



Communities Directorate

26 January 2015

Executive

Date: Tuesday 3 February 2015

Time: 7.00pm

Venue: Council Chamber, Civic Centre, Ham Road, Shoreham-by-Sea

Executive Membership: Councillors Neil Parkin (Leader), Angus Dunn (Deputy Leader), Pat Beresford, Keith Dollemore, Jim Funnell and David Simmons

Agenda

Part A

1. Declarations of Interest

Councillors are invited to declare any disclosable pecuniary interests in relation to matters appearing on this agenda.

2. Questions by the Public

To receive questions, from members of the public, in accordance with Council Procedure Rule 11. One supplementary question may be asked arising from the original question.

Questions must relate to any matter for which the Executive has responsibility.

Public question time will last up to 30 minutes; questions will be taken in order of receipt. The deadline for submission of questions is Friday 30 January at 12 noon.

Questions to be submitted to democratic.services@adur-worthing.gov.uk

For further information contact Julia Smith, Democratic Services Manager on Julia.smith@adur-worthing.gov.uk

3. Items Raised Under Urgency Provisions

To consider any items the Chairperson of the meeting considers to be urgent.

4. Housing Revenue Account - Budget 2015/16

To consider a report by the Director for Digital and Resources and the Director for Communities, attached as item 4.

5. Adur District Council Overall Budget Estimates 2015/16 and Setting of 2015/16 Council Tax

To consider a report by the Director for Digital and Resources, attached as item 5.

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Duration of the Meeting: Four hours after the commencement of the meeting the Chairperson will require the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.

HOUSING REVENUE ACCOUNT – BUDGET 2015/16

REPORT BY DIRECTOR FOR DIGITAL AND RESOURCES & DIRECTOR FOR COMMUNITIES

1.0 SUMMARY

- 1.1 This report sets out financial arrangements for the Housing Revenue Account and asks Members to set the rent levels and service charges for 2015/16. The report also considers some of the issues emerging from 2016/17 onwards.

2.0 INTRODUCTION

- 2.1 This report seeks to explain the main issues surrounding the budgets for the Housing Revenue Account to enable Members to set rent levels for 2015/16.
- 2.2 The Housing Revenue Account (HRA) pulls together the total costs and income of the Council in its provision of the Housing Landlord Service. This account is ring-fenced so that it is separate from all other income and expenditure of the Council.
- 2.3 From 1 April 2012 the Localism Act replaced the former complicated HRA subsidy system with a new self-financing regime. The regime allows the Council more freedom to determine its own budget, albeit some financial restrictions still apply, most notably around the use of Right To Buy (RTB) capital receipts and prudential borrowing limits.
- 2.4 The Council is now able to retain all of its revenue housing income streams whereby previously it was required to pay over a significant proportion of it as subsidy to Central Government. The Council is required to operate the HRA on a sustainable basis at no detriment to the General Fund (and vice versa). To facilitate this the Council, as with all housing authorities, was required to produce from the start of 2012/13 a thirty year financial Business Plan showing how the HRA could be run on a self-financing basis. This report updates the Financial Business Plan and informs members of the key budgetary assumptions which underpin the financial projections from 2014/15 onwards.
- 2.5 The setting of rent levels is now an integral part of the financial planning decision making process. Officers are recommending an average increase of 2.2%.

2.0 INTRODUCTION

- 2.7 In April 2014 an Adur Homes Management Board (AHMB) was set up to oversee the delivery of, the strategic objectives for Adur Homes. Members of the Board include 2 Adur Councillors and 2 representatives from the Adur Consultative Forum. The proposed rental increase and growth items in this report were agreed by the AHMB in November.
- 2.8 The Adur Consultative Forum has also been consulted on the rent increase. Forum members will also be invited to attend the Cabinet meeting to relay their views on the budgetary proposals.

3.0 RISKS AND CHALLENGES REGARDING RIGHT TO BUY (RTB) AND REFORM OF HOUSING BENEFITS

- 3.1 Council housing stock numbers are as follows:

	2013/14	2014/15	2015/16 (Estimate)
Stock at 1 st April	2,644	2,631	2,615
Plus: Additions - Note(1)	0	2	5
Less: Right to Buy sales	13	14	12
Less: Disposals	0	0	0
Stock at 31st March	2,631	2,615	2,608

Note (1:) These additions are the repurchase of previously owned council dwellings, and over time is intended to increase the housing stock to offset the impact of dwellings sold under Right To Buy.

- 3.2 For 2015/16 the signs are that despite the economic downturn and government's austerity measures of recent years, interest from tenants in the possible take up of RTB sales continues at a constant level. The propensity for sales to further increase is therefore real, although the consequential loss of rental income from these sales may in future be partly mitigated by the aim to purchase five flats per annum, as well as introduce a new build programme.
- 3.3 A depleting housing stock base means that the fixed costs per property increase and rental income available to fund these costs reduces. The level of capital receipts retained by the Council to replace the reducing housing stock base is limited due to the increase in the level of discount offered and the DCLG restrictions placed under the new RTB arrangements. Underpinning this constraint were the following principles contained in the 2012 CLG publication "Reinvigorating Right To Buy and One For One Replacement – Information for Local Authorities"
- 3.4 The RTB scheme applies to all secure tenants who have been tenants for more than 5 years. From 21 July 2014, the maximum percentage discount for a property is 70% (maximum discount £77,000) The cash cap will now increase in April every year in line with the Consumer Price Index.

3.0 RISKS AND CHALLENGES REGARDING RIGHT TO BUY (RTB) AND REFORM OF HOUSING BENEFITS

3.5 As a condition of being able to retain capital receipts arising from RTB sales, the Council entered into an agreement with the Secretary of State in 2012 whereby:

- (i) the retention of receipts only applies to the RTB sales above the number assumed each year in the HRA self-financing settlement. For Adur the original 75% central pooling arrangement continued for the first 4 properties sold post 1 April 2012, and thereafter is calculated in accordance with a CLG formula
- (ii) the Council use the receipts for the provision of “affordable” rented homes (i.e. those with rents up to 80% of market rents), albeit that in practice the Council may exercise discretion to set rent below this figure, and maybe as low as 65% in keeping with some housing associations;
- (iii) the retained share of receipts constitute no more than 30% of total investment in such homes (net of any contribution from another public body)
- (iv) the retained receipts are used within 3 years to provide new affordable homes, otherwise they will be required to be paid into the CLG pool plus accrued compound interest of 4%.

3.6 Properties may be built by Adur Homes or another Registered Provider. Receipts from RTB will have to start to be returned from October 2015 if we cannot allocate the receipts to any new homes.

3.7 The Welfare Reform Act received Royal Assent in 2012 and introduced the most significant changes in the welfare system in over 60 years. The reforms reflect the Government’s aim to reduce the cost of welfare benefits generally, and is being trialled in a number of areas, the planned national implementation for new claimants and those with a change of circumstances has been delayed. The introduction is being staggered and not expected to be fully complete until 2019. Early experience suggests that the reforms will increase the financial pressures on some of the most vulnerable people of society, due to the introduction of caps on the amount of weekly benefit, including further reductions for under occupation, generally referred to as the ‘bedroom tax’.

3.8 Also, for working age people, a Universal Credit will replace a number of former out of work benefits, including housing benefit, income support, job seekers allowance, income related employment and support allowance, child benefit, child tax credit, and carer’s allowance. Universal Credits will be paid directly to claimants rather than the current arrangement of direct payment to the Local Authority as landlord. Hence the decision that benefit is to be spent on rent, as opposed to other expenditure, is in the hands of the individual recipient.

3.0 RISKS AND CHALLENGES REGARDING RIGHT TO BUY AND REFORM OF HOUSING BENEFITS

- 3.9 In the last year there has been an overall reduction in the number of tenants effected by the under occupation charge by 48. This will be due to a number of reasons, such as: moving into employment; transferring to a smaller property; no longer being of working age (i.e. 62 and over); or moving into a private property. However, data is not recorded to identify how this is broken down. It should also be noted that 48 tenancies represents a net reduction, and over the past year some households would have become eligible for the under occupation charge as well as other households falling out of eligibility. This would be countered somewhat through the natural turnover of voids, meaning that under occupation is a risk that is identified at the pre-tenancy stage.
- 3.10 Data from CenSus indicate that approximately 64% of Adur Homes tenants are in receipt of benefits, and that 164 tenants are affected by the under occupation charge, (132 will lose 14% of their Housing Benefit and 32 will lose 25%). Some tenants will choose to manage this expectation within their own resources, whilst others may seek alternative options. In the past year 8 Adur Homes tenants have downsized to a smaller property, all of whom have done so taking advantage of the Transfer Incentive Scheme.
- 3.11 In the year up to (and including December 2014), a total of 31 Adur Homes households have been assisted by a Discretionary Housing Payment. Again, the data does not record whether this is due to rent arrears caused through the under occupation charge, but as one of the options to reduce the impact on households, it is reasonable to assume that it would include people who had arrears due to having one or more bedroom unoccupied. It should be remembered that a Discretionary Housing Payment is a short term solution, and may be used on a temporary basis whilst other options are progressed.
- 3.12 The under occupation charge will continue to present a challenge for 2015/16, and although there are some options, such as those referred to in 3.10. Furthermore, changes to welfare benefits and the introduction from 1 April 2015 of Universal Credit for all new single claimants, presents a risk that more households will fall into arrears. This will impact on the levels of rent collected and subsequently the overall position of the Housing Revenue Account. During 2014/15 six tenancies have been terminated due to arrears, although none of these were due to the under occupation charge.
- 3.13 Some mitigation is in place to reduce tenants arrears from growing, with a greater emphasis on tenancy sustainment being introduced through the new role of Tenancy Sustainment Officer. Since September 2014, this post has prevented 22 households from becoming homeless. Additionally, the implementation of Introductory Tenancies provides the opportunity to support new households, which includes financial support to prevent people from falling into arrears. This is incorporated as an item for growth (10.2).

4.0 THE HOUSING REVENUE ACCOUNT FOR 2015/16

4.1 The projected expenditure and income for the HRA in 2015/16 is as follows:-

	Estimate 2015/16
	£'000
Expenditure	13,591
Income	-13,591
Net (Surplus)/Deficit for the year	0
Proposed contribution to /(from) reserves	0
Overall position for the year	0
Balance brought forward 1 st April, 2014	-2,172
Balance carried forward 31 st March, 2015	-2,172

More detailed estimates for the Housing Revenue Account for 2014/15 and 2015/16 are shown in Appendix 1.

4.2 These projections take into account the budget from 2014/15, which has been updated for inflation, capital financing costs in respect of debt, and proposed increased rent income together with the other proposed adjustments which are described more fully below.

4.3 The 2015/16 budget shows a break-even position. The budget continues to allow us to maintain the contribution set up last year of £566,060 to a specific reserve introduced for new development and refurbishment of Adur Homes' dwellings and will allow us to increase the revenue contribution to the capital programme to build capacity to increase the level of investment in homes and accelerate the current programme of improvement.

5.0 RENT SETTING FOR 2015/16

5.1 In June 2014 the Adur Homes Management Board approved an Adur Homes rent policy. Part of the policy took into consideration a published DCLG consultation document 'Guidance on Rents for Social Housing'

The Adur Homes policy stated the following:-

The Council will continue to charge 'social rents' for existing Council properties. For a 10-year period beginning 2015/16, we will comply with the CLG policy of annual increases for social rents to be no more than the Consumer Price Index rate at September each year +1%.

5.0 RENT SETTING FOR 2015/16

- 5.2 DCLG has since produced a finalised policy document for 'Guidance on Rents for Social Housing'. The final report was in line with the previous consultation.
- 5.3 The final DCLG policy also offers in principle some opportunities for flexibility which was not anticipated.

'The Government's policy recognises that authorities should have some discretion over the rent set for individual properties, in order to take account of local factors and concerns, in consultation with tenants.'

As a result, the policy contains flexibility for authorities to set rents at up to 5 percent above formula rent (10 percent for supported housing and sheltered housing). We expect authorities to use this flexibility in a balanced way, and not set all rents at 5 percent (or 10 percent) above the formula rent.'

Where a rent is at a level that is more than 5 percent (or 10 percent) above the formula rent in 2015-16, it should be brought within the flexibility level over time, either through applying a rent increase of less than CPI + 1 percentage point, or through lowering the rent when the property becomes vacant and is re-let. In terms of lower rent increases, we expect this to be done in a way that brings the rent within the flexibility level within a reasonable period of time, whilst ensuring financial viability is maintained.'

But it also states:-

'Limit on Rent Changes

From April 2015, we expect local authorities to increase rents by no more than CPI (at September of the previous year) + 1 percentage point in any year.

As set out above, formula rents should also increase by CPI + 1 percentage point each year, from 2015-16. In practice, due in part to the annual limit on weekly rent increases between 2001-02 and 2014-15, of RPI + 0.5 percentage points + £2, some properties will not have reached formula rent by April 2015. Where this is the case, we expect authorities to adhere to the limit on rent changes, but to move the rent up to formula rent where the property is re-let following vacancy.'

- 5.5 In 2014/15 the rent increase was set at 6.4%, raising the average council dwelling rent by £5.46 to £90.02 per week.
- 5.6 The level of increase last year was due to the assumption that there would only be one opportunity before the introduction of the new 10 year DCLG policy to increase rents to a level that is more in line with the formula target rent.

5.0 RENT SETTING FOR 2015/16

- 5.7 Formula target rents were introduced as part of 2002/03 social rent reforms. Although this policy has been replaced, formula target rents continue to have important financial implications for Adur Homes. The £51.2m cost to 'buy- out' of the old subsidy regime and move to self-financing was based on a DCLG financial business model that assumed rents were set at the formula target rent. The average formula rent for 2015/16 is calculated at £98.90.
- 5.8 As the table in 5.12 shows Adur continues to lag behind on formula target rent. The average gap between formula and actual rent is significant. As a rough guide if all properties were on average £7 below the formula rent the income shortfall represents £950,000.

This year's proposed average dwelling rent level

- 5.9 The **average rental increase recommended** for 2015/16 is in line with the Adur Homes rent policy and also complies with DCLG policy. An increase of of CPI+1%, CPI for September was 1.2%, therefore, the rental increase would be **2.2%**. This will increase the average rent by £1.98 from £90.02 to **£92.00**.
- 5.10 The proposed average increase is estimated at being below the Rent Rebate Subsidy Limitation (RRSL) limit. The RRSL limit is the maximum average rent that may be charged before housing benefit payments need to be subsidised by the HRA. At the time this report was being produced the Department of Works and Pensions has not published the RRSL limit rents.
- 5.11 It is intended to apply a larger increase to properties where the rent is further away from the target rent and to apply a smaller increase to properties where the rent is closer to the target rent. The level of increase for any property will be capped at 15%.
- 5.12 In line with the Council's Rent Setting Policy it is also proposed to continue to charge the target rent on new lettings. This policy will not be applied to transfers, mutual exchanges or to tenants that are downsizing.
- 5.13 Adur Homes rents in 2014/15 for a 2 bedroom property compared with Open Market rents and other benchmarks are as follows:

Compared with Other Types of Rent in Adur Adur Homes rents are considerably lower than other rented accommodation in Adur					
	Open Market Rent	Affordable Rent (80%)	Adur Homes Social Rent	Formula Target Rent (Social Rent)	Local Housing Allowance
Lancing/ Sompting	£192 £750/mth	£154	£91.12	£97.54	To be confirmed
Shoreham/ Southwick	£204 £944/mth	£163	£92.85	£99.84	To be confirmed

5.0 RENT SETTING FOR 2015/16

Garage Rents

5.14 Garage rents were increased by 2% in 2014/15 to £8.84 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be again increased in 2015/16 by 2.2% to £9.03. These proposals will generate an extra £6,920 in income.

6.0 DEBT FINANCING COSTS

6.1 The debt financing costs chargeable to HRA in 2015/16 relate to interest payments and Minimum Revenue Provision set aside for the repayment of the debt.

The table below provides analysis of this:

- i) historic debt of £17.491m in existence at 1 April 2012 (less any subsequent repayments) attributable to the HRA via the “two-pool split” of the Council’s total debt at that date;
- ii) debt incurred in 2012 to pay the HRA self-financing settlement payment of £51.185m, for which there will be a balance of £44.36m outstanding at 31 March 2015;
- iii) new borrowing for capital expenditure.

