

Adur Executive Committee

Date: Monday 8 February 2016

Time: 7pm

Venue: Queen Elizabeth II Room, Shoreham Centre, Shoreham-by-Sea

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

Agenda

Part A

1. Declarations of Interest

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

2. Public Question Time

To receive any questions from Members of the public addressed to Members of the Executive in accordance with Council Procedure Rule 11.

3. Items Raised Under Urgency Provisions

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

4. Housing Revenue Account - Budget 2016/17

To consider a joint report from the Director for Communities and the Director for Digital and Resources, a copy is attached as item 4.

5. Adur District Council Overall Budget Estimates 2016/17 and Setting of the 2016/17 Council Tax

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

Part B - Not for Publication – Exempt Information Reports

None.

Recording of this meeting

The Council will be voice recording the meeting, including public question time. The recording will be available on the Council's website as soon as practicable after the meeting. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

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HOUSING REVENUE ACCOUNT – BUDGET 2016/17

REPORT BY DIRECTOR FOR DIGITAL AND RESOURCES AND 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 2016/17. The report also considers some of the issues emerging from 2017/18 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 2016/17.
- 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 and most recently limitations on the level of rent that can be levied.
- 2.4 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 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 2016/17 onwards.
- 2.5 The challenge of creating a sustainable business plan was made more difficult by the announcement in the Summer by the Chancellor that:

‘.....we are also going to end the ratchet of ever higher housing benefit chasing up ever higher rents in the social housing sector. These rents have increased by a staggering 20% since 2010. So rents paid in the social housing sector will not be frozen, but reduced by 1% a year for the next four years.

2.0 INTRODUCTION

This will be a welcome cut in rent for those tenants who pay it and I'm confident that Housing Associations and other landlords in the social sector will be able to play their part and deliver the efficiency savings needed.'

Speech to the House of Commons by The Chancellor The Rt Hon George Osborne MP

- 2.6 The setting of rent levels is now an integral part of the financial planning decision making process. However, the council will have little flexibility over rent setting over the next 5 years. Officers are recommending a reduction of 1% in line with the requirements of the draft Welfare Reform and Work Bill.
- 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 decrease and growth items in this report were agreed by the AHMB at its meeting in January.
- 2.8 Adur Consultative Forum members will be invited to attend the Executive 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:

	2014/15	2015/16 (Estimate)	2016/17 (Estimate)
Stock at 1 st April	2,631	2,617	2,603
Plus: Additions - Note(1)	2	2	5
Less: Right to Buy sales	16	16	16
Less: Disposals	0	0	0
Stock at 31st March	2,617	2,603	2,592

Note (1:) These additions are generated through the repurchase of previously owned council dwellings or through the construction of new 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 2016/17 the signs are that 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 or develop additional dwellings each year.

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

- 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. The maximum percentage discount for a property is 70% (the current maximum discount is £77,900). The cash cap increases in April every year in line with the Consumer Price Index.
- 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.

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

- 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.
- 3.9 The current number of tenants affected by the under occupation charge is 158. This is a reduction of 6 since the previous year. 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 6 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 69% of Adur Homes tenants are in receipt of benefits, and that 158 tenants are affected by the under occupation charge, (131 will lose 14% of their Housing Benefit and 27 will lose 25%). Some tenants will choose to manage this reduction from within their own resources, whilst others may seek alternative housing options. In the past year 6 Adur Homes tenants have downsized to a smaller property.
- 3.11 In the year up to (and including December 2015), 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 2016/17, 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. Since 1 April 2015 (to date) there have been two tenancies terminated for arrears. although none of these were due to the under occupation charge. (Between 1 April 2014 and 31 March 2015 there were six tenancies terminated for arrears).

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

3.13 Some mitigation is in place to reduce tenants arrears from growing, with a greater emphasis on tenancy sustainment being introduced through the role of Tenancy Sustainment Officer. This year, this post has prevented 26 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 2016/17

4.1 The projected expenditure and income for the HRA in 2016/17 is as follows:-

	Estimate 2016/17
	£'000
Expenditure	13,359
Income	-13,359
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, 2016	-2,172
Balance carried forward 31 st March, 2017	-2,172

More detailed estimates for the Housing Revenue Account for 2015/16 and 2016/17 are shown in Appendix 1.

4.2 These projections take into account the budget from 2015/16, which has been updated for inflation, capital financing costs in respect of debt, and proposed decrease in rent income together with the other proposed adjustments which are described more fully below. Overall the main changes are as follows:

	£'000
Expenditure:	
2015/16 budget	13,591
Impact of inflation	229
Growth in salary budgets due to introduction of new posts (see section 10)	113
Impact of a new fraud service	20
Review of the Treasury Management budgets - Fall out of interest costs following the repayment of debt	-331
Reduction in contribution to New Acquisition and Development Reserve	-255
2016/17 budget	13,359

4.0 THE HOUSING REVENUE ACCOUNT FOR 2016/17

Income:	£'000
2015/16 budget	-13,591
Loss of income from Cecil Norris House	50
Impact of Right To Buy disposals on rental income	50
Closure of the hostel at 7 Albion Street	25
Impact of 1% rent decrease	125
Adjustment to service charges to reflect latest costs	18
Other rental increases detailed below	-36
2016/17 budget	-13,359

- 4.3 The 2016/17 budget shows a break-even position. This is despite a rent reduction of 1% costing the Council £0.35m in real terms in the first year. To achieve this position the currently level of contributions to reserves has been reviewed and the treasury management strategy has been revised. Looking ahead to 2017/18, the challenge of reducing rental income will become ever harder, with a need for services to be delivered as efficiently as possible.

5.0 RENT SETTING FOR 2016/17

- 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%.

- 5.2 However, earlier this year the Chancellor announced that for the next four years rent in the social housing sector would be reduced by 1%, thereby ending the flexibility introduced by DCLG only a year earlier. The legal provision to enforce this change is contained within the draft Welfare Reform and Work Bill.
- 5.3 The Council has recently received notification from the DWP that the requirement to reduce rent income by 1% may not apply to supported housing for 2016/17 which may be allowed to increase rent up to 0.9% (CPI + 1%). However, until the Bill is passed there is a degree of uncertainty regarding the final requirements for rent income.
- 5.4 In 2015/16 the rent increase was set at 2.2%, raising the average council dwelling rent by £1.98 to £92.00 per week.

5.0 RENT SETTING FOR 2016/17

- 5.5 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 2016/17 is calculated at £100.19.
- 5.6 Adur continues to lag behind on formula target rent. The current average gap between formula and actual rent is significant. As a rough guide if all properties were on average £9 below the formula rent the income shortfall represents £1.2m. The new policy of reducing rents by 1% for the next few years will widen this gap further and the Council will not be able to address this until 2020/21 at the earliest.

This year's proposed average dwelling rent level

- 5.7 The **average rental decrease recommended** for 2016/17 is in line with the Welfare Reform and Work Bill. The required rental increase is 1%. This will decrease the average rent by £0.92 from £92.00 to **£91.08**. This rent reduction will apply to all current tenants with the possible exception of those in supported housing.
- 5.8 Given the uncertainty surrounding the possible rental increase for supported housing within the new legislation, it is proposed that the decision regarding this increase is delegated to the Head of Housing in consultation with the Cabinet Member for Customer Services
- 5.9 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 for 2016/17, the current limit for Adur is £96.11.
- 5.10 It is intended to relet vacant properties to new tenants at target rent. This policy will not be applied to transfers or mutual exchanges.
- 5.11 However, the government policy of reducing rents by 1% per year for the next four years will result in a significant amount of lost income for the HRA.

	Forecast 2016/17	Forecast 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21
	£'000	£'000	£'000	£'000	£'000
Impact of 1% reduction for 4 years					
Income with 1% decrease	-12,247	-12,125	-12,004	-11,884	-12,359
Income with CPI + 1% increase	-12,594	-12,972	-13,361	-13,762	-14,174
Income lost due to rental limitation	347	847	1,357	1,878	1,815

5.0 RENT SETTING FOR 2016/17

Garage Rents

5.12 Garage rents were increased by 2.2% (CPI + 1%) in 2015/16 to £9.03 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2016/17 by 5% to £9.48. These proposals will generate an extra £19,700 in income.

In 2016/17 it is intended to do a fundamental review of the garage charging policy.

6.0 DEBT FINANCING COSTS

6.1 The debt financing costs chargeable to HRA in 2016/17 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 2016;
- iii) new borrowing for capital expenditure.

6.2 The budgeted costs are:

2016/17 Budget	Interest £000	MRP £000	Total
Historic Debt	974	423	1,397
Settlement Debt	1,348	1,294	2,642
2016/17 Borrowing	0	0	0
Total Budget	2,322	1,717	4,039

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 routine repair and maintenance has been increased by 2% which is 1.3% above inflation.

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 as well as new housing development schemes.

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 the amount of depreciation charged to the HRA (£2.2m). 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 overall borrowing 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 2016/17 was approved at £4.6m by the Joint Strategic Committee at its meeting of 3rd December, 2015 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 2016/17. 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 The programme also included an allowance for developing New Homes (£0.4m) as well as funding for the initial work on the redevelopment of Cecil Norris House (£0.5m).
- 8.3 In 2016/17 it is planned to do a detailed analysis of both the revenue maintenance spend and the capital spend to ensure that expenditure is targeted effectively.

