025/26. There is however an ambition to build and buy new homes. This ambition will be set out in a 5 year Housing Investment and Development Plan which will follow on from the business planning process.

Q: What impact has the Stock Condition Survey (SCS) had on the budget.

A: The headline results from the stock condition survey have confirmed our understanding of the works needed to upgrade our stock. These are reflected in our stated investment priorities for housing in 2025/26. A more detailed analysis of the SCS will assist with the business planning and longer term strategic investment plans.

Q. Are we selling any stock to fund capital investment.

A: There are no specific plans to sell houses to generate capital receipts. The Council will however dispose of a limited number of poor performing assets where the cost of repairs significantly exceeds the future rental income. This is good practice and in line with the recently adopted Acquisitions & Disposals Policy. Any receipts will be available to fund the capital programme.

Q: Does the budget address decarbonisation.

A: The budget includes resources to deliver major improvements and fabric upgrades which contribute to thermal efficiency. There is also specific funding to complete the LAD project which includes thermal improvements, heating upgrades and solar PV installations. A longer term strategic plan for decarbonisation will be considered through the business plan process currently underway.