6.2 The budgeted costs are:

2015/16 Budget	Interest £000	MRP £000	Total
Historic Debt	974	423	1,397
Settlement Debt	1,663	1,294	2,957
2015/16 Borrowing	0	0	0
Total Budget	2,637	1,717	4,354

7.0 REPAIRS AND MAINTENANCE

7.1 The condition of housing stock is maintained and improved in two ways:-

- Routine revenue repairs of a day-to-day nature and by planned maintenance such as repainting or boiler servicing.
- Capital investment programme of refurbishment and improvement on a larger scale.

7.0 REPAIRS AND MAINTENANCE

7.2 The budget for repair and maintenance has been increased above inflation at 5%.

7.3 Housing Capital Investment Programme

7.3.1 The capital investment programme typically comprises refurbishment and improvement on a larger scale for schemes such as new central heating and double-glazing.

7.3.2 Future investment in the council housing stock is funded from:-

- (i) revenue contributions to capital expenditure;
- (ii) the Major Repairs Reserve. This will increase each year by an accounting adjustment for depreciation equivalent to the old subsidy Major Repairs Allowance (£2.081m). This contribution is ring-fenced for repayment of debt or for direct financing of capital and maintenance expenditure. This was a transitional arrangement granted by CLG to assist local authorities for the first 5 years of self-financing. There has been no update from central government about whether this accounting arrangement will be allowed to continue after 2017/18; and
- (iii) prudential borrowing (subject to affordability), but must be contained within the Debt Ceiling of £68.912m set by Central Government.

8.0 ADUR HOUSING INVESTMENT PROGRAMME

8.1 The HRA capital renovation programme for 2015/16 was approved at £3.205m by the Joint Strategic Committee at its meeting of 2 December, 2014 at which it was reported that :

The estimated resources are sufficient to fund all the proposed schemes.

The first priority is the continued maintenance of decent homes standards for the benefit of existing tenants.

The decent homes standard requirement is that homes:-

- a) meet the current statutory minimum standard for housing*
- b) are in a reasonable state of repair*
- c) have reasonably modern facilities and services*
- d) provide a reasonable degree of thermal comfort.*

It should be noted that a stock condition survey is being undertaken in 2015/16 this will inform and develop future strategy and budget planning for the capital programme in future years and this may change the current assumptions made in the financial business plan (Appendix 2)

8.0 ADUR HOUSING INVESTMENT PROGRAMME

8.2 A further report detailing specific capital works in respect of the decent homes programme (and seeking amendment to the Capital Investment Programme overall for 2015/16) is to be presented to the JSC meeting on 5th February, 2015. The amended programme also includes consideration of the impact of slippage from the 2014/15 financial year.

9.0 REVENUE CONTRIBUTION TO CAPITAL EXPENDITURE

9.1 A revenue contribution to capital expenditure has been intended as a core resource in financing the Housing capital programme. The revenue contributions reflects a long-term strategy to fund a significant proportion of the proposed capital programme directly from revenue, thereby reducing the annual revenue cost of borrowing for the capital investment to the Housing Revenue Account. The annual cost implications for each £1m borrowed comprises:

	£
Interest Charges based on 4% interest rate	40,000
Annual provision for the repayment of debt – repaid over 40 years	25,000
Total Revenue Cost Implications	65,000

9.2 Due to various factors there has been significant slippage in the capital programme since self financing was introduced. This has meant that although we have budgeted for borrowing to finance the capital programme it has not been necessary to do so generating significant in-year savings to the HRA. It is proposed that any surplus savings arising from this temporary situation will be set aside as for a future revenue contribution to capital. The additional revenue contribution to capital for 2015/16 will be £409,000.

10.0 GROWTH ITEMS

10.1 In line with the recent December report to JSC 'Getting in Shape' the Head of Housing will be undertaking an organisational review of staff structures for Adur Homes.

10.2 Staff consultation will commence in early 2015. A growth figure of £50,000 has been included in the salaries budget to accommodate any anticipated changes. This is predominantly to fund improvements for customer service around repairs and provide additional support during the first 12 months of a new tenancy.

10.3 Last year we increased expenditure on void refurbishments and this has led to an increase in the time property is empty prior to being re-let. This year a growth item of £94,800 has been included in the budget to allow for lost rental income and council tax charges on empty properties.

11.0 SERVICE CHARGES – CONTRACT PRICE INCREASES

- 11.1 As well as core rent charges, some tenancies are also subject to service charges as they receive services which are specific to their circumstances. These charges are made in line with actual costs. Contracts in respect of services to tenants, such as door entry maintenance and communal way cleaning, are normally subject to an annual Retail Price Index (RPI) or equivalent increase. This increase is passed on to tenants receiving those services by way of an equivalent increase in their weekly service charge. Some costs have to be retendered and not all increases are applied at the beginning of a financial year. This means that such increases cannot be incorporated into the annual rent increase process and additional costs are incurred in notifying tenants separately and amending Housing Benefit entitlements when such an increase arises.
- 11.2 Contract review dates are staggered throughout the year and there may be instances when a small increase needs to be applied to such a small group of tenants that it is not cost effective to apply the charge immediately. Members are therefore requested to delegate to the Head of Adur Homes and the Chief Financial Officer in consultation with the Cabinet Member, Customer Services, authority to defer such an increase to a more cost-effective date.

12.0 REALLOCATIONS OF SALARIES AND CENTRAL COSTS

- 12.1 All salaries, staff expenses, administration buildings and central support services are collated centrally within the Adur and Worthing Joint services and the Council's general fund budget. It is then re-allocated to services to show the full-cost of service provision. A more detailed explanation of this is included in the Budget Book for Adur & Worthing Councils. The Housing Revenue Account has benefited in recent years from savings achieved from joint shared support services.
- 12.2 Each year there will be some swings in allocations for the Housing Revenue Account from central support services. There will also be movement in allocation for Adur Homes staff charging to HRA capital projects, in addition if the capital programme is not completed this budgeted cost will materialise into an overspend at year in the final outturn. These costs are reviewed each year as part of the budget setting process.

13.0 LEVEL OF RESERVE BALANCES

- 13.1 In line with a more sustainable long term business approach the HRA is adopting a prudent approach to the level of reserves maintained.

Detailed overleaf is a summary of HRA reserve balances.

13.0 LEVEL OF RESERVE BALANCES

Reserves	Forecast Balance at 01.04.15	Increase	Decrease	Forecast balance at year end 2015/16
	£000's	£000's	£000's	£000's
Housing Revenue Account	2,172	-	-	2,172
Discretionary Assistance Fund	50	-	-	50
New Development and Acquisition Fund	596	566	500	662
Major Repair Reserve	2,000	2,081	2,805	1,276
TOTAL	4,818	2,647	3,305	4,160

- 13.2 HRA general reserve balances are forecast to be £2.172m at 1st April 2015 and 15% of total expenditure. This is over the target level explained in Para 13.3 below, but reflective of the emphasis placed in securing resources to underpin revenue operations and capital expenditure in future years.
- 13.3 In the General Fund a target level of balances of between 6-10% of net expenditure has been set. The general principles behind retaining a minimum target level of balances are similar for both the General Fund and HRA in that it should be sufficient to withstand foreseeable 'worst case' scenarios but not so large as to constitute unnecessary retention of tenants monies.
- 13.4 Therefore, in principle, given that the large majority of the costs and incomes of the HRA are relatively stable (or effectively fixed at the start of each year) it should be possible to operate on a reserve balance within the 6-10% range. However, the self-financing regime is still relatively new so that future risks surrounding revenues and costs (including the impact of the impending welfare reforms and RTB regime) are uncertain. Also, given the uncertainty of costs and timings relating to the Council's new build proposals a cautious approach in the early years is justified in striving to provide adequate reserves to build capacity for the future as part of a longer term strategy.
- 13.5 The balanced budget for 2015/16 includes a proposed contribution of £566,060 to the HRA New Development and Acquisition' Reserve. It is intended that a proportion of any under-spend or surplus will be placed in this reserve over the next few years specifically to create capacity to take forward initiatives to increase the supply of affordable housing.
- 13.6 Any balance in the Major Repairs Reserve (MRR) is utilised to fund in-year capital expenditure. The final position at year end may fluctuate as if any slippage occurs within the capital programme. Altogether, the 2015/16 capital budget includes provision for £2.8m to be utilised for financing HRA capital expenditure, comprising the carried forward balances and in-year contributions.

13.0 LEVEL OF RESERVE BALANCES

13.7 Although a balanced budget has been prepared, any underspends arising at the final revenue outturn for 2015/16 will be put forward for consideration by Members to decide how this may be set aside to the most appropriate Adur Homes reserve taking into account the demands of the service at that time. In keeping with previous years, it is proposed that any overspends at final revenue outturn will be drawn from the HRA General Reserve.

14.0 IMPACT ON FUTURE YEARS

14.1 Attached at appendix 2 is the 30-year financial forecast. The focus for the 2015/16 budget has been to ensure that the HRA remains sustainable in the longer term. As with 2014/15, the budget for 2015/16 allows for a high level of investment in the maintenance of properties than has been afforded prior to the self-financing regime. The first priority for the new freedoms has to be the continued maintenance of the decent homes standards for the benefit of our existing tenants.

14.2 The financial plan assumes that rent increases from 2015/16 are in line with the Council's rent policy and the Government's proposals(i.e. CPI plus 1%).

14.3 The financial strategy within the 30-year forecast also includes the MRP allowance for the repayment of the debt, such that headroom below the Debit Limit is created for new borrowing and is affordable. The Debt Limit set by government is £68.912m and current borrowing is at £61.29m. This means that the Council's headroom for borrowing is £7.622m for 2015/16. This is in addition to future borrowing required for the current capital programme over the next 3 years.

14.4 In view of the available headroom for new borrowing the Council could consider support for either a higher level of investment in our current housing stock or to increase the number of affordable homes available through the following:

1. Conversion of HRA shops to dwellings in difficult to let locations.
2. Repurchase of previously owned Council dwellings (particularly leasehold flats).
3. Purchase of empty properties from the private sector which are dilapidated or in need of repairs.
4. Building new homes.

All of these options need to be explored in detail to ensure that they are financially viable.

14.5 To bring all of these considerations together, it is proposed to refresh the Adur Homes Business Plan periodically, and incorporate into the plan an assessment of the future of the housing stock – including the outcome of the the feasibility investigation into the new build proposals . This will also include an update to the asset management plan which will validate the assumptions in the 30-year forecast about the capital programme and maintenance provision.

15.0 SUMMARY AND RENTAL OPTIONS

- 15.1 Increasing rents by an average of 2.2%, with other changes to the budget leaves the HRA in a positive financial position going forward.
- 15.2 Clearly, there remains the option of setting a lower rent increase, but this would put pressure on the business plan and the Council would move further away from the formula target rent which in the longer term will potentially impact on viability.

16.0 LEGAL IMPLICATIONS

- 16.1 There are no legal implications arising from the proposed budget other than those relating to :
- i) the use of capital receipts under Right To Buy regulations, and emanating from the Local Authorities (Capital Financing and Accounting)(England) Amendment Regulations (SI 2012/711 & 2012/1324)
 - ii) maintain borrowing with the imposed debt ceiling limit arising from the Limits on Indebtedness Determination issued under the powers conferred upon the Secretary of State by S168 to 175 of the Localism Act, 2011.

17.0 RECOMMENDATIONS

- 17.1 The Cabinet is recommended to:-
- (i) consider and approve the Housing Revenue Account estimates
 - (ii) determine the level of associated rents and charges with effect from week one of 2015/16:-
 - (a) **Rents of Council Dwellings** – agree an average increase of 2.2% raising the average council dwelling rent by £1.98 to £92.00 per week (average rent currently £90.02 per week) – (Para.5.9)
 - (b) **Rents of Council garages** – agree an increase of 2.2% to £9.03. (currently £8.84 per week), plus VAT for non-Council tenants) (Para.5.14)
 - (c) **Service Charges** - delegate to the Head of Adur Homes and Chief Finance Officer in consultation with the Cabinet Member for Customer Services, the setting of the service charges (para. 11.2)
 - (iii) To approve a continued contribution of **£566,060** to the earmarked reserve specifically for new development and refurbishment of council housing (para. 13.5)
 - (iv) To approve the HRA Treasury Management Strategy contained in Appendix 3.

Background Papers:

Reinvigoration the Right to Buy and one for one replacement

Laying the Foundations: A Housing Strategy for England

Guidance On Rents for Social Housing

Adur Capital Investment Programme 2015/16

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

1.1 This report acknowledges the need to link all Council priorities with resource allocation in order to meet and deliver those objectives.

2.0 SPECIFIC TARGETS

2.1 (A) Matter considered and no issues identified.

(B) Matter considered and no issues identified.

3.0 SUSTAINABILITY ISSUES

3.1 Well-balanced communities rely upon a diversity of accommodation being available, enabling residents to make housing choices based upon consideration of size, type, tenure and affordability. A vital component of this mixture is accommodation provided by social landlords and the Council is the largest provider of such accommodation in the Adur District. To keep this accommodation well-managed and in good repair, the Council needs a flexible, adaptable approach, albeit with a diminished local freedom to tailor local solutions to meet local needs.

4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified.

5.0 COMMUNITY SAFETY ISSUES (SECTION 17)

5.1 Matter considered and no issues identified.

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified.

7.0 FINANCIAL IMPLICATIONS

7.1 Contained within the report.

8.0 LEGAL IMPLICATIONS

8.1 Matter considered and no issues identified.

9.0 CONSULTATIONS

9.1 A consultation was originally considered and supported by the Adur Homes Management Board on 17 November 2014

9.2 Consultation is conducted with the Adur Consultative Forum

10.0 RISK ASSESSMENT

10.1 Matter considered and no issues identified.

11.0 HEALTH & SAFETY ISSUES

11.1 Matter considered and no issues identified.

12.0 PROCUREMENT STRATEGY

12.1 Matter considered and no issues identified.

13.0 PARTNERSHIP WORKING

13.1 Matter considered and no issues identified.

ADUR:
Housing Revenue Account Budget Report

APPENDIX 1

	ORIGINAL ESTIMATE 2014/15	CHANGES 2014/15	CURRENT ESTIMATE 2014/15	ESTIMATE 2015/16
	£	£	£	£
EXPENDITURE				
General Management	2,436,890	960	2,437,850	2,788,660
Special Services	893,370	(7,040)	886,330	836,930
Rent, Rates, Taxes & Other Charges	29,780	-	29,780	33,940
Repairs & Maintenance	2,413,580	-	2,413,580	2,552,810
Depreciation	2,186,710	-	2,186,710	2,000,000
Bad/Doubtful Debt	50,000	-	50,000	50,000
Provision for refurbishment and new build	566,060	-	566,060	566,060
Capital Financing Costs				
Loan Repayments	1,950,000	-	1,950,000	1,717,000
Interest charges	2,868,140	-	2,868,140	2,636,660
Revenue Contributions to Capital	-	-	-	409,060
TOTAL EXPENDITURE	13,394,530	(6,080)	13,388,450	13,591,120
INCOME				
Dwelling Rents	(12,273,230)	-	(12,273,230)	(12,496,040)
Non-Dwelling Rents	(538,240)	-	(538,240)	(527,080)
Heating Charges	(70,720)	-	(70,720)	(74,070)
Leaseholder's Service Charges	(102,000)	-	(102,000)	(104,040)
Other Service Charges	(366,630)	-	(366,630)	(345,860)
Contributions towards Expenditure	(15,710)	-	(15,710)	(16,030)
Interest Received	(28,000)	-	(28,000)	(28,000)
TOTAL INCOME	(13,394,530)	-	(13,394,530)	(13,591,120)
NET (SURPLUS)/DEFICIENCY	-	(6,080)	(6,080)	(0)
				-