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 revenue contribution to capital for 2016/17 will be £207,190.

10.0 GROWTH ITEMS

- 10.1 In line with the recent December report to JSC 'Getting in Shape' the Head of Housing has undertaken an organisational review of staff structures for Adur Homes.
- 10.2 Staff consultation has finished and staff are being appointed to their new roles. Overall growth in salaries will be £113,000 which has been included in the salaries budget. As part of the restructure, 3 new roles have been created

	£
Introductory Tenancy Officer	36
Voids and Lettings Officer	36
Capital Projects Officer	41
Total	113

In addition to the new roles, both pension costs and national insurance payments have increased over the past year.

10.0 GROWTH ITEMS

10.3 The HRA has recently commissioned Worthing Borough Counter Fraud team to undertake work on its behalf. This work comprises of two main strands:

- (i) Initiatives to tackle tenance fraud;
- (ii) Review of Right to Buy applications to ensure that only eligible tenants are allowed to purchase a property.

To date this work has been very successful resulting in 2 Right To Buy applications being refused saving the Council £150,000 in discounts, and one property has been returned to the Council due to tenancy fraud. The cost of this work is £20,000 per year.

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 and 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.

Reserves	Forecast Balance at 01/04/16	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	822	311	900	233
Major Repair Reserve	776	2,200	2,890	86
TOTAL	3,820	2,511	3,790	2,541

13.2 HRA general reserve balances are forecast to be £2.172m at 1st April 2016 and 16% 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 2016/17 includes a proposed contribution of £311,060 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 2016/17 capital budget includes provision for £2.9m 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 2016/17 budget has been to ensure that the HRA remains sustainable in the longer term. As with 2015/16, the budget for 2016/17 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 there are rent decreases for the next four years in line with government policy, thereafter rent increases are in line with the Council's rent policy and the Government's previous 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 2016/17. 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, the council is now actively investing in new housing stock. Current projects include:

1. Redevelopment of Cecil Norris House.
2. Repurchase of previously owned Council dwellings (particularly leasehold flats).
3. Construction of new homes on infill sites such as Leconfield Close

All of these options are subject to a business case to ensure that they are financially viable which is of particular importance over the next four years.

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 The Council has no option but to decrease rents for the next four years for the majority of properties, however despite this, the HRA remains in a financially viable position. However, caution will need to be exercised over the coming years as the financial position will be difficult until such time as the Council regains control over its rent increases.

16.0 LEGAL IMPLICATIONS

- 16.1 The draft Welfare Reform and Work Bill has introduced the requirement to reduce social rents by 1%

‘In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.’

The Bill is due to be considered by the House of Lords in January 2016 and should gain royal assent before the end of the financial year.

- 16.2 There are no other 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 2016/17:-
 - (a) **Rents of Council Dwellings (except supported housing)** – agree a decrease of 1.0% reducing the average council dwelling rent by £0.92 to £91.08 per week (average rent currently £92.00 per week) – (Para.5.7)
 - (b) **Rents of Council Dwellings (supported housing)** – delegate to the Head of Housing in consultation with the Cabinet Member for Customer Services, the setting of the rent charge for supported housing subject to a maximum increase of 0.9% (CPI + 1%)

17.0 RECOMMENDATIONS

- (c) **Rents of Council garages** – agree an increase of 5.0% to £9.48. (currently £9.03 per week), plus VAT for non-Council tenants) (Para.5.14)
- (d) **Service Charges** - delegate to the Head of Housing 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 contribution of £311,000 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 and 2016/17

Welfare Work and Reform Bill

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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 HOMES HOUSING REVENUE ACCOUNT

	ORIGINAL ESTIMATE 2015/16	ESTIMATE 2016/17
	£	£
EXPENDITURE		
General Management	2,788,660	3,032,520
Special Services	836,930	812,770
Rent, Rates, Taxes & Other Charges	33,940	44,400
Repairs & Maintenance	2,552,810	2,659,880
Depreciation	2,000,000	2,201,840
Bad/Doubtful Debt	50,000	50,000
Provision for refurbishment and new build	566,060	311,000
Capital Financing Costs		
Loan Repayments	1,717,000	1,717,000
Interest charges	2,636,660	2,322,240
Revenue Contributions to Capital	409,060	207,190
TOTAL EXPENDITURE	13,591,120	13,358,840
INCOME		
Dwelling Rents	(12,496,040)	(12,246,470)
Non-Dwelling Rents	(527,080)	(550,790)
Heating and Service Charges	(435,960)	(370,380)
Leaseholder's Service Charges	(104,040)	(163,200)
Interest Received	(28,000)	(28,000)
TOTAL INCOME	(13,591,120)	(13,358,840)
NET (SURPLUS)/DEFICIENCY	-	-

HOUSING REVENUE ACCOUNT										
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
EXPENDITURE										
General Management	2,789	3,032	3,093	3,155	3,218	3,282	3,348	3,415	3,483	3,553
Special Services	837	813	829	846	863	880	897	915	934	953
Rents, Rates, Taxes & Other Charges	34	44	45	46	47	48	49	50	51	52
OVERALL RUNNING COSTS	3,660	3,889	3,967	4,047	4,128	4,210	4,294	4,380	4,468	4,558
Annual Revenue Maintenance Costs	2,553	2,659	2,696	2,732	2,789	2,871	2,958	3,046	3,138	3,231
Revenue Contribution to Capital	409	207	207	15	0	0	0	0	0	9
Charges for Capital										
Depreciation	2,000	2,202	2,246	2,291	2,337	2,407	2,479	2,553	2,630	2,709
Minimum Revenue Provision	1,717	1,717	1,725	1,786	1,861	1,948	2,045	2,145	2,247	2,352
Interest payable										
Interest - on historic debt	974	974	974	974	974	974	974	974	974	974
Interest - on assumed debt	1,662	1,347	1,279	1,229	1,176	1,124	1,073	1,021	970	918
Interest - on capital programme	0	2	23	64	113	168	227	287	349	413
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	566	311	104	0	0	0	0	0	0	0
TOTAL EXPENDITURE	13,591	13,358	13,271	13,188	13,428	13,752	14,100	14,456	14,826	15,214
INCOME										
Dwelling Rents	-12,496	-12,246	-12,124	-12,002	-11,882	-12,239	-12,606	-12,984	-13,373	-13,775
Other Rents and Charges	-1,067	-1,084	-1,120	-1,158	-1,196	-1,236	-1,278	-1,321	-1,365	-1,411
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-13,591	-13,358	-13,272	-13,188	-13,106	-13,503	-13,912	-14,333	-14,766	-15,214
NET COST OF SERVICES	0	0	0	0	322	249	188	123	60	0

HOUSING REVENUE ACCOUNT										
	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000	2034/35 £'000
EXPENDITURE										
General Management	3,624	3,714	3,807	3,902	4,000	4,100	4,202	4,307	4,415	4,525
Special Services	971	996	1,021	1,046	1,072	1,099	1,126	1,155	1,184	1,213
Rents, Rates, Taxes & Other Charges	53	54	56	57	59	60	62	63	65	66
OVERALL RUNNING COSTS	4,648	4,764	4,884	5,005	5,131	5,259	5,390	5,525	5,664	5,804
Annual Revenue Maintenance Costs	3,328	3,428	3,530	3,673	3,819	3,971	4,130	4,296	4,468	4,647
Revenue Contribution to Capital	92	178	252	265	276	289	302	343	461	614
Charges for Capital										
Depreciation	2,790	2,874	2,960	3,078	3,201	3,329	3,462	3,600	3,744	3,894
Minimum Revenue Provision	2,460	2,566	2,670	2,773	2,878	2,984	3,091	3,192	3,239	3,266
Interest payable										
Interest - on historic debt	963	938	932	932	932	932	932	932	932	932
Interest - on assumed debt	866	814	763	711	659	607	556	504	452	401
Interest - on capital programme	478	541	603	665	728	792	855	899	921	931
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	15,675	16,153	16,644	17,152	17,674	18,213	18,768	19,341	19,931	20,539
INCOME										
Dwelling Rents	-14,188	-14,614	-15,052	-15,504	-15,969	-16,448	-16,941	-17,450	-17,973	-18,512
Other Rents and Charges	-1,459	-1,511	-1,564	-1,620	-1,677	-1,737	-1,799	-1,863	-1,930	-1,999
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-15,675	-16,153	-16,644	-17,152	-17,674	-18,213	-18,768	-19,341	-19,931	-20,539
NET COST OF SERVICES	0	0	0	0	0	0	0	0	0	0