HOUSING REVENUE ACCOUNT										
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE										
General Management	2,789	2,858	2,930	3,003	3,078	3,155	3,234	3,315	3,398	3,483
Special Services	837	858	879	901	924	947	971	995	1,021	1,045
Rents, Rates, Taxes & Other Charges	34	35	36	37	37	38	39	40	41	42
OVERALL RUNNING COSTS	3,660	3,751	3,845	3,941	4,039	4,140	4,244	4,350	4,460	4,570
Annual Revenue Maintenance Costs	2,553	2,680	2,815	2,956	3,103	3,258	3,421	3,592	3,772	3,960
Revenue Contribution to Capital	2,127	2,280	2,420	2,532	2,622	2,707	2,789	2,866	2,941	3,025
Charges for Capital										
Depreciation	2,000	2,100	2,205	2,315	2,431	2,553	2,681	2,815	2,956	3,104
Interest payable										
Interest - on historic debt	974	974	974	974	974	974	974	974	974	963
Interest - on assumed debt	1,383	1,331	1,279	1,228	1,176	1,124	1,073	1,021	969	918
Contingency on borrowing	279	270	259	247	238	227	217	206	195	184
Interest - on capital programme	0	0	13	54	114	177	240	308	372	439
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	566	566	566	566	566	566	566	566	566	566
TOTAL EXPENDITURE	13,592	14,002	14,426	14,863	15,313	15,776	16,255	16,748	17,255	17,779
INCOME										
Dwelling Rents	-12,496	-12,871	-13,257	-13,655	-14,064	-14,486	-14,921	-15,369	-15,830	-16,305
Other Rents and Charges	-1,068	-1,103	-1,141	-1,180	-1,221	-1,262	-1,306	-1,351	-1,397	-1,446
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-13,592	-14,002	-14,426	-14,863	-15,313	-15,776	-16,255	-16,748	-17,255	-17,779
NET COST OF SERVICES	0	0	0	0	0	0	0	0	0	0

HOUSING REVENUE ACCOUNT										
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE										
General Management	3,570	3,659	3,750	3,844	3,940	4,039	4,140	4,243	4,349	4,458
Special Services	1,071	1,098	1,126	1,154	1,183	1,212	1,243	1,273	1,305	1,338
Rents, Rates, Taxes & Other Charges	43	45	46	47	48	49	50	52	53	54
OVERALL RUNNING COSTS	4,684	4,802	4,922	5,045	5,171	5,300	5,433	5,568	5,707	5,850
Annual Revenue Maintenance Costs	4,158	4,366	4,584	4,814	5,054	5,307	5,572	5,851	6,144	6,451
Revenue Contribution to Capital	3,114	3,180	3,236	3,226	3,334	3,378	3,413	3,446	3,471	3,485
Charges for Capital										
Depreciation	3,259	3,422	3,593	3,773	3,962	4,160	4,368	4,586	4,815	5,056
Interest payable										
Interest - on historic debt	938	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	866	814	763	711	659	607	556	504	452	401
Contingency on borrowing	175	164	155	144	135	123	112	102	91	81
Interest - on capital programme	507	576	644	774	780	847	913	977	1,040	1,103
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	566	566	566	566	566	566	566	566	566	566
TOTAL EXPENDITURE	18,317	18,872	19,445	20,035	20,643	21,270	21,915	22,582	23,268	23,975
INCOME										
Dwelling Rents	-16,794	-17,297	-17,816	-18,351	-18,901	-19,468	-20,052	-20,654	-21,274	-21,912
Other Rents and Charges	-1,495	-1,547	-1,601	-1,656	-1,714	-1,774	-1,835	-1,900	-1,966	-2,035
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-18,317	-18,872	-19,445	-20,035	-20,643	-21,270	-21,915	-22,582	-23,268	-23,975
NET COST OF SERVICES	0	0	0	0	0	0	0	0	0	0

HOUSING REVENUE ACCOUNT										
	2035/36	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
EXPENDITURE										
General Management	4,570	4,684	4,801	4,921	5,044	5,170	5,299	5,432	5,568	5,707
Special Services	1,371	1,406	1,441	1,477	1,514	1,552	1,590	1,630	1,671	1,713
Rents, Rates, Taxes & Other Charges	56	57	58	60	61	63	64	66	68	69
OVERALL RUNNING COSTS	5,997	6,147	6,300	6,458	6,619	6,785	6,953	7,128	7,307	7,489
Annual Revenue Maintenance Costs	6,773	7,112	7,468	7,841	8,233	8,645	9,077	9,531	10,007	10,508
Revenue Contribution to Capital	3,489	3,485	3,463	3,431	3,384	3,321	3,241	3,127	2,964	2,934
Charges for Capital										
Depreciation	5,309	5,574	5,853	6,146	6,453	6,776	7,115	7,471	7,845	8,237
Interest payable										
Interest - on historic debt	932	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	349	297	246	194	142	90	39	0	0	0
Contingency on borrowing	71	59	50	38	29	18	8	0	0	0
Interest - on capital programme	1,167	1,232	1,301	1,370	1,440	1,513	1,588	1,664	1,726	1,638
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	566	566	566	566	566	566	566	566	566	566
TOTAL EXPENDITURE	24,703	25,454	26,229	27,026	27,848	28,696	29,569	30,469	31,397	32,354
INCOME										
Dwelling Rents	-22,569	-23,246	-23,944	-24,662	-25,402	-26,164	-26,949	-27,757	-28,590	-29,448
Other Rents and Charges	-2,106	-2,180	-2,257	-2,336	-2,418	-2,504	-2,592	-2,684	-2,779	-2,878
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-24,703	-25,454	-26,229	-27,026	-27,848	-28,696	-29,569	-30,469	-31,397	-32,354
NET COST OF SERVICES	0	0	0	0	0	0	0	0	0	0

HRA TREASURY MANAGEMENT STRATEGY

1.0 INTRODUCTION

- 1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2015-16. The requirement to produce a separate strategy specifically for HRA is a direct consequence of the introduction of the self-financing regime, as it reflects the underlying principle that borrowing and debt management decisions should operate equitably and independently from the General Fund.
- 1.2 The strategy presented and proposed for 2015/16 is unchanged from 2014/15, as it has been accepted by the Council's external auditors as an appropriate method of apportioning debt management costs and interest accrued from balances and investments between HRA and General Fund.
- 1.3 Underpinning all Treasury Management activity of the Council is the CIPFA Treasury Management Code of Practice, which was last revised in November 2011 to address the implications for introducing HRA Self-financing from 2012/13.
- 1.4 The published Code identified the need for local authorities "...to allocate existing and future borrowing costs between housing and General Fund as the current statutory method of apportioning debt charges between the General Fund and HRA will cease".
- 1.5 The Council has adopted the "Two-Pooled Approach". This entailed allocating historic debt at 31 March 2012 between HRA and General Fund, with any new debt acquired after this date to be assigned to the HRA or General Fund according to the purpose for which it is acquired.
- 1.6 Additionally, the Strategy aims to achieve borrowing outcomes that are affordable, sustainable and prudent in keeping with the requirements of the Prudential Code for Capital Finance in Local Authorities. This Code requires the Council to consider the impact of borrowing as well as address a number of other fundamental principles, being:
 - (i) The splitting of loans (i.e. debt) at the HRA Settlement transition date must be of no detriment to the General Fund.
 - (ii) The Council is required to deliver a solution that is broadly equitable between the HRA and the General Fund;
 - (ii) Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving the HRA greater freedom, independence, certainty and control;
 - (iv) Un-invested balance sheet resources which allow borrowing to be below the CFR are properly identified between General Fund and HRA.

HRA TREASURY MANAGEMENT STRATEGY

- 1.6 Points (i) – (iii) above were addressed by adopting the “Two-Pool Approach”. The last point is met in the Strategy in accordance with the CIPFA Treasury Management code recommendation that the effect should be included in the interest on balances calculation to appropriately allocate the respective portions to HRA and General Fund.
- 1.7 With these background principles and approaches in place the HRA Treasury Management Strategy aims to cover:
- Overall Objectives
 - The Current & Future Position – Underlying Need to Borrow compared to Actual Borrowing
 - The Debt Maturity Profile & Headroom for New Borrowing
 - How to allocate debt and attributable financing costs between HRA and General Fund equitably
 - How to recognise HRA cash balances and reserves which form part of the Council’s total investments
 - How to recognise any costs or revenues generated from over/under borrowing
- 1.8 Accordingly, these aspects of the Strategy are approached in turn.

2.0 OVERALL OBJECTIVES OF THE HRA TREASURY MANAGEMENT STRATEGY

- 2.1 The central aim of the Strategy agreed for 2014/15 and unchanged for 2015/16 is:
- to provide borrowing that is affordable, sustainable and prudent, as required by The Prudential Code, and which underpins the requirements of the HRA Capital Investment Programme, 30 year Business Plan, and any other corporate plans.
 - to manage the HRA investments and cash flows, its banking, money market and capital market transactions within the purview of the Council’s overall Treasury Management Strategy, and to provide effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
 - to support budget and service delivery objectives for the benefit of tenants at no detriment to the General Fund or council taxpayers generally.

HRA TREASURY MANAGEMENT STRATEGY**3.0 THE CURRENT POSITION – UNDERLYING NEED TO BORROW COMPARED TO ACTUAL BORROWING**

- 3.1 The underlying need to borrow for capital investment is called the Capital Financing Requirement (CFR) and relates to the amount of planned capital expenditure that is not financed from internal resources, which for HRA are primarily capital receipts, revenue contributions, and the Major Repairs Reserve.
- 3.2 Capital expenditure in any year above the amount allocated to be used from these resources must be financed from borrowing or other credit arrangement (e.g. leasing), and results in an increase to the CFR. By comparing the CFR to the amount of actual borrowing the extent to which the Council is under or over borrowed is determined, and provides a key prudential indicator for performance management. The current estimates based on the capital investment programme for the next three years is shown in the table below:

Adur District Council	2014/15 Approved £m	2014/15 Revised £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	15.108	14.470	14.534	14.687	14.848
Housing Revenue Account	63.994	63.909	62.192	60.475	58.758
Total CFR	79.102	78.379	76.726	75.162	73.606
Actual Debt					
General Fund	(12.969)	(12.988)	(12.979)	(12,969)	(12.969)
Housing Revenue Account	(62.993)	(62.999)	(61.290)	(59.581)	(57.875)
Total Debt Amount	(75.962)	(75.987)	(74.269)	(72.550)	(70.844)
(Over)/Under Borrowing					
General Fund	2.139	1.482	1.555	1.718	1.879
Housing Revenue Account	1.001	0.910	0.902	0.894	0.883
Total	3.140	2.392	2.457	2.612	2.762
HRA Borrowing Headroom	5.919	5.913	7.622	9.331	11.037

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2015/16-2017/18 submitted to the meeting of the Joint Strategic Committee on 6 February 2015.

HRA TREASURY MANAGEMENT STRATEGY

3.0 THE CURRENT POSITION – UNDERLYING NEED TO BORROW COMPARED TO ACTUAL BORROWING

- 3.3 The comparison shows the HRA is under borrowed at the end of 2014/15 by £910k, reflecting the amount by which debt outstanding and MRP has reduced over and above the incidence of new capital expenditure financed from borrowing since 2012/13. In the following years the amount by which actual borrowing is below CFR increases as the value of debt repaid and MRP provided for in each year exceeds the amount of new borrowing anticipated to fund capital investment.
- 3.4 The propensity to bring actual borrowing into line with the CFR is constrained by the requirement to stay within the HRA Debt Limit of £68.912m imposed by Central Government. This is only a constraint if the CFR based on capital investment proposals is above the debt limit. However, for all years from 2015/16 to 2017/18 the CFR is projected to be below the debt as reflected in the capital investment proposals approved by the meeting of the Joint Strategic Committee on 2 December, 2014.

4.0 THE DEBT MATURITY PROFILE AND HEADROOM FOR NEW BORROWING

- 4.1 The last row of the table in the preceding section compares the existing debt profile with the Debt Ceiling Limit of £68.912m. The amount by which actual borrowing is below the limit provides “Headroom” for new borrowing to fund capital expenditure. For each of the years to 2017/18 the headroom is more than sufficient to allow new borrowing to occur to bring total indebtedness in line with the underlying need to borrow as measured by the CFR – albeit the decision to borrow will be influenced by the prevailing forecast for interest rates, alternative sources of capital funding, and the ability to meet the direct financing costs of borrowing from within the approved HRA budget.

5.0 HOW TO ALLOCATE DEBT AND ATTRIBUTABLE FINANCING COSTS BETWEEN HRA AND GENERAL FUND EQUITABLY – THE TWO POOLED APPROACH

- 5.1 The methodology adopted in the Strategy draws upon CIPFA guidance relating to the two pooled approach, the essence of which is:
- to disaggregate historic debt at the HRA Debt Settlement transition date by the CIPFA methodology and allocate the respective portions to the HRA and General Fund. To each share is added new debt arising after the transition date according to the purpose for which it was incurred.

HRA TREASURY MANAGEMENT STRATEGY

5.0 HOW TO ALLOCATE DEBT AND ATTRIBUTABLE FINANCING COSTS BETWEEN HRA AND GENERAL FUND EQUITABLY – THE TWO POOLED APPROACH

- 5.2 In adopting this methodology, the Council was mindful of its Treasury Management Consultant's comments that "The two pool approach is the preferred option by CIPFA and DCLG. It is relatively simple and allows the HRA to present a preferred funding structure to the Treasury Management team. It allocates a greater proportion of fixed rate borrowing to the HRA, which may suit its needs as it provides a greater degree of certainty over initial costs".
- 5.3 Another reason for adopting the two pool approach was that an assessment was made of the impact of the resultant financing costs at transition on the HRA and it was concluded that it the effect was negligible.
- 5.4 For historic debt at the transition date, the two pooled approach assumed the HRA was fully borrowed at the level of its CFR, with the residual debt attributed to the General Fund. Thus, any over borrowing at that date was attributed to the General Fund, rather than shared with the HRA. The effect at 31 March 2012 of applying the two pooled approach was:

CFR Allocations at Transition Date		Debt Allocations at Transition Date	
	£000		£000
HRA	68,676	HRA	68,676
General Fund	11,160	General Fund	13,430
TOTAL	79,836	TOTAL DEBT	82,106

6.0 HOW TO RECOGNISE HRA CASH BALANCES AND RESERVES WHICH FORM PART OF THE COUNCIL'S TOTAL INVESTMENTS

- 6.1 Before 2012/13, the former subsidy system provided for a statutory determination – the Item 8 credit – to attribute interest on notional average HRA cash balances to the HRA Comprehensive Income and Expenditure statement.
- 6.2 This recognised the general principal that the HRA should benefit from its cash balances and reserves, and the introduction of the self-financing arrangements did not alter this principle.
- 6.3 The Strategy adopts the CIPFA recommended approach for all investments to be pooled, since it states that the "interest on cash balances calculation can be used to manage the charge between HRA and General Fund". Accordingly, to do this the Strategy retains the use of the notional average cash balance approach used within the former Statutory Item 8 calculation as the basis for crediting the HRA share of interest receivable.

HRA TREASURY MANAGEMENT STRATEGY**7.0 HOW TO RECOGNISE ANY COSTS OR REVENUES GENERATED FROM OVER/UNDER BORROWING**

- 7.1 In practice it is recognised that there will be timing differences between the Council's underlying need to borrow (the CFR) and actual borrowing.
- 7.2 Where under borrowing occurs, the Council is drawing upon internal reserves and balances to fund capital expenditure, and therefore bears the cost of interest foregone on the amount of cash consumed that might otherwise be invested.
- 7.3 Conversely, where over borrowing occurs surplus cash to requirements is held that forms part of surplus cash available for investment. This may arise where borrowing for capital expenditure is undertaken in advance of actual expenditure to take advantage of low interest rates.
- 7.4 In both scenarios the CIPFA Treasury Management code states that the effect should be included in the interest on balances calculation to appropriately allocate the respective portions to HRA and General Fund.
- 7.5 Accordingly, the Strategy adopts the approach whereby the relevant credit or debit shall be computed with reference to the difference between the HRA and General Fund CFR and the respective actual debt during the year. Where an Over-borrowing position occurs interest shall be credited according the average rate of interest on all investments prevailing for the period during which the over borrowing was sustained. For an under-borrowed position, interest shall be charged to reflect the interest foregone through consumption of internal resources and at the average rate of all investments achieved during the period of under borrowing.