HOUSING REVENUE ACCOUNT										
	2035/36 £'000	2036/37 £'000	2037/38 £'000	2038/39 £'000	2039/40 £'000	2040/41 £'000	2041/42 £'000	2042/43 £'000	2043/44 £'000	2044/45 £'000
EXPENDITURE										
General Management	4,639	4,755	4,873	4,995	5,120	5,248	5,379	5,514	5,652	5,793
Special Services	1,243	1,274	1,306	1,339	1,372	1,407	1,442	1,478	1,515	1,553
Rents, Rates, Taxes & Other Charges	68	70	71	73	75	77	79	81	83	85
OVERALL RUNNING COSTS	5,950	6,099	6,250	6,407	6,567	6,732	6,900	7,073	7,250	7,431
Annual Revenue Maintenance Costs	4,833	5,026	5,228	5,436	5,655	5,881	6,115	6,360	6,614	6,879
Revenue Contribution to Capital	802	1,020	1,260	1,522	1,808	2,120	2,453	2,795	3,116	3,440
Charges for Capital										
Depreciation	4,050	4,212	4,380	4,555	4,737	4,926	5,123	5,328	5,541	5,763
Minimum Revenue Provision	3,272	3,259	3,234	3,197	3,146	3,079	3,001	2,909	2,806	2,702
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
Interest - on capital programme	929	918	899	873	837	794	743	685	622	559
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	0	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	21,167	21,813	22,479	23,166	23,874	24,604	25,356	26,132	26,931	27,756
INCOME										
Dwelling Rents	-19,068	-19,640	-20,229	-20,836	-21,461	-22,105	-22,768	-23,451	-24,154	-24,879
Other Rents and Charges	-2,071	-2,145	-2,222	-2,302	-2,385	-2,471	-2,560	-2,653	-2,749	-2,849
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-21,167	-21,813	-22,479	-23,166	-23,874	-24,604	-25,356	-26,132	-26,931	-27,756
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 2016-17. 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 2016/17 is unchanged from 2015/16, 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 2015/16 and unchanged for 2016/17 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 Actual £m	2015/16 Estimate £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	12.449	15.195	19.282	23.982	28.593
Housing Revenue Account	63.536	61.820	60.102	58.386	56.669
Total CFR	75.985	77.015	79.384	82.368	85.262
Actual Debt					
General Fund	(12.993)	(12.983)	(14.970)	(17.970)	(17.970)
Housing Revenue Account	(62.993)	(61.285)	(59.579)	(57.873)	(56.167)
Total Debt Amount	(75.986)	(74.268)	(75.549)	(75.843)	(74.137)
(Over)/Under Borrowing					
General Fund	(0.544)	2.212	4.312	6.012	10.623
Housing Revenue Account	0.543	0.535	0.523	0.513	0.502
Total	0.001	2.747	4.835	6.525	11.125
HRA Borrowing Headroom	5.919	7.637	9.239	10.051	10.711

(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 2nd February 2016.

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 2018/19 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 is 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 at 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 2016/17 AND SETTING OF 2016/17 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 2016/17;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2016/17, prior to its submission to the Council for approval on the 23rd February 2016. 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 2016/17 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 difficult few years following the accelerated removal of revenue support grant (see section 3.6) ;
- The Executive will need to consider whether to increase Council Tax by maximum level possible below 2% (1.99%) or by a lower amount (paragraph 5.10); and, finally
- The Executive needs to consider the new growth items outlined in Appendix 2.

1.4 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2016/17 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities 2016/17 (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 2016/17 of 3.44% (as one of the lowest precepts in the country they are permitted to increase by £5) and the proposed 2016/17 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 22nd January 2016. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 18th February 2016 at which point the Commissioner will be in a position to confirm the Council Tax for 2016/17 in time for Council on the 25th February 2016.

1.0 SUMMARY

1.6 The Chancellor's Autumn Statement in November 2015 announced that:

'... in future those local authorities who are responsible for social care will be able to levy a new social care precept of up to 2% on council tax.'

The Right Honorable George Osborne, Chancellor of the Exchequer

With this policy change, the Government has recognised the major financial strain caused by an ageing population.

1.7 The draft Local Government Settlement confirmed that a 2% council tax increase specifically to support adult social care services is permissible. This is over and above the existing "referendum limit" of 2% permitted for general council tax increases, thereby permitting a maximum council tax increase of 4% for Councils with social care responsibilities.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 19th February 2016. However, it is likely to be just below the permitted 4% at 3.95%. The formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 25th February 2016.

1.9 The following appendices have been attached to this report:

- (i) **Appendix 1** Revenue Budget Summary Statement 2015/16 – 2020/21
- (ii) **Appendix 2** Non-Committed Growth
- (iii) **Appendix 3** Schedule of Earmarked Reserves
- (iv) **Appendix 4** Property Analysis & Calculation of Tax Base
- (v) **Appendix 5** Adur Budget 2016/17 – Summary of Executive Member Portfolios
- (vi) **Appendix 6** Glossary of technical terms used in Local Government Settlement

2.0 BACKGROUND

2.1 The report covering the "Outline 5-year forecast for 2016/17 to 2019/20 and the Budget Strategy" was considered on 7th July, 2015. This report outlined the Financial Context, the Key Budget Pressures, the Options for Addressing the Budget Gap and the Budget Strategy for Adur and Worthing Councils. The 7th July report proposed a new strategy whose key feature was that the Councils would become self-sufficient by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.

2.0 BACKGROUND

2.2 In line with this new strategy, the Councils have set-up several strategic boards, which are responsible for taking forward key initiatives aimed at delivering savings for the future. These boards are:

- The Major Projects Board will lead on delivering projects to increase employment space and additional housing.
- The Digital Programme Board will lead on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work.
- The Strategic Asset Management Board will lead on delivering the income growth associated with the Strategic Property Fund; and
- The Customer and Commercial Programme Board will lead on the delivery of the income growth from commercial services and seek to improve the customer experience.

Both the Digital Programme Board and the Customer and Commercial Programme were set explicit targets for 2016/17.

2.3 In addition to the work of the Strategic Boards, the other strands which contributed to the savings targets for 2016/17 include:

- Efficiency reviews
- Procurement reviews
- Base budget reviews

2.4 The subsequent report to the Joint Strategic Committee, on 3rd December 2015 updated Members as to the latest budgetary information and the forecast shortfall, before savings or growth, was revised as follows:

Adur District Council	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Overall shortfall - July forecast	1,219	1,807	2,500	3,197	3,924
Overall shortfall – December forecast (including net approved growth)	1,142	1,728	2,419	3,115	3,840
Increase / (Decrease) in shortfall	-77	-79	-81	-82	-84
Savings identified in December 2015 report	-1,090	-1,315	-1,565	-1,815	-2,065
Revised budget shortfall as at December 2015	52	413	854	1,300	1,775

2.0 BACKGROUND

2.5 The 2016/17 savings proposals identified within the report for the Council amounted to £1,090,000.

2.6 Since the meeting on 3rd December 2015, 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 2016/17 can be summarised as:

ADUR	£'000
Original shortfall as identified in July	1,219
Changes identified in December 2015:	
(a) Improvements to the income from Council Tax	-87
(b) Updated capital financing costs based on 2014/15 outturn	-46
(c) Net committed growth items identified by budget holders	156
(d) Removal of contingency budget	-100
Budget shortfall as at 3rd December 2015	1,142
Main changes to the revenue budget:	
Business Rate Retention Scheme	
2015/16 share of surplus business rates.	-381
Lower business rate multiplier than expected offset by improving business rate income	-23
Council Tax	
Surplus on collection fund	-8
Settlement	
Provisional New Homes Bonus allocation	-115
Reduction in Baseline funding from Business Rates	27
Change in tariff (amount of business rates paid to government)	-43
Additional reduction in Revenue Support Grant	304
Treasury Management	
NWoW - Delay in the sale of the Civic Centre resulting in a fall in investment income.	191
Adjustment for final items identified	
Implementation of 0.5% levy	31
Reduction in Housing benefit administration grant	40
Changes to the capital programme	
New car park at Lancing Manor Park	4
Final adjustment to allocations between the two Councils	-45
Revised budget shortfall – carried forward	1,124

2.0 BACKGROUND

	£'000
Revised budget shortfall – carried forward	1,124
Less: Net savings agreed in December	-940
Impact of new car park strategy	-150
Adjustment to final savings arising from Housing restructure	-49
Budget surplus to be placed in reserves (before any further action is agreed)	-15

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 Combined Spending Review & Autumn Statement 2015

3.1.1 The Chancellor presented a joint Spending Review and Autumn Statement on 25th November 2015, which covered the Government's spending plans for the next four years. The Chancellor announced £12 billion in savings to government departments. Within these spending plans the picture for local government is complex and mixed.

3.1.2 However, whilst The Chancellor highlighted a cash-terms increase in spending for Local Government between now and 2019/20, Revenue Support Grant was to be phased out in its entirety.

'Because the amount we raise in business rates is in total much greater than the amount we give to local councils through the local government grant, we will phase that grant out entirely over this Parliament.'

The Right Honorable George Osborne, Chancellor of the Exchequer

The Chancellors assertion that there would be a cash-terms increase is based the assumption that substantial local government funding cuts will be offset by increases in council tax, the new social care levy and business rates receipts.

Local Government – Departmental Expenditure Limit (DEL)					
Departmental Expenditure Limit	£Billion				
	2015/16	2016/17	2017/18	2018/19	2019/20
Funding for Local Government	11.5	9.6	7.4	6.1	5.4
Locally financed expenditure*	28.8	29.0	31.5	33.6	35.1
Total Local Government Spending	40.3	38.6	38.9	39.7	40.5
Annual percentage reduction in funding for Local Government		16.52%	22.92%	17.57%	11.48%
Overall reduction in funding for Local Government					53.04%

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 Combined Spending Review & Autumn Statement 2015

* Treasury's own forecasts of the income to be raised from Council Tax, the New Social Care levy and Business rates.

3.1.3 The combined Spending Review and Autumn Statement 2015 announced additional funding for social care, but most of this funding was to come from other parts of local government. The Statement indicated a potential shift in funding from districts to social care and upper tier authorities.

3.1.4 The Summer Budget had announced that 3 million new apprenticeships would be created by 2020, funded by a levy on large employers. The Chancellor announced that, with effect from April 2017, he would introduce a new apprenticeship levy of 0.5% of an employer's pay bill. Every employer will receive a £15,000 allowance to offset against the levy – which means over 98% of all employers - and all businesses with pay bills of less than £3 million - will pay no levy at all. From April 2017, this is expected to cost the General Fund £31,000 a year.

3.2 2016/17 Local Government Finance Settlement

3.2.1 The Secretary of State for the Department for Communities and Local Government (DCLG) Greg Clark delivered the provisional Local Government Finance Settlement on the 17th December 2015. Consultation on the provisional settlement closed on the 15th January 2016. The provisional settlement elaborated on announcements already made in the Chancellor's combined Spending Review and Autumn Statement. In his speech, the Secretary of State Greg Clark confirmed the continuation of the austerity programme

“... More savings need to be made as we finish the job of eliminating the remaining deficit...”

3.2.2 The objectives of the 2016/17 provisional settlement were outlined in the speech as:

- *“the right to spend locally what they raise locally*
- *help with adult social care*
- *expenditure savings which recognise what has already been achieved*
- *recognition of the higher costs of providing services to sparsely populated rural areas*
- *encouragement for cost-saving innovation*
- *rewards for new homes*
- *complete transparency with regard to resource allocation*
- *a move beyond one-year-at-a-time budgeting.”*

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.2 2016/17 Local Government Finance Settlement

The impact on this authority of the combined Spending Review and Autumn Statement and the 2016/17 Local Government Finance Settlement is summarised in the following sections.

3.3 Four Year Settlements – An offer to all councils

3.3.1 In his speech, the Secretary of State announced

“So in this settlement I do something else that local leaders have yearned for. For the first time ever, I offer a guaranteed budget to every council which desires one and which can demonstrate efficiency savings – for next year, and for every year of this Parliament. A 4-year budget to give certainty and confidence.”

The Secretary of State for Communities and Local Government - Greg Clark

The government offers “any council that wishes to take it up a four-year funding settlement to 2019-20.” However, this is dependent of the publication of an efficiency plan. The Government intends to publish further details on the nature of the efficiency plan after final settlement.

3.4 Council Tax Referendum

3.4.1 As part of settlement, the Secretary of State confirmed the referendum criteria:

‘So while this settlement maintains the core referendum threshold at 2%, the threshold for the lowest cost district councils will be £5 a year, so they aren’t punished for being economical while those who have spent more in the past are allowed to spend more now’

The Secretary of State for Communities and Local Government - Greg Clark

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

3.5 Revenue Support Grant

3.5.1 Revenue grant will be withdrawn from the Councils at a far greater rate than originally expected. The annual fall in Revenue Support Grant for 2016/17 is nearly £0.6m. The Councils had originally expected the grant to be withdrawn in a more measured way (over 4 years) with annual reductions of £270,000 (20% per year).

The grant will be withdrawn over two years with the following impacts:

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.5 Revenue Support Grant

Adur District Council	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Original assumption	1,348	1,078	809	539	270	0
Draft settlement	1,348	774	271	0	0	0
Additional withdrawal of grant		-304	-538	-539	-270	0
Decrease year on year (£)		574				
Decrease year on year (%)		42.6%				

This will put greater pressure on the budgets in the first few years of this Parliament.

- 3.5.2 It should also be noted that the 2015-16 Council Tax Freeze Grant has been rolled into Revenue Support Grant (paid only to those authorities which qualified for the council tax freeze scheme in 2015-16), in the same way as the grant has in previous years. In effect the Freeze Grant will be subject to the same cut in funding as Revenue Support Grant

3.6 New Homes Bonus (NHB)

- 3.6.1 Following the 2015/16 Settlement, the future of The New Homes Bonus was uncertain. As part of the provisional 2016/17 settlement speech, Greg Clark confirmed the continuation of New Homes Bonus, but with changes in the future.

'The New Homes Bonus provides valuable funding, and, as importantly, encourages house building.

So I can announce today that I will extend the Bonus indefinitely, but with some changes, on which I am consulting'

- 3.6.2 The provisional local government settlement proposed that the NHB scheme is modified with the following major features:

- (a) Previously NHB had been paid in 6 instalments. This is to be reduced to 4 instalments over 2 years.
- (b) NHB may be withheld if no Local Plan is submitted
- (c) Bonus may be reduced by between 50% and 100% if the scheme goes to appeal
- (d) Only growth over a certain limit will be included in the calculation (currently proposed at 0.25%)

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.6 New Homes Bonus (NHB)

This is the subject of a separate consultation 'New Homes Bonus: sharpening the incentive' which is due to end on the 10th March 2016.

3.6.3 The retention of the New Homes Bonus will benefit those Councils who have capacity to build. This is a particular problem for Adur where there is a shortage of land for housing and what land exists is problematic to develop (e.g on a flood plain). Whilst Adur may well benefit from New Homes Bonus, there will be insufficient housing growth and associated NHB to offset the loss of Revenue Support Grant in the early years.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Original assumption	652	652	590	437	193	86
Draft settlement						
Historic allocations	657	657	437	86		
2016/17 allocation		115	115	115	115	
Potential future allocations			100	250	400	550
Total New Homes Bonus	657	767	652	451	515	550
Increase in grant from previous assumptions		115	62	14	322	464

3.6.4 The New Homes Bonus has been an important source of funding. The 2016/17 allocation for this council is £766,641. It should be noted that the future allocations are indicative at this stage as the final details of the new scheme are dependent on the outcome of the consultation.

3.7 Business Rates – Baseline funding

3.7.1 Retained business rate (baseline funding) is marginally more than expected in the early years. In later years, the Councils will be expected to pay a greater share over to the Government as part of a national exercise to equalise resources. Overall the impact is likely to be:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Adur District Council						
Original assumption	1,604	1,644	1,685	1,727	1,770	1,815
Draft settlement						
Baseline funding	1,604	1,617	1,649	1,698	1,752	1,787
Changes to 'tariff'		43	58	32	-153	-158
Total Business Rates	1,604	1,660	1,707	1,730	1,599	1,629
Increase / decrease (-) from previous assumptions		16	22	3	-171	-186

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.8 Summary

3.8.1 In total the impact on the Councils planning assumptions are as follows (excludes changes to other grants):

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Adur District Council					
Revenue Support Grant	-304	-538	-539	-270	0
New Homes Bonus	115	62	14	322	464
Business Rates	16	22	3	-171	-186
Total increase / decrease (-) in funding	-173	-454	-522	-119	278

3.8.2 In overall terms, the 2016/17 settlement revealed that District and Borough Councils were the second most heavily affected class of authority by an overall cut in funding of 16.96%, only marginally less than the most affected Shire County Councils without fire (17.13% drop). For districts, this is even greater than last year's drop of 15.34%.

YEAR-ON-YEAR CHANGE FOR THE 2016/17 SETTLEMENT			
Class of Local Authority	2015-16 Adjusted settlement Funding Assessment	2016-17 Settlement Funding Assessment	Overall Reduction in funding
	£million	£million	%
England	21,249.94	18,601.46	-12.46%
London Area	4,996.89	4,555.10	-8.84%
Metropolitan Areas	5,597.71	4,999.32	-10.69%
Shire Areas	10,652.06	9,043.75	-15.10%
London Area			
London Boroughs	3,833.40	3,398.55	-11.34%
GLA	1,163.49	1,156.56	-0.60%
Metropolitan Areas			
Metropolitan Districts	5,335.24	4,751.58	-10.94%
Metropolitan Fire Authorities	262.46	247.75	-5.61%
Shire Areas			
Shire unitaries with fire	372.76	321.61	-13.72%
Shire unitaries without fire	3,993.16	3,459.31	-13.37%
Shire counties with fire	2,009.19	1,677.09	-16.53%
Shire counties without fire	2,905.97	2,408.24	-17.13%
Shire districts			
Combined fire authorities	951.09	789.80	-16.96%
	419.88	387.71	-7.66%

3.8.3 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on Friday 15th January 2016 with final settlement expected by the 11th February 2016.

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.8 Summary

3.8.4 In previous years, there were few significant change at this late stage. However the late and unexpected amendments to the settlement methodology increase the likelihood of changes. If there are any significant changes arising from the final information members will be briefed before Council.

3.8.5 In addition to the local government finance settlement which is discussed fully above, the final matter than needs to be explored is the full forecast for Business Rates for the next five years.