ADUR DISTRICT COUNCIL OVERALL BUDGET ESTIMATES 2015/16 AND SETTING OF 2015/16 COUNCIL TAX

REPORT BY: DIRECTOR OF DIGITAL AND RESOURCES

1.0 SUMMARY

- 1.1 This report represents the culmination of the annual budget exercise and asks members to consider the following:
- The final revenue estimates for 2015/16;
 - An updated outline 5-year forecast; and
 - The provisional level of Council Tax for 2015/16, prior to its submission to the Council for approval on the 19th February 2015. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget proposals by Executive.
- 1.2 These budgets reflect the decisions taken by Members to date in relation to agreed savings proposals. The report also updates members about the impact of the draft 2015/16 settlement.
- 1.3 The major points raised within the report include:
- A full update on the impact of settlement. The Council should prepare itself for a continuation of the austerity measures for another 2-5 years (see paragraph 3.7) ;
 - The Executive will need to consider whether to increase Council Tax by 1.5% or to freeze Council Tax for the fifth successive year and accept the Council Tax freeze grant (paragraph 5.12); and, finally
 - The Executive needs to consider the new growth items in appendix 2
- 1.4 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2015/16 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities 2015/16 (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).
- 1.5 The Police and Crime Commissioner has consulted on an increase to the Council Tax for 2015/16 of 1.98% and the proposed 2015/16 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 23rd January 2015. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 20th February 2015 at which point the Commissioner will be in a position to confirm the Council Tax for 2015/16. If the proposals for the PCC's share of the Council Tax are not confirmed until 21st February, then the planned Council date of the 19th February will be rearranged to the 26th February 2015.

1.0 SUMMARY

1.6 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 13th February 2015. Therefore the formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 19th February 2015.

2.0 BACKGROUND

2.1 The outline forecast report to Joint Strategic Committee on 22nd July 2014 identified an initial likely budget shortfall of £456,000 for 2015/16. To meet this challenge the Council has:

1. Undergone a major restructure ('Getting in Shape') resulting in net savings of £78,000 per year for the two Councils;
2. Embarked on a new digital strategy designed to lever in additional savings over the next three to five years; and
3. Progressed the approved budget strategy designed to help meet this challenge through four major work streams:
 - Major Service Reviews
 - Efficiency Reviews
 - Base Budget Review
 - Strategic Procurement Review

2.2 The subsequent report to the Joint Strategic Committee, on 2nd December 2014 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

Adur District Council	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Overall shortfall - July forecast	498	1,289	1,686	2,252	2,805
Overall shortfall – December forecast (including net approved growth)	306	1,108	1,511	2,064	2,623
Increase / (Decrease) in shortfall	-198	-181	-175	-188	-182

2.3 The 2015/16 savings proposals identified within the report for the Council amounted to £466,000. In addition, further savings of £52,000 have subsequently been identified and approved as follows:

- Savings from the restructure ('Getting in Shape') of £43,000
- Savings from the rationalisation of the tourism service £9,000

2.4 Since the meeting on 2nd December, the Adur District Council budget has been finalised and the last adjustments have been included subject to the final considerations about the level of Council Tax and any non-committed growth items. Overall, therefore, the current financial position of the Council for 2015/16 can be summarised as:

2.0 BACKGROUND

	£'000
Original shortfall as identified in July	498
Changes identified in December 2014:	
Impact of revised projection of New Homes Bonus for 2014/15	-104
Increased pay offer	20
Improved income from Council Tax due to an increase in the taxbase	-147
Net committed growth items identified by budget holders	139
Removal of contingency budget	-100
Budget shortfall as at 2 nd December 2014	<u>306</u>
Main changes to the revenue budget:	
Impact of Settlement:	
Draft allocation of New Homes Bonus (overestimate of increase in housing numbers in December)	105
Final Revenue Support Grant and NNDR baseline funding is marginally lower than expected	4
Changes to Council Tax :	
Final estimate of Council Tax income based on updated forecast of the tax base	55
Estimated surplus on the Collection Fund	-156
Changes in business rate forecasts :	
Impact of increasing level of appeals	13
Changes in treasury management forecasts :	
Net impact of lower interest rates	60
Impact of slippage on the capital programme	-110
Mainstreaming of the financing cost of the new extension to the Shoreham Centre	70
Other changes identified:	
Reduced income from Commercial rents	67
Net other changes identified by budget holders	-6
Revised budget shortfall	<u>408</u>
Less:	
Net savings identified in December	-466
Savings identified in January	-52
Final adjustment to the allocation of the savings	48
BUDGET SURPLUS TO BE PLACED IN RESERVES (BEFORE ANY FURTHER ACTION AGREED)	<u><u>-62</u></u>

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.1 Local Government has seen an unparalleled reduction in funding over recent years. The Comprehensive Spending Review in 2010 detailed reductions in support of 28% in real terms over the four years 2011/12 – 2014/15.

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

Local Government – Departmental Expenditure Limit (DEL)					
Departmental Expenditure Limit	£Billion				
	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015
Overall Total	28.5	26.1	24.4	24.2	22.9
Formula Grant Element	28.0	25.0	23.4	23.2	21.9
Council Tax Freeze	0	0.7	0.7	0.7	0.7
Other	0.5	0.5	0.4	0.4	0.4
Annual percentage reduction in Formula Grant		10.7%	6.4%	0.9%	5.6%
Overall reduction in Formula Grant					21.8%
Nationally overall funding available for all Councils will fall by 28% over the 4 years					

3.2 This trend of reducing Government support was then further reinforced by the Comprehensive Spending Review announced on 26th June 2013 for 2014/15 and 2015/16

	2014-15 (£bn)	2015-16 (£bn)	Cash reduction (-)/ increase	Real terms growth
LG Resource DEL	25.6	23.5	-9.2%	-10.0%
Localised business rates	11.2	11.6	3.6%	1.7%
Total Government Funding	36.8	35.1	-4.6%	-6.5%

3.3 The review also announced that:

- 2011-12 and 2013-14 Council Tax freeze funding would be incorporated into Revenue Support Grant until at least 2015/16;
- a Council Tax freeze grant of 1% would be available for both 2014/15 and 2015/16;
- £300m to support the transformation of local services of which:
 - £200m was for an extension of Troubled Families programme to +400,000 families; and
 - £100m to enable efficiencies in service delivery.

These funding streams are subject to a bidding process

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.4 Consequently, Adur District Council has already seen a significant reduction in support from Central Government via Revenue Support Grant and, now, baseline funding:

Adur District Council	2010/11 (adjusted)	2011/12	2012/13	2013/14	2014/15	2015/16
	£m	£m	£m	£m	£m	£m
Revenue Support Grant and 'baseline funding' *	4.132	3.470	3.094	2.803	2.287	1.767
Council Tax Freeze Grant - now part of Revenue Support Grant		0.153	0.153	0.154	0.216	0.279
Homelessness grant				0.057	0.056	0.056
Council Tax Support Grant **				0.850	0.850	0.850
		3.623	3.247	3.864	3.409	2.952
Annual reduction in revenue support grant and		0.662	0.376	0.291	0.516	0.520
Annual percentage reduction		16.02%	10.84%	9.41%	16.68%	18.55%
			1.038	1.329	1.845	2.365
Cumulative total			25.12%	32.16%	44.65%	68.16%

* Excluding various Council Tax Freeze grants which have been consolidated into the total; and Council Tax Support Grant of £850k and homelessness grant of £57k which formed part of government funding in 2013/14.

** The Council Tax Support Grant formed part of Revenue Support Grant and Baseline Funding from 2014/15 onwards.

3.5 The Autumn Statement has confirmed that the trend of reducing funding for the public sector will continue for at least another two years:

'We have a choice – we can ease up, or we can continue with our plans.

Our policy of continuing the spending cuts in the first 2 full years of the next Parliament, at the same pace as we achieved in this Parliament, now produces £4 billion less spending.....

..... I do not hide from the House that in the coming years there are going to have to be very substantial savings in public spending.'

**Chancellor of the Exchequer George Osborne,
The Autumn Statement 2014**

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.6 However, importantly, there were no additional cuts for Local Government in 2015/16 which had been feared by some commentators ahead of the budget announcements. Nevertheless, the Chancellor did announce a fundamental review of business rates which may have far reaching consequences for rate retention scheme in 2017/18 and may impact on the City Deals.

3.7 The settlement was announced on the 18th December 2015. The tenor of the statement reinforced the messages from the Chancellor:

'This government inherited the largest deficit in post-war history. Thanks to this government's long-term economic plan – that deficit is falling, the economy is growing and employment is at a record high. This government is putting our public finances back on track. Local government – like every part of the public sector – has made a significant contribution to this.

However, the job is not done. As my hon. friend, the Chancellor of the Exchequer has indicated to the House, in the coming years, very substantial savings must be made in public spending. The government continues to need to take difficult decisions to put the public finances on a sustainable path.

Local Government Minister Kris Hopkins Provisional local government finance settlement 2015 to 2016

Consequently, the Council must prepare itself for continuing reductions in funding from Central Government.

3.8 The settlement announced contained few surprises and confirmed that there would be no further reduction in Local Government funding for 2015/16. The settlement included the following highlights:

- The referendum limit will again be 2.0% for all authorities, with the freeze grant offer confirmed as 1% of the enhanced taxbase, which includes a full reimbursement for those receiving council tax support.
- The minister highlighted the large increase in parish precepts over the Parliament (15%), but said nothing to suggest that action from DCLG is imminent. If anything any action is going to be taken it will almost certainly focus on the larger town and parish councils.
- Additional funding was announced for rural councils which has been increased by £4m to £15.5m
- The increase in the business rates will be 1.91% which will result in a multiplier of 48.0p rather than 48.2p. However Councils will be compensated for the lost income via a S31 grant.
- Overall grants for the administration of Council Tax Support and Housing Benefit have reduced quite sharply from £363m to 329m. An overall reduction of 9%.

3.9 In overall terms, the settlement revealed that District and Borough Councils were the most heavily affected class of authority by an overall cut in funding of 15.34%.

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

YEAR-ON-YEAR CHANGE FOR THE 2015/16 SETTLEMENT			
Class of Local Authority	2014-15 Adjusted settlement funding	2015-16 Settlement funding	Overall Reduction in funding
	£million	£million	%
England	24,127.89	20,823.18	-13.70%
London Area	5,553.06	4,888.18	-11.97%
Metropolitan Areas	6,490.46	5,524.46	-14.88%
Shire Areas	12,081.05	10,407.24	-13.85%
Isles of Scilly	3.32	3.30	-0.42%
London Area			
London Boroughs	4,440.04	3,779.96	-14.87%
GLA – excluding the Police element	1,113.02	1,108.22	-0.43%
Metropolitan Areas			
Metropolitan Districts	6,201.55	5,260.60	-15.17%
Metropolitan Fire Authorities	288.91	263.86	-8.67%
Shire Areas			
Shire unitaries with fire	428.26	365.81	-14.58%
Shire unitaries without fire	4,580.04	3,907.65	-14.68%
Shire counties with fire	2,243.80	1,958.11	-12.73%
Shire counties without fire	3,274.46	2,827.96	-13.64%
Shire districts	1,094.05	926.25	-15.34%
Combined fire authorities	460.43	421.46	-8.46%

3.10 It should be appreciated that unlike the previous funding system which redistributed funding according to changing needs, under the current system changes in funding are equally applied to all authorities within each tier.

3.11 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 15th January 2015 with final settlement expected in early February 2015.

3.12 It is unlikely that there will be any significant change at this late stage. If there are any significant changes arising from the final information members will be briefed before Council.

3.13 The local government finance settlement now effectively deals with 4 different matters which affect local government funding and the Council needs to fully understand when setting the 2015/16 budget. These can be broken down into 4 topics, which are dealt with in more detail below:

1. Overall Government Funding
2. Business Rate Retention Scheme
3. New Homes Bonus
4. Council Tax referendum

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.14 Overall Government Funding

The total overall funding to the Council has reduced by 11.9%. The total funding from Government is then split into two components:

1. Baseline Funding
2. Revenue Support Grant

This split is based on a national calculation which has determined that the Baseline Funding will be 46.17% of the total funding. For Adur this means that the overall funding will be split as follows:

Adur District Council	2014/15	2015/16	Difference	
	£'000	£'000	£'000	%
Overall funding	3,409	2,952*	-457	-13.41%
Split as follows:				
Baseline Funding **	1,574	1,603	29	+1.84%
Revenue Support Grant	1,835	1,348	-487	-26.54%

* From 2015/16 onwards, revenue support grant includes the 2014/15 Council Tax freeze grant of £63,000.

** Minimum business rates income retained provided target business rate income is met.

3.15 Business Rate Retention Scheme

3.15.1 The business rate retention scheme has now been in place for two years. There are two key features which members are reminded of

- There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be of 7.5% of Baseline Funding which is equivalent to a maximum below baseline funding of £120,292.
- A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over it's share of the business rate target.

For each additional £100,000 raised the Council will keep the following amounts:

	Share of additional income	Additional Levy paid to Treasury	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
Borough Council	40	20	20
	100	25	25

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.15 Business Rate Retention Scheme

3.15.2 The forecast for business rates has now been revised for the latest information on appeals, reliefs and changes to rateable values. Overall there has been a marginal deterioration in the level of expected income due to the impact of appeals:

Adur District Council	2015/1 6	2016/1 7	2017/1 8	2018/1 9	2019/2 0
	£'000	£'000	£'000	£'000	£'000
Total business rate income	21,214	21,741	22,268	22,839	23,410
Less: Business rate reliefs awarded	-3,068	-3,145	-3,224	-3,304	-3,387
Net business rate income	18,146	18,596	19,044	19,535	20,023
Less:					
Write offs	-171	-175	-180	-185	-190
Appeals	-256	-263	-269	-276	-283
Net income	17,719	18,158	18,595	19,074	19,550
Less: Share of income paid to Council for administration costs	-88	-90	-93	-95	-97
Net income for purpose of income share calculation	17,631	18,068	18,502	18,979	19,453
Council share of income (40%)	7,052	7,227	7,401	7,592	7,781
Less: Tariff	-5,160	-5,289	-5,421	-5,557	-5,696
Retained business rates	1,892	1,938	1,980	2,035	2,085
Add : S151 grants paid directly to the General Fund	415	425	436	447	458
Total income eligible for levy / safety net calculation	2,307	2,363	2,416	2,482	2,543
Baseline funding	-1,603	-1,643	-1,685	-1,727	-1,770
Surplus / (deficit) business rates	704	720	731	755	773
Less: Levy @ 50%	-352	-360	-366	-378	-386
Additional retained business rates	352	360	365	377	387
Share of estimated 2014/15 deficit	-121	0	0	0	0
Estimated surplus / deficit (-)	231	360	365	377	387
Previous forecast	243	372	378	390	400
Improvement / deterioration (-)	-12	-12	-13	-13	-13

3.15.3 The Council will fully provide for any known backdated business rates appeals at the 2014/15 year end, consequently the level of provision for new and outstanding appeals will reduce from 2015/16 onwards.

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.15 Business Rate Retention Scheme

3.15.4 The Council is also working on a county wide project to improve the forecasting of appeals using some specialist software which, as time progresses, will ensure the forecast of the impact of appeals is more robust.

3.15.5 The forecast is currently being finalised. The government released the guidance for the 2015/16 NNDR return which underpins this forecast on the 6th January. The return is due to be submitted by the 31st January and any substantial changes resulting from the final assessment of the business rate income will be reported verbally to members at the meeting.

3.15.6 Looking further ahead, the generation of additional business rates may become one of the solutions to the Council's ongoing financial pressures. Members will be aware that there are several schemes progressing within the Borough which will create employment space. For example, a significant new business in the area may bring financial benefits to the Council as follows:

Assumed rateable value £1m
Business rate multiplier of £0.48

Estimated Rates income: £480,000

	Additional income	Levy paid to Treasury	Kept locally
	£'000	£'000	£'000
Split as follows:			
HM Treasury	240,000		
County Council	48,000	24,000	24,000
District Council	192,000	96,000	96,000
	480,000	120,000	120,000

3.15.7 The Council has agreed to participate in a County based business rates pool. The business rates pool has been approved by DCLG. Participating in the pool will enable the participating Councils to retain any 'levy' paid which will be set aside to fund economic regeneration initiatives within the County area.

3.15.8 Finally, it should be appreciated that there are a number of risks associated with the business rate forecast:

- It is difficult to establish the number of appeals which are likely to come forward in any given year. There is no time limit on when an appeal might be lodged.

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.15 Business Rate Retention Scheme

- There is a specific risk associated with schools becoming academies. At the moment it is expected that only one of the primary schools will become an academy in 2015/16. However, if a school assumes academy status then it will become eligible of mandatory rate relief which will reduce the Council's business rate income.
- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.

3.15.9 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year.