3.9 Business Rate Retention Scheme

3.9.1 The business rate retention scheme has now been in place for some time.

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 ensure that no Council loses income of more than 7.5% of Baseline Funding which is equivalent to £121,795.
- A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can only 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

3.9.2 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 an increase in the level of expected income due to new hereditaments and increasing rateable values:

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.9 Business Rate Retention Scheme –

Adur District Council	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Total business rate income	21,724	22,259	22,876	23,458	24,174
Less: Business rate reliefs awarded	-3,094	-3,171	-3,250	-3,332	-3,415
Net business rate income	18,630	19,088	19,626	20,126	20,759
Less:					
Write offs	-93	-95	-98	-101	-104
Appeals	-258	-264	-269	-274	-280
Net income	18,279	18,729	19,259	19,751	20,375
Less: Share of income paid to Council for administration costs	-89	-91	-93	-96	-98
Net income for purpose of income share calculation	18,190	18,638	19,166	19,655	20,277
Council share of income (40%)	7,276	7,455	7,666	7,862	8,111
Less: Tariff	-5,203	-5,305	-5,492	-6,003	-6,123
Retained business rates	2,073	2,150	2,174	1,859	1,988
Add : S151 grants paid directly to the General Fund	420	431	442	453	465
Total income eligible for levy / safety net calculation	2,493	2,581	2,616	2,312	2,453
Baseline funding	-1,617	-1,650	-1,683	-1,716	-1,751
Surplus / (deficit) business rates	876	931	933	596	702
Less: Levy @ 50%*	-438	-466	-467	-297	-350
Additional retained business rates	438	465	466	299	352
Share of estimated 2015/16 surplus	381	0	0	0	0
Estimated surplus / deficit (-)	819	465	466	299	352
Previous forecast	372	378	390	401	408
Improvement / deterioration (-)	447	87	76	-102	-56

*The levy is now retained by the business rate pool rather than paid over to the County Council.

3.9.3 The Council will fully provide for any known backdated business rates appeals at the 2015/16 year end. From 1st April 2015 appeals against rating assessments could no longer be backdated. As a result, the Council saw a considerable increase in appeals towards the end of 2014/15 as local business sought to submit appeals before the right to have claims backdated was removed. Consequently the level of provision for new and outstanding appeals should reduce from 2016/17 onwards.

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.9 Business Rate Retention Scheme

3.9.4 In 2015/16, there have been two significant developments which have favourably impacted upon the rating income. Firstly, Parker Steel's valuation has increased by £467,000 and the Council has finally received the valuation for the new football academy (£775,000). These changes have resulted in significant additional income in the current year which will benefit the Council in 2016/17.

3.9.5 The forecast for 2016/17 is currently being finalised. The 2016/17 NNDR return which underpins this forecast 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.

3.9.6 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures especially in light of the Government's commitment to return all of business rates to Local Government. Members will be aware that there are several schemes progressing within the Council which will create employment space. Examples include: the Parcellforce site and the potential biomass plant at Shoreham Port.

3.9.7 The Council is now participating 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. The equates to an estimated additional business rate income of £1.2m retained locally to benefit the residents of West Sussex.

3.9.8 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.
- There is a specific risk associated with schools becoming academies. If a school assumes academy status then it will become eligible of mandatory rate relief which will reduce the Council's business rate income.
- The Councils have recently received mandatory rate relief claims from the local NHS trusts. Whilst the Council believes the trusts are not eligible for such financial support, until the legal position is clarified, there is a risk that the Council could lose 80% of its income from the NHS Trust sites.

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.9 Business Rate Retention Scheme

- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.

3.9.9 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.

3.10 Long term implications of current government policy

3.10.1 The financing of local government has fundamentally changed. We are moving from a grant based on need (Revenue Support Grant) to funding based on performance in the delivery of homes (Council Tax and New Homes Bonus) and the creation of employment space (Business Rate Retention Scheme). Consequently, the income from Council Tax forms a more significant proportion of the Council's overall income and the decision regarding the annual increase has an increasing strategic importance.

3.10.2 Breakdown of general income to the Council:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	5,628	5,691	5,811	5,942	6,075	6,212
Business Rates *	1,874	2,468	2,141	2,195	2,076	2,115
Revenue Support Grant **	1,411	774	271	0	0	0
New Homes Bonus	652	767	652	451	515	550
	9,589	9,546	9,415	9,393	9,318	9,176

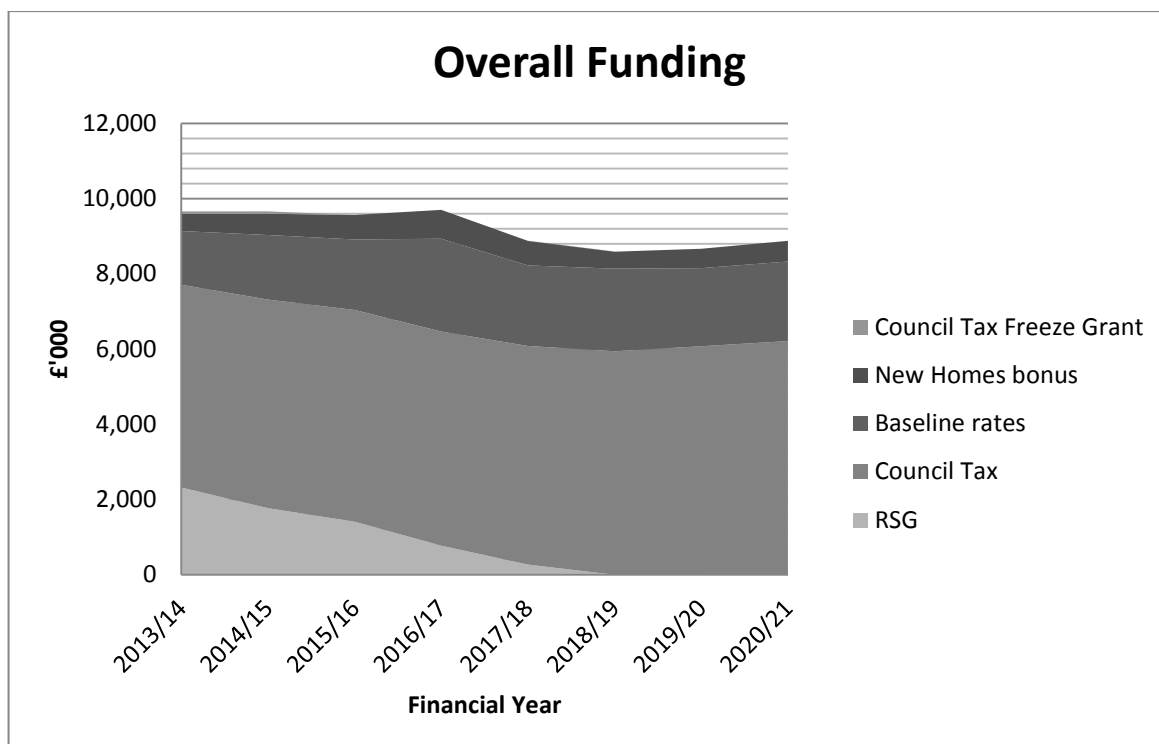
* Includes any surplus or deficit on the collection fund

** Includes the Council Tax Freeze Grant

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Council Tax	58.84%	58.67%	65.48%	69.19%	70.10%	69.97%
Business Rates	19.59%	25.44%	24.12%	25.56%	23.96%	23.83%
Revenue Support Grant	14.75%	7.98%	3.05%	0.00%	0.00%	0.00%
New Homes Bonus	6.82%	7.91%	7.35%	5.25%	5.94%	6.20%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

3.0 COMBINED SPENDING REVIEW & AUTUMN STATEMENT 2015 AND 2016/17 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.10.3 Breakdown of general income to the Council:



4.0 2015/16 BUDGET – CURRENT POSITION

4.1 The revenue monitoring report to the Joint Strategic Committee on 3rd December 2015 projected an overspend for the year of £123,000

	Forecast Over/(Under) spend
	£'000
Building Services Net overspend on parts & labour only partially offset by increased income.	265
Recycling Increase in garden bin & green sack take up.	(44)
Investment Properties Projected shortfall in rental income for recharge to Commerce Way.	65
Housing Services Underspends in Housing Services management & Lettings team	(13)
Vacancies Staff vacancies throughout council being held for future restructures	(150)
Projected Overspend as at 3rd December 2015	123

4.0 2015/16 BUDGET – CURRENT POSITION

- 4.2 As at the end of the 2nd quarter, the anticipated overspend in Adur is due mainly to Building Services.. During 2015/16 more rigorous budget monitoring, involving the respective Executive Members of Resources, has taken place for Building Services. The trends identified as part of the monitoring during 2015/16 have been incorporated into the 2016/17 budgets.
- 4.3 On past evidence, spending patterns between the 2nd quarter budget monitoring and the end of the financial year have shown that it is likely that the position may improve as the year progresses. The final outturn for 2015/16 will be reported when the outturn report comes before the Joint Strategic Committee in July 2016. Any overspends will have to be funded from the Council's reserves. Any final recommendations must be deferred until the outturn results are known.