3.16 New Homes Bonus

3.16.1 The New Homes Bonus is assuming a greater level of importance as source of funding. By 2015/16 the Council is expecting to receive £0.6m:

	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20
	£'000	£'000	£'000	£'000	£'000
New homes bonus (2011/12 - 2016/17)	62	62	0	0	0
New homes bonus (2012/13 - 2017/18)	153	153	153	0	0
New homes bonus (2013/14 - 2018/19)	244	244	244	244	0
New homes bonus (2014/15 - 2019/20)	107	107	107	107	107
New homes bonus (2015/16 - 2020/21)	86	86	86	86	86
Total New Homes Bonus	652	652	590	437	193

3.16.2 The final level of New Homes Bonus due to be received in 2015/16 is lower than expected by some £105,000 from the forecast in December. This is due to an over estimate in the number of new dwellings delivered in 2014/15.

3.16.3 The future of New Homes Bonus from 2016/17 onwards is uncertain. The commitment to New Homes Bonus is until 2015/16 only and so it is assumed that there will be no new bonus from 2016/17 onwards. Consequently, this resource will be gradually phased out over the next six years.

3.17 Council Tax Referendum

3.17.1 Finally, as part of settlement, the Minister confirmed the referendum criteria

All councils should be freezing their Council Tax in 2015 to 2016 and helping people with their cost of living. We are providing additional funding equivalent to a 1% Council Tax increase, to help councils freeze.

Local Government Minister Kris Hopkins
Provisional local government finance settlement 2015 to 2016

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16

3.17 Council Tax Referendum

3.17.2 However any funding would be guaranteed for 2015/16 only. The future of any Council Tax Freeze funding will be very much dependent on the policies of a new government.

3.17.3 The options for the Council Tax increase are discussed in detail later in the report.

3.18 Long term implications of current government policy

3.18.1 The financing of local government is fundamentally changing. Revenue Support Grant reduces significantly year on year and the New Homes Bonus is likely to be phased out. Only the business rate retention scheme is expected to increase over time. Consequently, the income from Council Tax forms a more significant proportion of the council's overall income and so the decision regarding the annual increase has a greater strategic importance.

3.18.2 The decision about whether or not to increase Council Tax will become even more significant in future as they will influence not only income in the coming year but will also protect the income streams for future years providing a controllable and sustainable income source to the Council assisting the council in addressing unavoidable inflationary pressures.

Breakdown of general income to the Council:

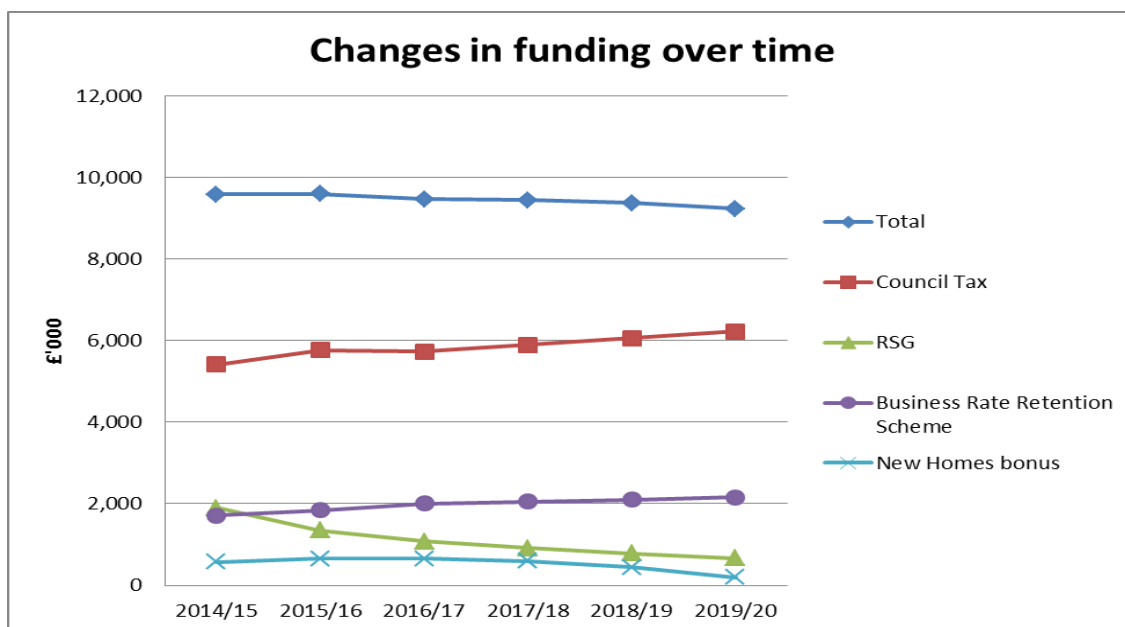
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	5,409	5,710	5,680	5,836	5,997	6,162
Business Rates *	1,716	1,835	2,004	2,050	2,104	2,158
Revenue Support Grant **	1,898	1,348	1,078	916	779	662
New Homes Bonus	566	653	653	591	438	194
	9,589	9,546	9,415	9,393	9,318	9,176

* Includes any surplus or deficit on the collection fund

** Includes the Council Tax Freeze Grant

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Council Tax	56.41%	59.82%	60.32%	62.13%	64.36%	67.16%
Business Rates	17.90%	19.22%	21.29%	21.83%	22.58%	23.51%
Revenue Support Grant	19.79%	14.12%	11.45%	9.75%	8.36%	7.22%
New Homes Bonus	5.90%	6.84%	6.94%	6.29%	4.70%	2.11%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

3.0 THE AUTUMN STATEMENT AND LOCAL GOVERNMENT FINANCE SETTLEMENT 2015/16



4.0 2014/15 BUDGET – CURRENT POSITION

4.1 The revenue monitoring report to the Joint Strategic Committee on 4th November 2014 showed a forecast underspend for the year of £8,000 due to the following major factors:

	Forecast Over/(Under) spend
	£'000
Car Parking Fall in income due to closure of Riverside car park and a fall in Penalty Notice income.	87
Investment Properties Lower income due to empty properties.	140
Business Rate Retention Scheme Additional income from government due to increased business rate relief.	-155
VAT Backdated VAT refund from HMRC in respect of trade waste	-55
Treasury Management Net saving in borrowing costs offset by a fall in investment income	-121
Cross-Cutting savings Impact of job evaluation	128
Net other over/(under) spends	-32
Underspend as at 4th November 2014	-8

4.0 2014/15 BUDGET – CURRENT POSITION

- 4.2 Any underspend at the year-end will give the Council the much needed opportunity to place some funds into reserves to meet future needs as discussed elsewhere within this report. The ongoing trends that have been identified as part of this monitoring have been built into the 2015/16 revenue budget.
- 4.3 On past evidence, spending patterns between the November monitoring and the end of the financial year have shown there is every reason to expect that the position may continue to improve as the year progresses, which will be reported when the outturn report comes before the Joint Strategic Committee in June 2014. Consequently, any final recommendations regarding this underspend must be deferred until the outturn results are known.

5.0 DRAFT REVENUE ESTIMATES 2015/16

- 5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,585,090. This includes the savings agreed at Joint Strategic Committee in December and January.
- 5.2 The final budget will be dependent on Members consideration of the non-committed growth proposals, and the Council Tax increase that Members are prepared to support.
- 5.3 The key question of how the net budget requirement of £9.585m translates into the Council Tax charge can now be determined as the proposed details of the Local Government Finance Settlement have been received. Any final changes arising from settlement will be dealt with through the reserves. However, if there is a significant reduction in government resources, in-year action will be needed to reduce the final impact on the reserves.
- 5.4 Details of all of the main changes in the base budget from 2014/15 to 2015/16 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 7. The changes can be summarised briefly as follows:

	£'000	£'000
2014/15 Original Estimate		9,538
Add: General Pay and Price Increases		270
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 3 year forecast (net of any proposed use of reserves)	225	
Reduced Income as per 3 year forecast	-4	
Impact of Capital Investment Programme	13	234
Balance carried forward		10,042

5.0 DRAFT REVENUE ESTIMATES 2015/16

	£'000	£'000
Balance bought forward		10,042
Less: Compensatory savings/Additional Income:		
Compensatory savings	-25	
Additional income	-	-25
2015/16 budget prior to agreed savings		10,008
Less: Savings agreed by members		
Approved in December	-563	
Approved in January	-9	
Final adjustment to the allocation of the savings between the Councils	48	
		-524
Executive member requirements		9,484
Potential contribution to reserves*		62
Potential budget requirement before external support		9,546
Collection fund surplus		-156
2015/16 BUDGET REQUIREMENT		9,390
*The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the non-committed growth items and the Council Tax increase.		

5.5 The estimates reflect the Council's share of the Joint Strategic Committee budget. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year.

5.6 As part of the review of the allocation of support services there have been some changes for individual services which are reflected in the detailed budgets. It is important to note that this does not change the overall cost of the support services to each Council, but that it does influence the size of the share that each service takes, the proportion allocated to the HRA, and the proportion borne by the General Fund and the Capital Investment Programme.

Further details can be provided by request from Jo-Anne Chang-Rogers (Finance Manager) or Sarah Gobey (Chief Financial Officer).

5.7 The current net estimated 2015/16 spend is more than previously predicted and is mainly due to the following factors:

5.0 DRAFT REVENUE ESTIMATES 2015/16

	£'000
Changes to net cost of borrowing:	
Net impact of fall in interest rates	60
Impact of slippage on the capital programme	-110
Mainstreaming of the financing costs of the Civic Presence – previously funded from reserves	70
Final adjustments in respect of inflation and salary increments	2
Fall in commercial rents	67

5.8 In addition to the above, the projected surplus on the Collection Fund is now estimated to be £903,270, of which £155,720 is the District Council share. This is a minor surplus in light of the overall income due which exceeds £32.2m, and is due to an improved level of income to the collection fund and a reduction in the cost of the Council Tax support scheme.

5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Which of the growth items in Appendix 3 to accept?

The decisions made today will be reflected in the budget papers presented to Council.

5.10 The Council Tax increase:

5.10.1 The budget forecast currently assumes that Council Tax will increase by 1.5% in 2015/16.

5.10.2 In the recent consultation 64.1% of residents supported an increase in Council Tax and a 1.5% uplift would be a modest increase in the District council share of the bill for 2015/16 as follows:

Adur District Council	£
Average Band D Council Tax in 2014/15	271.50
Annual impact of 1.5% increase	4.08
Amount per week	0.08

5.10.3 Members should also be aware that the Police and Crime Commissioner has been consulting on a 1.98% increase for the Police Authority share of the overall bill. There are indications that the County Council will set a 0% increase. Consequently, the total overall increase in the Council Tax bill for an average band D property would be just over 0.4%:

5.0 DRAFT REVENUE ESTIMATES 2015/16

5.10 The Council Tax increase:

	2014/15	2015/16	%
	£	£	
Adur District Council	271.51	275.58	1.50%
West Sussex District Council	1,161.99	1,161.99	0.00%
Sussex Police and Crime Commissioner	141.12	143.91	1.98%
	1,574.62	1,581.48	0.44%

5.10.4 Members should also be aware that there may long term consequences to accepting the Council Tax Freeze Grant and setting a 0% Council Tax increase:

Adur District Council	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Council Tax income if Council Tax is increased by 1.5% in 2015/16 and by inflation thereafter	5,555	5,680	5,836	5,997	6,162
Council Tax income if Council Tax is frozen in 2015/16	5,472	5,596	5,750	5,908	6,071
Net fall in income	83	84	86	89	91
Less: Grant from government	-64	0	0	0	0
Fall in income per annum if Council Tax is frozen	19	84	86	89	91

5.10.5 Members are asked to consider which level of Council Tax increase that they support. Increasing Council Tax by 1.5% will protect the longer term financial interests of the Council and build some much needed capacity in the next financial year to invest in priority initiatives. However, given the current economic climate, and the very small financial benefit in the first year, members may want to freeze Council Tax to protect the local community and accept the Council Tax freeze grant.

5.11 Uncommitted Growth Items:

5.11.1 Attached in Appendix 3 is a listing of the new uncommitted growth items which total £41,500. Members are asked to consider which of the items should be included within the revenue estimates for 2015/16.

5.12 Depending on the choices made regarding the Council Tax increase and the new growth items; the overall budget position will be:

5.0 DRAFT REVENUE ESTIMATES 2015/16

	£'000	£'000
Net budget requirement		9,524
Less: Government grant	1,348	
Baseline Funding	1,604	
Share of additional Business Rate income	231	
Council Tax (1.5% increase)	5,555	
New Homes Bonus	652	
Council Tax Support Scheme Administration Grant	40	
Collection Fund surplus	156	-9,586
Estimated budget surplus based on 1.5% Council Tax increase brought forward		-62
Estimated impact of freezing Council Tax and accepting the Council Tax freeze grant		19
Maximum impact of accepting the growth items		42
		1
Maximum contribution from reserves		-1
		-

5.13 The budget could support a 0% Council Tax increase and support some priority projects for the coming year from the planned contribution to reserves.

5.14 However, budgets remain extremely tight and there is little flexibility to fund new initiatives to take forward key priorities, such as economic development projects, designed to stimulate the economy and create new jobs.

6.0 IMPACT ON FUTURE YEARS

6.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown in Appendix 1 (which includes an assumed 1.5% tax increase for 2015/16 which is to be considered as part of this report). The difficult settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

6.0 IMPACT ON FUTURE YEARS

	Expected shortfall (Cumulative)				
	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall	462	1,496	1,902	2,452	3,009
Less:					
Net savings agreed in December and January	-524	-524	-524	-524	-524
Impact of accepting the Council Tax Freeze grant	19	84	86	89	91
Impact of accepting all the growth items at appendix 2	42	58	58	58	58
Potential contribution to reserves to be agreed	1	-	-	-	-
Adjusted cumulative budget shortfall	-	1,114	1,522	2,075	2,634
Savings required each year	-	1,114	408	553	559

6.2 The continuation of the 'austerity measures' has had significant consequences for the Council. Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Council's services. There are potentially three benefits which flow from an improving economy and which will directly improve the council's financial position:

- Increased income from business rates which is discussed fully in section 3 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;

The creation of a new major projects team as outlined in Appendix 3 will help the Council's further stimulate the local economy.

6.3 However, these measures are unlikely to be enough. The Council will also need to seek out new income generation opportunities and there will inevitably need to be a continuing emphasis on efficiency and value for money in the annual savings exercise. In addition, the Council will need to focus its scarce resources on key priorities.

6.4 Members should also be aware that the future of the overall funding for Local Government continues to be a cause for concern and there remains a risk that funding levels will reduce even beyond the current pessimistic projections.

7.0 RESERVES

- 7.1 Sections 26 and 27 of The Local Government Act 2003 require the Council's Chief Financial Officer to comment on the adequacy of the Council's reserves. The reserves have therefore been reviewed in accordance with best practice as advised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in LAAP 77 'Local Authority Reserves and Balances'.
- 7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The **General Fund Working Balance** which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. supplementary estimates); and **Earmarked Reserves** which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.
- 7.3 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. This is even more important in the current economic climate when there are so many uncertainties. The balance as at 31st March 2014 was £859,000 which is 8.8% of net revenue expenditure.

The year-end level on the General Fund Working Balance for the foreseeable future, therefore, is estimated as follows:

		£'000	%
31.03.2015	Balance carried forward – per Final Accounts	859	9.0
31.03.2016	No planned drawdown or contribution expected	859	9.1
31.03.2017	No planned drawdown or contribution expected	859	9.1
31.03.2018	No planned drawdown or contribution expected	859	9.2

The reduction in revenue support grant and the resultant decrease in the Council's net spend means that the same level of working balance equates to a higher percentage of net revenue expenditure.

- 7.4 On the basis of the year-end figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, I believe the working balance is adequate for its purpose. In forming this view I have considered the following potential impacts upon the Council's finances:
1. A further fall in interest rates of 0.5% would cost the Council in a region of £110,000 in 2015/16.
 2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £96,000.

7.0 RESERVES

3. Further adverse falls in income from such sources as development control income, car parks and land charges against a background of the recession which could result in falling income of over £100,000.
4. Demand is increasing for services such as homelessness and housing benefit which may well lead to increased (and unbudgeted) costs.
5. Other unforeseen circumstances such as the failure of a major contract
6. Any use of the working balance would be difficult to recoup in the short term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate, it is important that the Council has minimum reserves in 2015/16 of £573,000 or 6% of net revenue spend as laid out in the current policy. However, it is unlikely that the Council will need in excess of £954,000 in the working balance which is roughly equivalent to 10% of net revenue spend. Consequently, the current policy of holding balances of between 6% and 10% is valid and the forecast level falls within these parameters.