5.0 DRAFT REVENUE ESTIMATES 2016/17

- 5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,739,740. This includes the savings agreed at Joint Strategic Committee in December.
- 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 £9.74m 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 2015/16 to 2016/17 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

	£'000	£'000
2015/16 Original Estimate		9,525
Add: General Pay and Price Increases		314
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 3 year forecast (net of any proposed use of reserves)	667	
Reduced Income as per 3 year forecast	191	
Impact of Capital Investment Programme	153	1,011
Balance carried forward		10,850

5.0 DRAFT REVENUE ESTIMATES 2016/17

	£'000	£'000
Balance bought forward		10,850
Less: Compensatory savings/Additional Income:		
Compensatory savings	-	
Additional income	-13	-13
2016/17 budget prior to agreed savings		10,837
Less: Savings agreed by members		
Approved in December	-1,090	
Final adjustment to saving arising from the Housing restructure	-49	
Final adjustment to the allocation of costs between the Councils	-45	
		-1,184
Executive Member requirements		9,543
Potential contribution to reserves*		15
Potential budget requirement before external support		9,668
Collection fund surplus		-8
2016/17 BUDGET REQUIREMENT		9,660
*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 2016/17 spend is more than previously predicted and is mainly due to the following factors:

5.0 DRAFT REVENUE ESTIMATES 2016/17

	£'000
Delay in the sale of the Civic Centre - Lost investment income	191
Reduction in Housing Benefit Administration Grant	40
Introduction of the 0.5% apprenticeship levy	31

5.8 In addition to the above, the projected surplus on the Collection Fund is now estimated to be £45,910, of which £7,900 is the District Council share. This is a minor surplus in light of the overall income due which exceeds £32.1m, 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 2 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 just under 2.0% in 2016/17.

5.10.2 In the recent consultation the responses to increasing council tax were as follows.

Responses to 2016/17 potential Council Tax increase	%
A small increase which will help the Councils to protect priority services	63.2
To continue to freeze Council Tax and potentially reduce services	36.3
Not answered	0.5
	100.0

The consultation responses are similar to previous years which also indicated public support for a small increase.

5.10.3 An average annual 1.99% uplift in Council Tax would be a modest increase in the District Council share of the bill for 2016/17 as follows:

5.0 DRAFT REVENUE ESTIMATES 2016/17

5.10 The Council Tax increase:

Adur District Council	£
Average Band D Council Tax in 2015/16	271.53
Annual impact of 1.99% increase	5.42
Amount per week	0.10

5.10.4 Members should also be aware that the Police and Crime Commissioner has been consulting on a 3.44% increase for the Police Authority share of the overall bill. There are indications that the County Council will set a 3.95% increase, just under their permitted 4%. Consequently, the total overall increase in the Council Tax bill for an average band D property would be just over 3.5%:

	2015/16	2016/17 (Indicative)	%
	£	£	
Adur District Council	271.51	276.93	1.99%
West Sussex District Council	1,161.99	1,207.89	3.95%
Sussex Police and Crime Commissioner	143.91	148.86	3.44%
	1,577.41	1,633.68	3.57%

5.10.5 There are long term consequences to continuing to setting a Council Tax increase much lower than the maximum permitted 2%. This is particularly significant at the moment, given the scale of the reduction in Government funding that the Council will experience over the next 3 years.

Adur District Council	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Council Tax income if Council Tax is increased by just under 2.0% every year	5,683	5,811	5,942	6,075	6,212
Council Tax income if Council Tax is frozen every year	5,572	5,585	5,599	5,613	5,626
Fall in income per annum if Council Tax is frozen	111	226	343	462	586

5.10.6 Members are asked to consider which level of Council Tax increase that they support. Each 1% of increase in Council Tax is worth £56,000 and increasing Council Tax by an average of 1.99% will protect the longer term financial interests of the Council.

5.0 DRAFT REVENUE ESTIMATES 2016/17

5.11 Uncommitted Growth Items:

5.11.1 Attached in Appendix 2 is a listing of the new uncommitted growth items which total £107,700. The current draft budget includes an allowance of £60,000 for such items. Members are asked to consider which of the items should be included within the revenue estimates for 2016/17.

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

	£'000	£'000
Net budget requirement		9,693
Less: Government grant	774	
Baseline Funding	1,617	
Share of additional Business Rate income	819	
Council Tax (1.99% increase)	5,683	
New Homes Bonus	767	
Council Tax Support Scheme	40	
Administration Grant		
Collection Fund surplus	8	-9,708
Estimated budget surplus based on 1.99% Council Tax increase brought forward		-15
Net maximum impact of accepting the growth items (Appendix 2)		48
		33
Maximum contribution from reserves		-33
		-

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 1.99% tax increase for 2016/17 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)				
	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall	1,169	2,435	3,179	3,274	3,551
Less:					
Net savings agreed in December	-1,184	-1,184	-1,184	-1,184	-1,184
Net Impact of accepting all the growth items at appendix 2	48	56	-	-	-
Potential contribution from reserves to be agreed	-33	-	-	-	-
Adjusted cumulative budget shortfall	-	1,307	1,995	2,090	2,367
Savings required each year	-	1,307	688	95	277

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 the major projects team last year is part of the strategy to further stimulate the local economy.

6.3 However, these measures are unlikely to be enough. The Council has already embarked on a strategy to generate additional income and to seek new investment opportunities. However, 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 continue to focus its scarce resources on key priorities.

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 (6%) 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 2015 was £540,000 which was 5.6% of net revenue expenditure – just below the range of 6%-10% set by the Council.

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

		£'000	%
31.03.2016	Balance carried forward – per Final Accounts	540	5.6
31.03.2017	No planned drawdown or contribution expected	540	6.1
31.03.2018	No planned drawdown or contribution expected	540	6.3
31.03.2019	No planned drawdown or contribution expected	540	6.2

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 £100,000 in 2016/17.

7.0 RESERVES

2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £108,000.
3. Further adverse falls in income from such sources as development control income, car parks and land charges.
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 2016/17 of £530,000 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 £885,000 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, 2016 is £874,000, although this reduces to £626,000 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 significant risks to the overall budget and the Council's reserves are detailed below.
- 7.6 With a lower level of reserves, it is now critical that these reserves be used only as a funding resource of last resort until such time as the reserve level has recovered to some extent.
- 7.7 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 provided that they are used sparingly. The size and nature of the risks to the overall budget leaves the Council with no 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 2016/17, 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.
- (iii) **Inflation** - A provision for 1% inflation has been built into non-pay budgets. Pay budgets have a 2% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2016/17, 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	108
Non-pay	20

8.2 To help manage these risks, the council has a working balance of £540,000 and other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 The Council has undertaken a light touch consultation exercise this year. The consultation has taken the form of an on-line survey and leaflets placed in the main buildings.

9.2 The focus of this year's consultation was around the potential changes to Council Tax Reduction Scheme, and the level of Council Tax increase that the public would support. The results regarding the Council Tax increase are detailed in section 5.10 of the report.

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 2016/17. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2016/17 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 2016/17 to 2018/19 for Adur District Council and Worthing Borough Council', which is to be discussed at the Joint Strategic Committee on the 2nd February 2016.

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.

11.3 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:

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

- (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 2016/17.

- 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 2016/17 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.
- (a) The following table shows the net sum to be raised from local Council Taxpayers in 2016/17 prior to the consideration of the budget proposals. This is based on an average 1.99% Council Tax increase:

12.0 COUNCIL TAX SETTING

	£	£
Net 2016/17 Budget *		9,707,560
Less:		
Aggregate External Finance:		
Revenue Support Grant	-773,930	
Baseline Funding	-1,617,270	
Additional retained business Rate income	-818,820	
New Homes Bonus	-766,640	
Council Tax Reduction Scheme Administration Grant (tbc)	-40,000	
Contribution from the Collection Fund surplus (as per paragraph 5.8)	-7,900	
		-4,024,560
Balance to be raised from Council Tax		5,683,000

* 2016/17 budget requirement after any contribution to or from reserves required to balance the budget.

Within section 5 of the report, members are given the options for the Council Tax and approving the non-committed growth items. Any reduction in income resulting from a lower Council Tax increase would be funded from the reserves.

(b) Council Tax Base

The Council's Tax base for 2016/17 is 20,520.6 Band D equivalent properties. There is an increase to the current year base of 20,155.60 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 4.

	2015/16 Tax Base	2016/17 Tax Base
Lancing	6,017.60	6,096.50
Sompting	2,677.90	2,719.40
Unparished	11,460.10	11,704.70
TOTAL	20,155.60	20,520.60

12.0 COUNCIL TAX SETTING

12.3 Adur District Council:

(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 2016/17 expenditure of £257,210 (£252,710 in 2015/16) 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 the same as the previous year's.

(d) Adur District Council Band D Council Tax

Members are now asked to consider which level of Council Tax to set for 2016/17. An average Council Tax increase of 1.99% will ensure that the Council has a balanced budget. The Council tax will vary in the different areas of the District due to the impact of both special expenses and the Parish Council precepts

Area	2015/16	2016/17 (Average 1% increase)	2016/17 (Average 1.99% increase)
	£	£	£
Lancing	259.02	261.63	264.33
Percentage increase		1%	2.05%
Annual increase (Band D)		2.61	5.31
Weekly increase (Band D)		0.05	0.10
Shoreham, Southwick, Sompting and Coombes			
Basic Council Tax	259.02	261.63	264.33
Special Expenses	17.82	17.82	17.82
TOTAL in Shoreham, Southwick, Sompting and Coombes	276.84	279.45	282.15
Percentage increase		0.9%	1.92%
Annual increase (Band D)		2.61	5.31
Weekly increase (Band D)		0.05	0.10

12.0 COUNCIL TAX SETTING

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 19th February, 2016. The Police and Crime Commissioner's proposed increase of around 3.44% is due to be considered by the Police and Crime Panel on 22nd January. The latest date that any increase by the Police and Crime Commission will be confirmed is the 18th February 2016.

	2015/16 £	2016/17 £
West Sussex County Council	1,161.99	t.b.a.
Sussex Police Authority	143.91	t.b.a.
TOTAL	1,305.90	t.b.a.

12.5 Lancing and Sompting Parish Precepts

- (a) Lancing Parish Council precept has been set at £282,170 at its meeting on 7th October 2015 which is at the same level as 2015/16.
- (b) Sompting Parish Council precept has remained at £82,700 approved at the meeting of the Council on 9th December 2015 which is at the same level as 2015/16.

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 25th February 2016.

13.0 CONCLUSION

- 13.1 This has been a very difficult settlement. The Council has seen the withdrawal of a significant amount of Revenue Support Grant. However, to meet this challenge the Council has identified over £1m of savings and is now in the position to set a balanced budget.
- 13.2 Looking further ahead, 2017-18 will be even more difficult as the Council expects another significant reduction in grant and has only limited opportunities to lever in New Homes Bonus. Consequently, the strategy of delivering income growth and efficiencies through the digital agenda assume a greater importance.

13.0 CONCLUSION

- 13.3 However, provided we meet this challenge, the Council will become increasingly financially resilient over the next 5 years as Revenue Support Grant disappears and we become largely funded by our community through Council Tax and Business Rates.
- 13.4 The aims of Surf's Up are critical to our success. Developing the local economy to increase employment space and local jobs together with the provision of new homes is one of the strategic measures that the Council can take to protect its longer term financial interests, however there will be inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.
- 13.5 There will need to be a sharp focus on financial health over the next couple of years whilst we balance the budget and rebuild the reserves. However, we must not forget that the Council has a good track record in dealing with such challenges
- 13.6 Finally, in preparing the strategy and forecast for 2016/17 an assessment was carried out of the significant risks and opportunities 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.

14.0 RECOMMENDATIONS

14.1 The Executive is recommended to:

- (a) Approve the non-committed growth items detailed at appendix 2;**
- (b) Agree to recommend to Council the draft budgets for 2016/17 at Appendix 7 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,739,740 , subject to any amendments above;**
- (c) Consider which band D Council Tax to recommend to Council for Adur District Council's requirements in 2016/17 as set out in paragraph 12.3; and**
- (d) 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 7th July 2015 Outline forecast 2016/17 to 2020/21 and Budget Strategy

Report to the Joint Strategic Committee 3rd December 2015 Outline 5 year forecast and savings proposals.

Local Authority Finance (England) Settlement Revenue Support Grant for 2016/17 and Related Matters: DCLG Letters and associated papers of 17th December 2015.

Spending Review and Autumn Statement 2015. HM Treasury

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf

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 2014/15

Report to Joint Strategic Committee 3rd December 2015 – “2nd Revenue Budget Monitoring 2015/16

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ADUR DISTRICT COUNCIL						
Revenue Budget Summary Statement 2015/16 - 2020/21						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Net Spending to be Financed from Taxation	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	9,525	9,525	9,525	9,525	9,525	9,525
Annual Inflation						
Estimated inflation		314	658	1,013	1,369	1,746
One -off / non-recurring items						
Local Elections (held every other year)		42	-	44	-	46
Committed Growth						
Changes to National Insurance Contributions		252	257	262	267	272
Impact of Pension contribution increase		70	72	73	74	75
Impact of employment levy		31	31	31	31	31
Loss of Housing Benefit Administration Grant		40	40	40	40	40
Growth items identified by Heads of Service		156	156	156	156	156
Impact of capital programme						
Financing costs		133	260	370	484	593
Financing costs - Refuse and Recycling vehicles		16	72	72	72	72
Financing costs - Car Park at Lancing Manor Leisure Centre		4	20	20	20	20
Additional income						
Investment income		(13)	(75)	(137)	(199)	(201)
Delay in selling Civic Centre		191	191	191	-	-
Approved Savings						
Approved Growth items						
Major Projects Team		16	16	16	16	16
Provision for new growth items		60	60	60	60	60
Total Cabinet Member Requirements	9,525	10,837	11,283	11,736	11,915	12,451
Total Cabinet Member Requirements B/fwd	9,525	10,837	11,283	11,736	11,915	12,451
Baseline funding	1,604	1,617	1,649	1,698	1,752	1,787
Less: Safety net pay't / business rate shortfall	-	-	-	-	-	-
Add: Retained additional business rates	270	438	467	471	306	361
Add: Share of 2015/16 surplus		381				
Adjusted Baseline funding	1,874	2,436	2,116	2,169	2,058	2,148
Revenue Support Grant	1,348	774	271	-	-	-
Council Tax						
Adjusted Council Tax income	5,472	5,683	5,811	5,942	6,075	6,212
Other grants						
Council Tax Freeze grant	63	-	-	-	-	-
New homes bonus (2011/12 - 2016/17)	62	62	-	-	-	-
New homes bonus (2012/13 - 2017/18)	153	153	-	-	-	-
New homes bonus (2013/14 - 2018/19)	244	244	244	-	-	-
New homes bonus (2014/15 - 2019/20)	107	107	107	-	-	-
New homes bonus (2015/16 - 2020/21)	86	86	86	86	-	-

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2015/16 - 2020/21						
	2015/16 Base	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
New homes bonus (2016/17 -2019/20)	-	115	115	115	115	-
New homes bonus (2017/18 - 2020/21)	-	-	100	100	100	100
New homes bonus (2018/19- 2021/22)	-	-	-	150	150	150
New homes bonus (2019/20 - 2022/23)	-	-	-	-	150	150
New homes bonus (2020/21 - 2023/24)	-	-	-	-	-	150
Total NHB	652	767	652	451	515	550
Collection fund surplus/deficit (-)	156	8	-	-	-	-
Total other grants and contributions	871	775	652	451	515	550
Total Income from Grants and Taxation	9,565	9,668	8,850	8,562	8,648	8,910
(Surplus) / Shortfall in Resources	(40)	1,169	2,433	3,174	3,267	3,542
Contribution to (-) / Use of Reserves to Balance						
Capacity issues reserve	(40)	-	-	-	-	-
Total Income from Reserves	(40)	-	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	-	1,169	2,433	3,174	3,267	3,542
Savings identified to date:						
Commercial activities and commissioning						
Commercial and Property Board						
Approved December 2015		140	140	140	140	140
Proposed new car park strategy		150	150	150	150	150
Efficiency Measures						
Digital strategy - approved in December 2015		71	71	71	71	71
Restructures and service plan savings not included above approved in December 2015						
Final adjustment to saving arising from the restructure of the Housing Department		49	49	49	49	49
Final adjustment to the allocations between the two Councils						
		45	45	45	45	45
Total future initiatives identified		1,184	1,184	1,184	1,184	1,184
Savings still to be found/ (surplus)		(15)	1,249	1,990	2,083	2,358
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Average annual increase (Band D property)		£4.23	£4.31	£4.40	£4.49	£4.58
Average weekly increase (Band D property)		£0.08	£0.08	£0.08	£0.09	£0.09

Non-Committed growth	When / Value?			2016/17			
	2016/17	2017/18	Beyond	Adur - GF	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
DIGITAL AND RESOURCES DIRECTORATE							
<u>Digital & Design:</u>							
Provision for new digital strategy to move systems to the cloud	100.0	100.0	0.0	36.0	10.0	54.0	100.0
<i>Benefit/deliverables (outputs, impact on financial savings)</i>							
i) Take advantage of economies of scale from Cloud providers. Improved business continuity and system accessibility for users							
<i>Implication of unsuccessful bid</i>							
Continue to be reliant on own servers, continue with existing business continuity issues. Unable to lever in the potential financial benefits arising from the move.							
<u>Finance</u>							
Business Development Fund	75.0	75.0	75.0	30.0		45.0	75.0
<i>Benefit/deliverables (outputs, impact on financial savings)</i>							
i) Resources to provide capacity for funding business case for potential income generating or cost savings schemes							
<i>Implication of unsuccessful bid</i>							
As reserves become more depleted it is becoming more difficult to fund new initiatives. Potential income generating schemes will not be initiated or developed.							