7.5 The estimated balance of general fund earmarked reserves as at 31st March, 2014 is £3,080,000, although this reduces to £2,821,000 if any Section 106 sums held for future environmental improvements, grants, and any specific capital resources are excluded. A detailed schedule of the earmarked reserves is attached at Appendix 4. The key risks to the overall budget and the Council's reserves are detailed below.

7.6 The Council has committed a significant proportion of its reserves in 2014/15 to take forward some major initiatives such as:

- | | |
|--------------------------------------|----------|
| • Getting into shape | £166,000 |
| • Digital Strategy | £250,000 |
| • Kingston Beach flood defence works | £165,000 |

In addition, the Council is faced with funding the financial impact of the continued opening of the Civic Centre both in 2014/15 and 2015/16 together with the impact of the delay in the sale of the property which will continue to cost the council over £300,000 per year. This is currently funded from the reserves pending the disposal of the Civic Centre.

7.7 As a result the Capacity Issues Reserve will be nearly exhausted by the end of 2015/16 subject to the ability to place any underspend into the reserves at the end of 2015/16. To build some capacity within this reserve for new initiatives it is proposed to transfer the balances from some minor and unused reserves to the Capacity Issues Reserve to enable new initiatives to be funded as follows:

7.0 RESERVES

- Transfer the residual funds of £52,011 from the Partnership Initiative Reserve;
- Transfer the residual funds of £26,398 from the Performance Reward Grant reserve. This reserve has been untouched for 10 years.
- Transfer the funds of £29,203 from the vehicle repair and renewal reserve. This fund is unlikely to be needed due to the planned replacement of vehicles in 2016/17.
- Transfer funds of £14,451 from several small defunct reserves all of which have a balance less than £10,000

7.8 However, in all probability, the Council will continue to have occasional opportunities to put money into earmarked reserves rather than solely to drawdown on a planned basis. Even without this, I believe the earmarked revenue reserves are adequate for their particular purposes but the size and nature of the risks to the overall budget leaves the Council with little room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of spending its scarce earmarked reserves on:

- supporting one-off rather than recurring revenue expenditure;
- dealing with short-term pressures in the revenue budget; and
- managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

8.1 Members will be aware that there are several risks to the Council's overall budget. These can be summarised as follows:-

- (i) **Income** - The Council receives income from a number of services which will be affected by demand. These include land charges, development control and now business rates. Whilst known reductions in income have been built into the proposed budgets for 2015/16, income may fall further than expected.
- (ii) **Withdrawal of funding by partners** - All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

8.0 SIGNIFICANT RISKS

- (iii) **Inflation** - A provision for 2.0% inflation has been built into non-pay budgets together with an allowance for additional inflation on fuel. Pay budgets have a 1% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will be around 2% in 2015/16, there is a risk that inflation will run at a higher rate than allowed for within the budget. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	96
Non-pay	59

- 8.2 To help manage these risks, the council has a working balance of £859,000 and other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

- 9.1 This report represents the culmination of the budget process which has involved consultation with Members, staff, members of the public and the business community.
- 9.2 Both Councils have undertaken a follow-up consultation to last year's area wide exercise entitled 'Your Chance to be the Chancellor'. This again took the form of a leaflet sent out to each home. The focus of this year's consultation was around the potential changes to the Council Tax Reduction Scheme in 2015/16, and the level of Council Tax increase that the public would support. 1,726 residents responded to the consultation and the full outcome of the consultation is attached at appendix 4.
- 9.3 With respect to the Council Tax increase, the Council asked the following question and the response received from residents is as follows:

The councils have managed to freeze council tax for the past four years despite a reduction in government grant of over 40%. Both councils expect a further reduction in a grant for 2015-16 of around 20% which is equivalent to £516,000 for Adur District Council and £778,000 for Worthing Borough Council.

With this in mind, would you prefer...

<i>A small increase which will help the Councils to protect priority services</i>	1,106	64.1%
<i>To freeze Council Tax for the fourth year in a row and cut services</i>	620	35.9%

10.0 UPDATE TO PRUDENTIAL INDICATORS

- 10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme.
- 10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake. The Council has considered the revenue consequences of any proposed capital programme in agreeing the budget strategy for 2015/16. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2015/16 and future years.
- 10.3 The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. These will be considered in detail in the report entitled 'Joint Treasury Management Strategy Statement and Annual Investment Strategy 2015/16 to 2017/18 for Adur District Council and Worthing Borough Council', which is to be discussed at the Joint Strategic Committee on the 5th February 2015.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

- 11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.
- 11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:
- making prudent allowance in the estimates for each of the services, and in addition;
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.3 Overall view on the robustness of the estimates:

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves. The exceptions relate to:

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets, e.g. car parks and development control fees.
 - External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
 - Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.
- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a diligent budget monitoring regime during 2015/16.

- 11.4 The Chief Financial Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Council has also demonstrated that it has a sound system of financial management in place.

12.0 COUNCIL TAX SETTING

- 12.1 The Council is obliged to raise the balance of its resources after grant to finance the General Fund Revenue Budget from its local Council Taxpayers. The Adur District Council Tax will be added to the Precepts from West Sussex County Council and the Sussex Police and Crime Commissioner to form a combined Council Tax to levy on the taxpayers of Adur District.

- 12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2015/16 Budget, the resulting Council Tax for the District can be set. This takes into account the Total Aggregate External Finance (Revenue Support Grant and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.0 COUNCIL TAX SETTING

12.3 Adur District Council:

- (a) The following table shows the net sum to be raised from local Council Taxpayers in 2015/16 prior to the consideration of the budget proposals. This is based on 1.5% Council Tax increase:

Net 2015/16 Budget *	£	£
		9,585,090
Less:		
Aggregate External Finance:		
Revenue Support Grant	-1,347,920	
Baseline Funding	-1,603,900	
Business Rate income	-230,870	
New Homes Bonus	-652,190	
Council Tax Reduction Scheme	-40,000	
Administration Grant		
Contribution from the Collection Fund surplus (as per paragraph 5.8)	-155,720	
		-4,030,600
Balance to be raised from Council Tax		5,554,490

* 2015/16 budget requirement after any contribution to or from reserves required to balance the budget.

However, within section 5 of the report, members are given the option of freezing the Council Tax and approving the non-committed growth items. Any reduction in income would be funded from the budget surplus.

(b) Council Tax Base

The Council's Tax base for 2015/16 is 20,155.60 Band D equivalent properties. There is an increase to the current year base of 19,697.80 which is due to an increasing number of homes and the falling cost of Council Tax benefits. The full calculation of the tax base is shown in Appendix 6.

	2014/15 Tax Base	2015/16 Tax Base
Lancing	5,860.30	6,017.60
Sompting	2,622.00	2,677.90
Unparished	11,215.50	11,460.10
TOTAL	19,697.80	20,155.60

12.0 COUNCIL TAX SETTING

(c) Special expenses

At the extraordinary meeting of Council held on 10th January 1995, Maintenance of recreation grounds and provision of community buildings were agreed as special expenses not chargeable in the Lancing area under the terms of Section 35 of the Local Government Finance Act 1992. In 2015/16 expenditure of £252,710 (£243,400 in 2014/15) falls under the resolution and will need to be financed by a Band D Council Tax of £17.82, to be charged in all areas of the District except Lancing, which is 1.54% higher than the previous year's charge of £17.55.

(d) Adur District Council Band D Council Tax

In order to raise the required sum, and after allowing for special expenses, it is recommended that the Council Tax at Band D be increased by an average of 1.5% or 0% as follows:

Area	2014/15	2015/16 (0% increase)	2015/16 (1.5% increase)
Lancing	£ 261.90	£ 258.93	£ 263.07
Shoreham, Southwick, Sompting and Coombes			
Basic Council Tax	261.90	258.93	263.07
Special Expenses	17.55	17.82	17.82
TOTAL in Shoreham, Southwick, Sompting and Coombes	279.45	279.45	280.89

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 13th February, 2015. The Police and Crime Commissioner's proposed increase of around 1.98% is due to be considered by the Police and Crime Panel on 23rd January. The latest date that any increase by the Police and Crime Commission will be confirmed is the 20th February 2015.

	2014/15 £	2015/16 £
West Sussex County Council	1,161.99	t.b.a.
Sussex Police Authority	141.12	t.b.a.
TOTAL	1,303.11	t.b.a.

12.0 COUNCIL TAX SETTING

12.5 Lancing and Sompting Parish Precepts

- (a) Lancing Parish Council precept has been set at £282,170 at its meeting on 1st October 2014 which is at the same level as 2014/15.
- (b) Sompting Parish Council precept has been set at £82,700 due at the meeting of the Council on 10th December 2014 which is at the same level as 2014/15.

12.6 Overall Council Tax

The final figures for all authorities will be incorporated into the formal Council Tax setting resolution to be presented to the District Council at its meeting on 19th February 2014.

13.0 CONCLUSION

- 13.1 The last year has brought about some significant change for the Council. There is now a new Council Leadership Team, and with the recent 'Getting in Shape' restructure, a new Operational Leadership Group has now been formed. In addition, the Council has also embarked on an ambitious digital transformation programme. The Council is now positioned to start delivering the 'Surf's Up' programme.
- 13.2 This work is essential to ensure that the Council can meet the challenges of the next 5 years as it is now clear that the Council will continue to face budget shortfalls for the foreseeable future.
- 13.3 The withdrawal of yet another significant amount of government grant has been challenging to address. Overall the Council has successfully identified further savings of over £0.5m to meet the current year's financial challenges. However, this has not been without pain. The council has reduced its workforce, with the inevitable pressure of additional work falling on the shoulders of the remaining staff. But we have again largely protected the Council's front-line services.
- 13.4 Looking further ahead, 2016-17 will be equally as challenging. It is difficult to be certain what the future will hold for the Council after the next general election. However one thing is certain, the austerity measures will continue irrespective of which political party wins the election. The only question is: How much funding will we lose?
- 13.5 Whilst developing both the local economy to increase employment space and local jobs together with the provision of new homes will be one of the strategic measures that the Council can take to protect its longer term financial interests, there will be inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.

13.0 CONCLUSION

- 13.6 But we must not forget that the Council remains in good financial health with good reserves, which will help us deal with the continuing reduction in funding whilst the Council revisits its priorities and strives for further efficiencies.
- 13.7 In preparing the strategy and forecast for 2015/16 an assessment was carried out of the significant risks and factors which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.
- 13.8 The annual preparation of the budget is a huge exercise involving the co-operation and support of countless officers in all departments of the Council. Most of the work, of course, falls on the Financial Services team and has to be completed within tight time constraints at a difficult time of year.

14.0 RECOMMENDATIONS

14.1 The Executive is recommended to:

- (a) Consider which of the growth items detailed at appendix 3 should be included within the revenue budget in 2015/16.**
- (b) Agree to recommend to Council the draft budgets for 2015/16 at Appendix 7 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,585,090 , subject to any amendments above; and**
- (c) Approve the rationalisation of the reserves as outlined in paragraph 7.7**
- (d) Consider which band D Council Tax to recommend to Council for Adur District Council's requirements in 2015/16 as set out in paragraph 12.3; and**
- (e) Agree to recommend to Council the special expenses of £17.82 per band D equivalent charged in all areas of the District except Lancing;**

Local Government Act 1972

Background Papers :

Report to the Joint Strategic Committee 22nd July 2014 Outline forecast 2015/16 to 2019/20 and Budget Strategy

Report to the Joint Strategic Committee 2nd December 2014 Outline 5 year forecast and savings proposals.

Local Authority Finance (England) Settlement Revenue Support Grant for 2015/16 and Related Matters: DCLG Letters and associated papers of 18th December 2014.

The Autumn Statement 2014. HM Treasury

Local Government Act 2003 and Explanatory Note

“Guidance Note on Local Authority Reserves and Balances” – LAAP Bulletin No. 77 - CIPFA -published in November 2008

Statement of Accounts 2013/14

Report to Joint Strategic Committee 4th November 2014 – “2nd Capital, Revenue Budget and Performance Monitoring 2014/15

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

1.1 The budget supports the Council's achievement of all its priorities.

2.0 SPECIFIC ACTION PLANS

2.1 The report details how the Council proposes to meet the financial targets initially outlined in the 3-year outline forecast considered in July 2010.

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

4.1 The majority of the proposals included in the report will have no impact on equality issues as there are no proposed changes to the way in which services are delivered.

5.0 COMMUNITY SAFETY ISSUES (SECTION 17)

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7. REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Consultations are detailed in Section 9 of the main report

9.0 RISK ASSESSMENT

9.1 The overall risks to the budget are detailed in Section 8 of the main report.

10.0 HEALTH AND SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

12.1 The report considers the impact that partnership working has on the overall revenue budget.

ADUR DISTRICT COUNCIL						
Revenue Budget Summary Statement 2014/15 - 2019/20						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	9,538	9,538	9,538	9,538	9,538	9,538
Annual Inflation						
Estimated inflation		250	606	971	1,340	1,729
Impact of pay award (2.2% over 2 years)		20	20	20	20	20
One -off / non-recurring items						
Local Elections (held every other year)		(40)		(42)		(44)
Committed Growth						
Changes to National Insurance Contributions		-	227	232	237	242
Impact of Pension contribution increase		62	127	131	134	137
Contribution to Gypsy and Traveller site		15	15	15	15	15
Growth items approved in December 2014		130	130	130	130	130
Loss of Commercial rent income		67	67	67	67	67
New items identified as per Appendix 2		(6)	(6)	(6)	(6)	(6)
Compensatory savings						
Fall out of early retirement costs		(25)	(25)	(25)	(25)	(25)
Impact of capital programme						
Financing costs		1	242	353	468	590
Additional income						
Investment income		(4)	(30)	(89)	(148)	(208)
Total Cabinet Member Requirements	9,538	10,008	10,911	11,295	11,770	12,185
Baseline funding	1,574	1,604	1,644	1,685	1,727	1,771
Less: Safety net pay't / business rate shortfall		-	-	-	-	-
Add: Retained additional business rates	79	231	360	365	377	387
Add: Share of 2013/14 surplus	63					
Adjusted Baseline funding	1,716	1,835	2,004	2,050	2,104	2,158
Revenue Support Grant	1,835	1,348	1,078	916	779	662
Council Tax						
Adjusted Council Tax income	5,349	5,555	5,680	5,836	5,997	6,162
Other grants						
Council Tax Freeze grant 2014/15	63	-	-	-	-	-
New homes bonus (2011/12 - 2016/17)	62	62	62	-	-	-
New homes bonus (2012/13 - 2017/18)	153	153	153	153	-	-
New homes bonus (2013/14 - 2018/19)	244	244	244	244	244	-
New homes bonus (2014/15 - 2019/20)	107	107	107	107	107	107
New homes bonus (2015/16 - 2020/21)	-	86	86	86	86	86
Collection fund surplus/deficit (-)	60	156	-	-	-	-
Total other grants and contributions	689	808	652	590	437	193
Total Income from Grants and Taxation	9,589	9,546	9,414	9,392	9,317	9,174
(Surplus) / Shortfall in Resources	(51)	462	1,497	1,903	2,453	3,010
Contribution to (-) / Use of Reserves to Balance						
Capacity issues reserve	(51)					
Total Income from Reserves	(51)	-	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	-	462	1,497	1,903	2,453	3,010

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2014/15 - 2019/20						
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Savings agreed in December						
As per main budget report		520	520	520	520	520
Restructure - 'Getting in shape'		43	43	43	43	43
Savings agreed in January						
Closure of the TIC		9	9	9	9	9
Final adjustments to the allocation of the December savings between the two Councils		(48)	(48)	(48)	(48)	(48)
Total savings identified		524	524	524	524	524
Savings still to be found/ (surplus)		(62)	973	1,379	1,929	2,486
Council Tax increase		1.50%	2.00%	2.50%	2.50%	2.50%

ADUR DISTRICT COUNCIL
Net new items identified by budget holders

DESCRIPTION	2015/16 £'000	2016/17 £'000	2017/18 £'000
(a) CORPORATE			
One-off costs associated with the delay in selling the Civic Centre			
Continued opening of the Adur Civic Centre pending sale of the building	133.0		
Deferral of investment income due to delay in the sale of the Civic Centre	182.0		
Less: Funding from reserves	(315.0)		
	-		
(b) CUSTOMER SERVICES			
Reduction in Housing Benefit Administration Grant	23.0	23.0	23.0
Final adjustment to remove 'loss' on land charges. Statutorily the account should break even.	(29.0)	(29.0)	(29.0)
(c) COMMUNITIES			
Removal of growth item approved in December for Leisure Client costs which are no longer needed.	(8.0)	(8.0)	(8.0)
(d) DIGITAL AND RESOURCES			
Additional cost arising from the renewal of CenSus IT maintenance agreement	8.0	8.0	8.0
(e) ECONOMY			
Removal of growth item approved in December for car park salaries which is no longer needed.	(3.0)	(3.0)	(3.0)
(f) Final adjustment to inflation allowance	3.0	3.0	3.0
NET IMPACT	(6.0)	(6.0)	(6.0)

Non-Committed growth	When / Value?			2015/16			
	2015/16	2016/17	Beyond	Adur	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>ECONOMY DIRECTORATE</u>							
<u>Major Projects Team</u>							
Three new major project managers to help design and deliver our major infrastructure projects	90.0						
Less: Contribution from WSCC	-35.0						
Net cost of new team	55.0	145.0	145.0	27.5		27.5	55.0
<i>Benefit/deliverables (outputs, impact on financial savings)</i> If we delivered our 15 major regeneration projects we would create 136,000m2 of business land, create 5,000 new jobs, 1,000 jobs in construction and safeguard a further 1,300 jobs. In the same period if we built the 7,000 new homes planned for in our emerging Local Plans in the next 10 years, we could generate an additional £9m-£10m in council tax revenue for the authorities.							
<i>Implication of unsuccessful bid</i> Progress on large projects has been slow in recent years due to a lack of resources to take these initiatives forward. There is an opportunity to move the projects forward in the current economic climate which may be lost if we do not invest at this stage.							

Non-Committed growth	When / Value?			2015/16			
	2015/16	2016/17	Beyond	Adur	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHIEF EXECUTIVE							
<p>Organisational Development</p> <p>To provide funding for three streams of work:</p> <ul style="list-style-type: none"> i) The essential development of the new Operational Leadership Group (OLG) which will encompass both personal and group development to help the new staff to step up to the new leadership roles. ii) To deliver talent management approach (initially with GSK) to provide accelerated development to key high potential staff in the organisation. iii) Improving our Digital competence. 	35.0	35.0	35.0	14.0		21.0	35.0
	90.0	180.0	180.0	41.5	0.0	48.5	90.0

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.14 per note 8 of 13/14 SoA	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.15	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. CAPACITY ISSUES FUND Purpose: To enable the Council to fund one-off initiatives. Now includes Carry Forward Reserve.	1,766	173 *see below	(1,506)	433	62 **see below	(378)	117
2. PARTNERSHIP DEVELOPMENT FUND Purpose: To fund the initial set up costs of the partnership.	52	-	(52) *see below	-	-	-	-
3. INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives.	160	30	(9)	181	-	(6)	175
<p>* To be confirmed at year end. Includes transfer in of Reserves 2, 6, 11 and 12 to rationalise the reserves. ** Includes an estimated £62k surplus from revenue budget to be considered as part of this report. C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget</p>							

Reserve	Balance as at 01.04.14	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.15	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
4. INVESTMENT PROPERTY MAINTENANCE FUND Purpose: To offset future maintenance costs of investment properties.	68	-	-	68	-	-	68
5. BUILDING MAINTENANCE FUND Purpose: To offset the future maintenance costs of the Council's operation buildings.	151	-	(151)	-	-	-	-
6. PERFORMANCE REWARD GRANT Purpose: Balance of unspent grant earmarked for spending on projects to achieve agreed LAA outcomes.	26	-	(26) *see Capacity Issues Reserve above (No.1)	-	-	-	-
C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget							

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.14	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.15	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
7. NEW TECHNOLOGY FUND Purpose: To fund additional IT equipment.	22	-	-	22	-	-	22
8. HEALTH AND SAFETY FUND Purpose: To offset unexpected costs arising from health and safety issues.	33	-	-	33	-	-	33
9. LOCAL PLAN RESERVE To fund consultation and preparation of Adur Local Plan	140	-	(97)	43	-	(43)	-
10. SPECIAL & OTHER EMERGENCY RESERVE	350	-	(40)	310	-	-	310
11. VEHICLE REPAIR AND RENEWAL To fund future maintenance	29	-	(29) *see Capacity Iss Res above	-	-	-	-
C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget							

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.14	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.15	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.16
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
12. OTHER SMALL RESERVES (under £20,000)	14	-	(14)	-	-	-	-
All other reserves held with a balance under £20,000			*see Capacity Iss Res above				
13. ELECTION RESERVE***	10	-	(2)	8	-	-	8
14. GRANTS & CONTRIBUTIONS HELD IN RESERVES	259	-	-	259	-	-	259
15. RESIDUAL PROJECTED UNDERSPEND	-	8	-	8	-	-	8
Reserves to be identified at outturn.		*see below					
16. GENERAL FUND WORKING BALANCE	859	-	-	859	-	-	859
TOTAL	3,939	211	(1,926)	2,224	62	(427)	1,859

*To be confirmed at year end

***Election Reserve separated out from Other Small Reserves, which have been transferred to Capacity Issues Reserve
C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget

BUDGET CONSULTATION 2014

Before you start the survey please be aware that you are required to give an answer for all the multiple choice questions.

In order for us to be able to analyse the results in the best way possible, please could you tell us the following:

ABOUT YOU:

1. Do you live in:

Adur District Council	1,726
Worthing Borough Council	2,575

2. Do you currently claim Council Tax Benefit?

Adur		
Yes	313	(18.1%)
No	1,413	(81.9%)

3. Do you think the Council should reduce the amount of financial support we give to residents on low incomes by increasing the amount we ask them to pay in Council Tax? (some residents on very low incomes currently pay no Council Tax)

Adur		
Yes	983	(57.0%)
No	743	(43.0%)

This can be further broken down between those that claim benefit and those that don't as follows:

Adur	Yes	No
Council Tax Benefit claimants	25.2% (79)	74.8% (234)
Other residents	64.0% (904)	36.0% (509)

BUDGET CONSULTATION 2014

We have come up with 4 ideas of how we could make changes to our current scheme. Please could you answer all the questions:

IDEA 1

4. All working age claimants should pay something?

Adur		
Strongly Agree	693	(40.2%)
Agree	704	(40.8%)
Disagree	192	(11.1%)
Strongly Disagree	137	(7.9%)

5. Some claimants currently have no Council Tax to pay because they receive the maximum level of Council Tax support. After Council Tax support has been awarded to these working age claimants, should they be asked to pay?

Adur		
Nothing	335	(19.4%)
At least £2.50 per week	565	(32.7%)
At least £5.00 per week	540	(31.3%)
More than £5.00 per week	286	(16.6%)

IDEA 2

6. Working age claimants living in larger properties should pay proportionately more than claimants living in smaller properties?

Adur		
Strongly Agree	511	(29.6%)
Agree	670	(38.8%)
Disagree	267	(15.5%)
Strongly Disagree	146	(8.5%)
I don't know	132	(7.6%)

7. Do you think the maximum support a claimant is entitled to should be higher or lower than the average Council Tax Band C (equivalent to £1,404.32 in Adur and £1,350.32 per year in Worthing)?

Adur		
More than Band C	145	(8.4%)
Same as Band C	870	(50.4%)
Less than Band C	711	(41.2%)

BUDGET CONSULTATION 2014

IDEA 3

8. **Some people can afford to pay their Council Tax, but they pay a lower amount because a family member or friend (who is on a low income) lives with them. Do you think these awards should stop for working age claimants?**

Adur		
Strongly Agree	756	(43.8%)
Agree	666	(38.6%)
Disagree	206	(11.9%)
Strongly Disagree	98	(5.7%)

IDEA 4

9. **Working age claimants with savings should pay more than those with little or no savings? (The current savings cap set by the government is £16,000).**

Adur		
Strongly Agree	302	(17.5%)
Agree	532	(30.8%)
Disagree	530	(30.7%)
Strongly Disagree	362	(21.0%)

10. **What is the level of savings people can have and still be able to claim benefit?**

Adur		
None	315	(18.3%)
£6,000	408	(23.6%)
£10,000	450	(26.1%)
More than £10,000	553	(32.0%)

11. **If these ideas go ahead, what level of impact do you think this would have on your household?**

Adur		
High Impact	107	(6.2%)
Medium Impact	213	(12.3%)
Low Impact	334	(19.4%)
No Impact	742	(43.0%)
I don't know	330	(19.1%)

BUDGET CONSULTATION 2014

COUNCIL TAX FOR NEXT YEAR

The councils have managed to freeze council tax for the past four years despite a reduction in government grant of over 40%. Both councils expect a further reduction in a grant for 2015-16 of around 20% which is equivalent to £516,000 for Adur District Council and £778,000 for Worthing Borough Council.

12. With this in mind, would you prefer...

Adur		
A small increase which will help the Councils to protect priority services	1106	64.1%
To freeze Council Tax for the fourth year in a row and cut services	620	35.9%

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE										
Properties	Band A -	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Dwellings	0.0	2,708.0	4,986.0	11,327.0	6,077.0	1,899.0	709.0	300.0	10.0	28,016.0
Less: Exemptions	0.0	-65.0	-47.0	-89.0	-53.0	-14.0	-5.0	-3.0	0.0	-276.0
	0.0	2,643.0	4,939.0	11,238.0	6,024.0	1,885.0	704.0	297.0	10.0	27,740.0
Disabled Relief Adjustment (net)	7.0	9.0	34.0	-5.0	-25.0	-12.0	0.0	-2.0	-6.0	0.0
Chargeable Dwellings	7.0	2,652.0	4,973.0	11,233.0	5,999.0	1,873.0	704.0	295.0	4.0	27,740.0
Broken down as follows:										
Full Charge	3.0	908.0	2,668.0	7,630.0	4,364.0	1,498.0	584.0	249.0	1.0	17,905.0
25% Discount (including adj for SP Dis)	4.0	1,729.0	2,295.0	3,585.0	1,621.0	372.0	112.0	38.0	1.0	9,757.0
50% Discount	0.0	18.0	28.0	68.0	40.0	14.0	13.0	10.0	1.0	192.0
0% Discount (Long Term Empty Homes)	0.0	70.0	59.0	74.0	51.0	10.0	5.0	2.0	1.0	272.0
Total Equivalent Number of Dwellings	6.0	2,214.3	4,393.8	10,325.3	5,588.8	1,779.5	671.5	281.5	3.8	25,264.3
Reduction in tax base due to Council Tax Support	1.3	746.3	1,114.6	1,342.4	339.5	58.5	9.3	2.1	0.0	3,614.1
Adjusted equivalent total dwellings	4.7	1,467.9	3,279.1	8,982.8	5,249.2	1,721.0	662.2	279.4	3.8	21,650.1
<u>Band D Equivalents</u>										
Revenue Support Settlement	2.7	977.9	2,550.4	7,984.7	5,249.2	2,103.5	956.4	465.8	7.5	20,298.1
Add: Forecast new homes	0.0	2.0	6.2	17.0	12.8	5.6	2.6	1.3	0.0	47.5
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	190.0	0.0	0.0	0.0	0.0	190.0
COUNCIL TAX BASE	2.7	979.9	2,556.6	8,001.7	5,072.0	2,109.1	959.0	467.1	7.5	20,155.6
										20,155.6

APPENDIX 7
CIVIC BUDGET TABLE 2015/16
Summary of Executive Member Requirements

INDIVIDUAL MEMBER PORTFOLIOS
Summary and Variance Pages

ADUR BUDGET 2015/16
Summary of Executive Member Portfolios



APPENDIX 7

EXECUTIVE PORTFOLIO	ESTIMATE 2014/15	ESTIMATE 2015/16
	£	£
Environment	3,150,480	3,176,270
Health and Wellbeing	1,011,480	1,155,320
Customer Services	1,179,930	1,094,360
Leader	543,470	666,010
Regeneration	1,804,090	1,738,880
Resources	1,992,040	1,940,140
Support Services Depreciation Not Charged To Services	607,620	460,930
NET SERVICE EXPENDITURE	10,289,110	10,231,910
Credit Back Depreciation / Impairments	(1,366,190)	(1,403,250)
Minimum Revenue Provision	963,680	995,830
	9,886,600	9,824,490
Transfer to / from Reserves	(308,520)	(301,000)
Balance Available to Transfer To / (From) Reserves	51,060	61,600
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	9,629,140	9,585,090
Baseline Funding	(1,573,830)	(1,603,900)
Additional business rate income	(142,540)	(230,870)
Revenue Support Grant	(1,834,780)	(1,347,920)
Council Tax Reduction Scheme Grant	(40,000)	(40,000)
Council Tax Freeze Grant	(63,720)	-
Other unfenced grants (New homes bonus & Ctax Transition)	(565,600)	(652,190)
Contribution to/ (from) Collection Fund	(60,130)	(155,720)
AMOUNT REQUIRED FROM COUNCIL TAX	5,348,540	5,554,490
COUNCIL TAX BASE	19,697.8	20,155.6
Average Band D Council Tax - Adur District	271.53	275.58
% increase	-1%	1.49%

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Engineering	124,370	115,340
Surveying & Design	196,810	206,890
	321,180	322,230
DIRECTOR FOR COMMUNITIES		
Environment		
Allotments	60,600	55,200
Cemeteries	239,910	247,560
Parks	744,790	798,310
	1,045,300	1,101,070
Wellbeing		
Environmental Health - Commercial	84,930	105,530
Environmental Health - Domestic	387,050	378,070
	471,980	483,600
DIRECTOR OF ECONOMY		
Growth		
Car Parking	(95,360)	(106,050)
Regeneration	64,890	59,010
	(30,470)	(47,040)
DIRECTOR OF CUSTOMER SERVICES		
Waste and Cleansing		
Abandoned Vehicles	17,250	24,310
Clinical Waste	12,650	18,160
Compliance	-	-
Graffiti	60,290	15,480
Obsolete	-	-
Recycling	(58,590)	(50,300)
Refuse	812,290	850,130
Street Cleansing	577,260	572,420
Trade Refuse	(78,660)	(113,790)
	1,342,490	1,316,410
TOTAL ENVIRONMENT PORTFOLIO	3,150,480	3,176,270

ADUR - ENVIRONMENT PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR FOR DIGITAL & RESOURCES											
Business and Technical Services											
Engineering	-	44,760	-	20,400	-	(7,690)	57,470	27,400	5,690	24,780	115,340
Surveying & Design	-	86,560	-	120	63,480	(320)	149,840	33,220	2,430	21,400	206,890
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	-	39,820	-	-	-	(40,300)	(480)	8,560	44,800	2,320	55,200
Cemeteries	-	260,260	-	-	-	(161,610)	98,650	82,580	50,520	15,810	247,560
Parks	-	244,360	-	46,850	-	(141,570)	149,640	336,850	214,910	96,910	798,310
Wellbeing											
Environmental Health - Commercial	-	-	-	1,570	-	(660)	910	69,190	35,050	380	105,530
Environmental Health - Domestic	-	-	-	20,000	4,560	(11,150)	13,410	74,890	287,510	2,260	378,070
DIRECTOR OF ECONOMY											
Growth											
Car Parking	-	102,410	-	184,120	-	(496,450)	(209,920)	70,220	27,590	6,060	(106,050)
Regeneration	-	50	1,020	38,910	-	(27,920)	12,060	6,460	1,840	38,650	59,010
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	-	-	1,080	-	4,690	-	5,770	15,120	3,420	-	24,310
Clinical Waste	-	-	-	-	-	-	0	(2,470)	20,630	-	18,160
Compliance	-	-	-	-	-	-	0	-	-	-	0
Graffiti	-	-	-	-	-	-	0	10,310	3,420	1,750	15,480
Recycling	-	-	-	-	-	-	0	(259,480)	126,980	82,200	(50,300)
Refuse	-	-	-	-	-	-	0	613,010	118,030	119,090	850,130
Street Cleansing	-	-	-	-	-	(122,900)	(122,900)	584,480	74,640	36,200	572,420
Trade Refuse	-	-	-	190,530	-	(504,730)	(314,200)	143,290	33,800	23,320	(113,790)
	0	778,220	2,100	502,500	72,730	(1,515,300)	(159,750)	1,813,630	1,051,260	471,130	3,176,270
Percentage Direct Cost	0%	57%	0%	37%	5%						

ENVIORNMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16



SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Savings	Non-MTFP Other Changes	Virements	Recharges	Joint Transfers	Asset Hire/ Impairment	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL & RESOURCES											
Business and Technical Services											
Engineering	124,370	1,270	-	-	(7,120)	(3,180)	-	(27,960)	-	24,780	115,340
Surveying & Design	196,810	1,540	-	5,300	-	3,240	-	(18,160)	-	21,400	206,890
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	60,600	-	-	-	-	(5,400)	1,060	(8,780)	-	2,320	55,200
Cemeteries	239,910	1,900	-	-	-	5,750	12,030	(22,090)	-	15,810	247,560
Parks	744,790	6,730	-	-	(13,000)	59,790	(6,040)	152,900	(183,980)	96,910	798,310
Wellbeing											
Environmental Health - Commercial	84,930	20	-	-	-	20,580	-	20,200	-	380	105,530
Environmental Health - Domestic	387,050	250	-	-	-	(9,230)	-	(11,490)	-	2,260	378,070
DIRECTOR OF ECONOMY											
Growth											
Car Parking	(95,360)	(4,540)	-	21,500	-	(27,650)	-	(33,710)	-	6,060	(106,050)
Regeneration	64,890	20	-	10,000	-	(15,900)	-	(54,550)	-	38,650	59,010
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	17,250	20	-	-	-	7,040	-	7,040	-	-	24,310
Clinical Waste	12,650	-	-	-	-	5,510	-	5,510	-	-	18,160
Compliance	-	-	-	-	-	-	-	-	-	-	0
Graffiti	60,290	-	-	-	-	(44,810)	-	(46,560)	-	1,750	15,480
Recycling	(58,590)	-	-	-	-	8,290	-	(73,910)	-	82,200	(50,300)
Refuse	812,290	-	-	-	-	37,840	-	(81,250)	-	119,090	850,130
Street Cleansing	577,260	(2,410)	-	-	-	(2,430)	-	(38,630)	-	36,200	572,420
Trade Refuse	(78,660)	(6,010)	-	-	(8,000)	(21,120)	-	(44,440)	-	23,320	(113,790)
TOTAL COST	3,150,480	(1,210)	0	36,800	(28,120)	18,320	7,050	(275,880)	(183,980)	471,130	3,176,270

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
	£	£
DIRECTOR OF COMMUNITIES		
Environment		
Foreshores	(1,470)	(18,310)
	(1,470)	(18,310)
Housing		
Adur Homes	(34,230)	(30,680)
Adur Homes - Non-service	-	1,040
	(34,230)	(29,640)
Wellbeing		
Community Wellbeing	550,730	543,310
Community Safety	145,370	166,260
Environment Health - Commercial	120,630	139,110
Environment Health - Licensing	64,840	95,290
	881,570	943,970
Business and Technical Services		
Business Services	42,740	46,220
Engineering	100,560	163,760
Energy & Sustainability	22,310	49,320
	165,610	259,300
TOTAL FOR HEALTH AND WELLBEING	1,011,480	1,155,320

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES											
Environment											
Foreshores	-	11,790	-	8,430	-	(84,120)	(63,900)	9,730	20,150	15,710	(18,310)
Housing											
Adur Homes	92,950	-	6,240	46,020	38,870	(264,580)	(80,500)	-	36,090	13,730	(30,680)
Adur Homes - Non Service	-	1,040	-	-	-	-	1,040	-	-	-	1,040
Wellbeing											
Community Wellbeing	18,430	-	-	222,540	-	-	240,970	266,520	35,820	-	543,310
Community Safety	-	1,270	-	25,240	-	-	26,510	109,760	29,990	-	166,260
Environment Health - Commercial	-	-	-	8,470	-	-	8,470	109,310	21,330	-	139,110
Environment Health - Licensing	-	-	-	12,700	-	(104,960)	(92,260)	153,550	34,000	-	95,290
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Business Services	-	-	-	-	-	-	0	43,290	2,930	-	46,220
Engineering	-	9,430	-	12,220	-	-	21,650	70,000	9,510	62,600	163,760
Energy & Sustainability	-	-	-	-	-	-	0	49,320	-	-	49,320
TOTAL STAFF											
TOTAL COST	111,380	23,530	6,240	335,620	38,870	(453,660)	61,980	811,480	189,820	92,040	1,155,320
Percentage Direct Cost	22%	5%	1%	65%	8%						

An explanation of the changes to the budget since last year is provided on the previous page - the Variation page
Staff FTE = Number of staff based on full time equivalent

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16



SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES										
Environment										
Foreshores	(1,470)	(1,070)	-	-	-	-	-	(11,000)	(4,770)	(18,310)
Housing										
Adur Homes	(34,230)	(1,220)	-	-	-	-	-	-	4,770	(30,680)
Adur Homes - Non Service	-	-	-	-	-	-	-	-	1,040	1,040
Wellbeing										
Community Wellbeing	550,730	240	-	-	-	-	-	(7,280)	(380)	543,310
Community Safety	145,370	520	-	400	-	-	-	-	19,970	166,260
Environment Health - Commercial	120,630	160	-	-	-	-	-	-	18,320	139,110
Environment Health - Licensing	64,840	(1,810)	-	-	-	-	-	-	32,260	95,290
DIRECTOR OF DIGITAL & RESOURCES										
Business and Technical Services										
Business Services	42,740	-	-	-	-	-	-	-	3,480	46,220
Engineering	100,560	440	-	-	-	-	-	-	62,760	163,760
Energy & Sustainability	22,310	-	-	-	-	-	-	-	27,010	49,320
TOTAL COST	1,011,480	(2,740)	0	400	0	0	0	(18,280)	164,460	1,155,320

**CUSTOMER SERVICES
PORTFOLIO**

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
	£	£
DIRECTOR OF COMMUNITIES		
Leisure		
Leisure Strategic Support	568,980	544,490
	568,980	544,490
DIRECTOR OF CUSTOMER SERVICES		
Revenues and Benefits		
Revenues	454,580	393,560
Benefits	156,370	156,310
	610,950	549,870
TOTAL FOR CUSTOMER SERVICES	1,179,930	1,094,360

ADUR - CUSTOMER SERVICES PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES											
Leisure											
Leisure Strategic Support	-	45,530	-	9,190	180,000	(8,940)	225,780	12,080	8,660	297,970	544,490
DIRECTOR OF CUSTOMER SERVICES											
Revenues and Benefits											
Revenues	-	-	11,050	-	496,990	(246,840)	261,200	3,330	129,030	-	393,560
Benefits	-	-	11,050	12,740	21,384,380	(21,446,020)	(37,850)	3,330	190,830	-	156,310
TOTAL STAFF											
TOTAL COST	0	45,530	22,100	21,930	22,061,370	(21,701,800)	449,130	18,740	328,520	297,970	1,094,360
Percentage Direct Cost	0%	0%	0%	0%	100%						
An explanation of the changes to the budget since last year is provided on the previous page - the Variation page Staff FTE = Number of staff based on full time equivalent											

ADUR CUSTOMER SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16



SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES										
Leisure										
Leisure Strategic Support	568,980	270	-	(8,000)	-	-	-	(10,460)	(6,300)	544,490
DIRECTOR OF CUSTOMER SERVICES										
Revenues and Benefits	-	-	-	-	-	-	-	-	-	0
Revenues	454,580	7,260	-	-	-	-	-	(39,060)	(29,220)	393,560
Benefits	156,370	750	-	23,960	-	-	-	(12,500)	(12,270)	156,310
TOTAL COST	1,179,930	8,280	0	15,960	0	0	0	(62,020)	(47,790)	1,094,360

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
CHIEF EXECUTIVE Communications Performance and Scrutiny	£	£
	32,460	15,750
	32,460	15,750
DIRECTOR OF COMMUNITIES Wellbeing Democratic Services	319,510	509,980
	319,510	509,980
DIRECTOR OF CUSTOMER SERVICES Elections Elections	191,500	140,280
	191,500	140,280

ADUR - THE LEADER PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
CHIEF EXECUTIVE Communications Performance and Scrutiny	-	-	-	-	-	-	0	9,260	6,490	-	15,750
DIRECTOR OF COMMUNITIES Wellbeing Democratic Services	168,540	-	-	24,760	-	(15,860)	177,440	69,370	263,170	-	509,980
DIRECTOR OF CUSTOMER SERVICES Elections Elections	650	-	-	41,080	-	(3,180)	38,550	84,520	14,280	2,930	140,280
TOTAL STAFF											
TOTAL COST	169,190	0	0	65,840	0	(19,040)	215,990	163,150	283,940	2,930	666,010
Percentage Direct Cost	72%	0%	0%	28%	0%						
An explanation of the changes to the budget since last year is provided on the previous page - the Variation page Staff FTE = Number of staff based on full time equivalent											

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16

SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£		£	£	£
CHIEF EXECUTIVE										
Communications										
Performance and Scrutiny	32,460	-	-	-	-	-	-	-	(16,710)	15,750
DIRECTOR OF COMMUNITIES										
Wellbeing										
Democratic Services	319,510	3,770	-	-	-	-	-	-	186,700	509,980
DIRECTOR OF CUSTOMER SERVICES										
Elections										
Elections	191,500	1,700	(39,930)	-	-	-	-	(5,880)	(7,110)	140,280
TOTAL COST	543,470	5,470	(39,930)	0	0	0		(5,880)	162,880	666,010

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
	£	£
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	72,770	68,310
Home Improvement Assistance	61,460	87,270
Housing	615,090	559,270
Housing Strategy	40,880	29,900
Obsolete	-	-
	790,200	744,750
DIRECTOR OF ECONOMY		
Grants		
Grants	55,030	38,340
	55,030	38,340
Growth		
Planning Policy	199,190	258,860
Regeneration	238,030	187,400
	820,310	831,230
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Building Control	138,550	124,560
	138,550	124,560
TOTAL FOR REGENERATION	1,804,090	1,738,880

ADUR - REGENERATION PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR FOR COMMUNITIES											
Housing											
Adur Homes	24,680	468,450	420	520	-	(477,270)	16,800	-	50,220	1,290	68,310
Home Improvement Assistance	-	-	-	-	-	(32,460)	(32,460)	84,580	35,150	-	87,270
Housing	-	-	-	312,020	16,060	(120,070)	208,010	211,900	138,960	400	559,270
Housing Strategy	-	-	-	-	-	-	0	29,210	690	-	29,900
DIRECTOR OF ECONOMY											
Grants											
Grants	2,790	-	-	-	-	-	2,790	10,880	24,670	-	38,340
Growth											
Planning Policy	-	-	-	16,850	-	-	16,850	90,140	151,870	-	258,860
Development Control	-	-	-	8,170	5,100	(213,760)	(200,490)	499,680	85,780	-	384,970
Regeneration	-	-	-	46,160	-	-	46,160	112,020	29,220	-	187,400
DIRECTOR OF CUSTOMER SERVICES											
Building Control & Land Charges											
Building Control	-	-	-	-	-	(167,990)	(167,990)	255,150	37,400	-	124,560
TOTAL STAFF											
TOTAL COST	27,470	468,450	420	383,720	21,160	(1,011,550)	(110,330)	1,293,560	553,960	1,690	1,738,880
Percentage Direct Cost	3%	52%	0%	43%	2%						
<p align="center">An explanation of the changes to the budget since last year is provided on the previous page - the Variation page Staff FTE = Number of staff based on full time equivalent</p>											

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16

SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£		£	£	£
DIRECTOR FOR COMMUNITIES										
Housing										
Adur Homes	72,770	540	-	-	-	-	-	(5,000)	-	68,310
Home Improvement Assistance	61,460	(640)	-	-	-	-	-	-	26,450	87,270
Housing	615,090	3,800	-	15,000	-	-	-	(1,600)	(73,020)	559,270
Housing Strategy	40,880	-	-	-	-	-	-	-	(10,980)	29,900
Obsolete	-	-	-	-	-	-	-	-	-	0
DIRECTOR OF ECONOMY										
Grants	-	-	-	-	-	-	-	-	-	0
Grants	55,030	70	-	-	-	-	-	-	(16,760)	38,340
Growth										
Planning Policy	199,190	330	-	-	-	-	-	-	59,340	258,860
Development Control	383,090	(3,930)	-	-	-	-	-	-	5,810	384,970
Regeneration	238,030	350	-	-	-	-	-	-	(50,980)	187,400
DIRECTOR OF CUSTOMER SERVICES										
Building Control & Land Charges										
Building Control	138,550	(3,060)	-	-	-	-	-	(12,000)	1,070	124,560
TOTAL COST	1,804,090	(2,540)	0	15,000	0	0	0	(18,600)	(59,070)	1,738,880

SERVICE	ESTIMATE 2014/2015	ESTIMATE 2015/2016
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Other Buildings	309,870	227,890
	309,870	227,890
Finance		
Corporate Management	613,670	691,790
Finance - others	702,200	640,300
Treasury Management	668,420	590,330
	1,984,290	1,922,420
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	(90,580)	36,330
Adur Homes - Non service	-	-
	(90,580)	36,330
DIRECTOR OF ECONOMY		
Growth		
Estates	(216,370)	(241,890)
	(216,370)	(241,890)
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Land Charges	4,830	(4,610)
	4,830	(4,610)
TOTAL FOR RESOURCES	1,992,040	1,940,140

ADUR - RESOURCES PORTFOLIO - 2015/2016 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Direct Recharges	Support	Transfer to/from Reserves	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£		£		£	£
DIRECTOR FOR DIGITAL & RESOURCES												
Business and Technical Services												
Other Buildings	-	57,480	-	4,010	-	-	61,490	30,270	5,970	-	130,160	227,890
Finance												
Corporate Management	2,580	120,390	-	176,020	14,000	(287,560)	25,430	442,670	302,560	(62,360)	(16,510)	691,790
Finance - others	1,184,830	-	-	(245,290)	14,630	(316,390)	637,780	-	-	-	2,520	640,300
Treasury Management	-	-	-	-	-	(336,860)	(336,860)	-	66,490	-	860,700	590,330
DIRECTOR FOR COMMUNITIES												
Housing												
Adur Homes	685,560	-	55,290	415,980	-	(1,259,960)	(103,130)	11,480	96,420	-	31,560	36,330
Adur Homes - Non service	-	-	-	-	-	-	0	-	-	-	-	0
DIRECTOR OF ECONOMY												
Estates												
Estates	4,290	80,680	-	14,430	-	(535,670)	(436,270)	35,930	158,450	-	-	(241,890)
DIRECTOR OF CUSTOMER SERVICES												
Building Control & Land Charges												
Land Charges	-	-	-	19,130	-	(90,240)	(71,110)	53,930	12,570	-	-	(4,610)
TOTAL STAFF												
TOTAL COST	1,877,260	258,550	55,290	384,280	28,630	(2,826,680)	(222,670)	574,280	642,460	(62,360)	1,008,430	1,940,140
Percentage Direct Cost	72%	10%	2%	15%	1%							
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RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/16



SERVICE / ACTIVITY	Original Estimate 2014/15	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£		£	£	£
DIRECTOR FOR DIGITAL & RESOURCES										
Business and Technical Services										
Other Buildings	309,870	1,380	-	-	-	-	-	(20,000)	(63,360)	227,890
Finance										
Corporate Management	613,670	5,300	-	-	-	-	-	-	72,820	691,790
Finance - others	702,200	5,680	-	-	(8,000)	-	-	1,030	(60,610)	640,300
Treasury Management	668,420	-	-	-	-	(43,790)	(5,000)	-	(29,300)	590,330
DIRECTOR FOR COMMUNITIES										
Housing										
Adur Homes	(90,580)	16,800	-	-	-	-	-	(100,000)	210,110	36,330
Adur Homes - Non service	-	-	-	-	-	-	-	-	-	0
DIRECTOR OF ECONOMY										
Estates										
Estates	(216,370)	(9,660)	-	67,000	-	-	-	(12,510)	(70,350)	(241,890)
DIRECTOR OF CUSTOMER SERVICES										
Building Control & Land Charges										
Land Charges	4,830	(1,300)	-	-	-	-	-	(4,830)	(3,310)	(4,610)
TOTAL COST	1,992,040	18,200	0	67,000	(8,000)	(43,790)	(5,000)	(136,310)	56,000	1,940,140