Non-Committed growth	When / Value?			2016/17			
	2016/17	2017/18	Beyond	Adur - GF	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<p><u>ECONOMY DIRECTORATE</u></p> <p><u>Place & Investment:</u></p> <p>Funding for condition surveys on proposed investments acquired by the Strategic Property Investment Fund</p> <p><i>Benefit/deliverables (outputs, impact on financial savings)</i></p> <p>i) Ensure that investment in property & potential for income generation is sound</p> <p><i>Implication of unsuccessful bid</i></p> <p>Unable to purchase property to deliver income streams or at miscalculate income potential due to less thorough survey</p>	25.0	25.0	25.0	10.0		15.0	25.0
<p><u>CUSTOMER SERVICES</u></p> <p>Creation of additional posts within Customer Services</p> <p>The Customer Contact team is currently over-stretched. Benchmarking has been undertaken which reveals that the team is not sufficiently resourced to meet the demands currently placed upon it. It is proposed to build capacity in the team for the next 2 years whilst the team stabilised and undergoes transformational activity.</p> <p><i>Benefit/deliverables (outputs, impact on financial savings)</i></p> <p>Improved capacity within the Customer Service Directorate teams</p> <p><i>Implication of unsuccessful bid</i></p> <p>Insufficient staff to deal with customer demand</p>	54.0	65.0	0.0	19.4	5.0	29.6	54.0

Non-Committed growth	When / Value?			2016/17			
	2016/17	2017/18	Beyond	Adur - GF	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
CHIEF EXECUTIVE							
Policy Officer Support to the Chief Executive to respond to new Government initiatives. For example, the new Devolution Deals Benefit/deliverables (outputs, impact on financial savings) The Council will be better placed to respond to new Government Policy initiatives and will be able to lobby more effectively. Implication of unsuccessful bid Council misses opportunities presented by new Government initiatives.	34.1	45.5	45.5	12.3	3.4	18.4	34.1
	288.1	310.5	145.5	107.7	18.4	162.0	288.1
less - Current allowance for committed growth Items	150.0	150.0	150.0	60.0		90.0	150.0
Additional resources required over that already allowed for within the budgets	138.1	160.5	-4.5	47.7	18.4	72.0	138.1

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.15 per note 8 of 14/15 SoA	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.17
	£'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.	613	41	(624)	30	-	-	30
2. INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives.	186	-	(10) *see below	176	-	-	176
3. INVESTMENT PROPERTY MAINTENANCE FUND Purpose: To offset future maintenance costs of investment properties.	68	-	(30)	38	-	-	38
* To be confirmed at year end. C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget							

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.15 per note 8 of 14/15 SoA	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
4. NEW TECHNOLOGY FUND Purpose: To fund additional IT equipment.	22	-	-	22	-	-	22
5. HEALTH AND SAFETY FUND Purpose: To offset unexpected costs arising from health and safety issues.	33	-	-	33	-	-	33
6. LOCAL PLAN RESERVE To fund consultation and preparation of Adur Local Plan	71	-	(39)	32	-	-	32
7. SPECIAL & OTHER EMERGENCY RESERVE	287	-	-	287	-	-	287
8. ELECTION RESERVE	8	-	-	8	-	-	8
C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget							

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.15 per note 8 of 14/15 SoA	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.17
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
9. GRANTS & CONTRIBUTIONS HELD IN RESERVES *	248	-	-	248	-	-	248
10. RESIDUAL PROJECTED UNDERSPEND Reserves to be identified at outturn.	-	- *see below	-	-	-	-	-
11. GENERAL FUND WORKING BALANCE	540	-	-	540	-	-	540
TOTAL	2,076	41	(703)	1,414	-	-	1,414

*contributions to be confirmed at year end

C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget

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	2,715.0	4,997.0	11,337.0	6,105.0	1,918.0	716.0	300.0	10.0	28,098.0
Less: Exemptions	0.0	-63.0	-50.0	-84.0	-52.0	-15.0	-3.0	-3.0	0.0	-270.0
	0.0	2,652.0	4,947.0	11,253.0	6,053.0	1,903.0	713.0	297.0	10.0	27,828.0
Disabled Relief Adjustment (net)	8.0	9.0	32.0	-4.0	-25.0	-10.0	-1.0	-3.0	-6.0	0.0
Chargeable Dwellings	8.0	2,661.0	4,979.0	11,249.0	6,028.0	1,893.0	712.0	294.0	4.0	27,828.0
Broken down as follows:										
Full Charge	1.0	907.0	2,674.0	7,650.0	4,396.0	1,508.0	584.0	252.0	1.0	17,973.0
25% Discount (including adj for SP Dis)	7.0	1,747.0	2,299.0	3,583.0	1,620.0	382.0	120.0	34.0	1.0	9,793.0
50% Discount	0.0	19.0	35.0	72.0	38.0	19.0	14.0	10.0	1.0	208.0
0% Discount (Long Term Empty Homes)	0.0	46.0	47.0	84.0	43.0	21.0	6.0	3.0	1.0	251.0
Total Equivalent Number of Dwellings	6.3	2,222.3	4,401.3	10,344.3	5,618.5	1,795.5	677.5	281.5	3.8	25,350.8
Reduction in tax base due to Council Tax Support	3.1	726.9	1,054.1	1,261.9	312.7	51.1	14.2	3.1	0.0	3,427.0
Adjusted equivalent total dwellings	3.2	1,495.3	3,347.2	9,082.4	5,305.8	1,744.4	663.3	278.4	3.8	21,923.8
<u>Band D Equivalents</u>										
Revenue Support Settlement	1.7	985.6	2,586.6	8,050.7	5,299.7	2,130.9	957.7	463.9	7.5	20,484.3
Add: Forecast new homes	0.0	3.0	9.2	25.3	19.2	8.5	4.0	2.0	0.0	71.3
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	35.0	0.0	0.0	0.0	0.0	35.0
COUNCIL TAX BASE	1.7	988.6	2,595.8	8,076.0	5,283.9	2,139.4	961.7	465.9	7.5	20,520.6
										20,520.6

APPENDIX 5
CIVIC BUDGET TABLE 2016/17
Summary of Executive Member Requirements

INDIVIDUAL MEMBER PORTFOLIOS
Summary and Variance Pages

ADUR BUDGET 2016/2017
Summary of Executive Member Portfolios



APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
Environment	3,176,270	2,656,010
Health and Wellbeing	1,155,320	1,211,980
Customer Services	1,094,360	1,122,540
Leader	666,010	707,780
Regeneration	1,766,380	1,998,780
Resources	1,954,140	2,323,690
Support Services Depreciation Not Charged To Services	460,930	253,300
NET SERVICE EXPENDITURE	10,273,410	10,274,080
Credit Back Depreciation / Impairments	(1,403,250)	(1,776,510)
Minimum Revenue Provision	995,830	1,181,290
	9,865,990	9,678,860
Transfer to / from Reserves	(301,000)	14,000
Balance Available to Transfer To / (From) Reserves	40,870	14,700
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	9,605,860	9,707,560
Baseline Funding	(1,603,900)	(1,617,270)
Additional business rate income	(270,730)	(818,820)
Revenue Support Grant	(1,347,920)	(773,930)
Council Tax Reduction Scheme Grant	(40,000)	(40,000)
Council Tax Freeze Grant	(62,550)	-
Other unfenced grants (New homes bonus)	(652,190)	(766,640)
Contribution to/ (from) Collection Fund	(155,720)	(7,900)
AMOUNT REQUIRED FROM COUNCIL TAX	5,472,850	5,683,000
COUNCIL TAX BASE	20,155.6	20,520.6
Average Band D Council Tax - Adur District	271.53	276.93
% increase		1.989%

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Engineering	115,340	124,730
Surveying & Design	206,890	192,480
	322,230	317,210
DIRECTOR FOR COMMUNITIES		
Environment		
Allotments	55,200	59,990
Cemeteries	247,560	286,530
Parks	798,310	719,900
Dog Warden	50,340	50,380
	1,151,410	1,116,800
Housing		
Public Health Burials	11,250	2,770
	11,250	2,770
Wellbeing		
Environmental Health - Commercial	105,530	85,800
Environmental Health - Domestic	268,620	168,370
	374,150	254,170
DIRECTOR OF ECONOMY		
Growth		
Street Scene	59,010	71,740
	59,010	71,740
DIRECTOR OF CUSTOMER SERVICES		
Waste and Cleansing		
Abandoned Vehicles	24,310	25,730
Car Parking	(106,050)	(266,240)
Clinical Waste	18,160	17,360
Graffiti	15,480	3,680
Pest Control	47,860	18,350
Recycling	(50,300)	(155,090)
Refuse	850,130	823,040
Street Cleansing	572,420	579,010
Trade Refuse	(113,790)	(152,520)
	1,258,220	893,320
TOTAL ENVIRONMENT PORTFOLIO	3,176,270	2,656,010

ADUR - ENVIRONMENT PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL & RESOURCES											
Business and Technical Services											
Engineering	-	49,610	40,510	-	15,320	-	(7,840)	97,600	2,340	24,790	124,730
Surveying & Design	-	27,800	144,090	-	120	-	(330)	171,680	2,760	18,040	192,480
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	-	14,060	40,620	-	-	-	(41,110)	13,570	43,930	2,490	59,990
Cemeteries	-	146,380	254,180	-	-	-	(177,100)	223,460	47,260	15,810	286,530
Parks	-	217,420	242,440	-	52,330	-	(147,820)	364,370	231,190	124,340	719,900
Dog Warden	-	39,190	-	-	-	-	-	39,190	9,720	1,470	50,380
Housing											
Public Health Burials	-	-	-	-	2,770	-	-	2,770	-	-	2,770
Wellbeing											
Environmental Health - Commercial	-	65,560	-	-	1,600	-	(670)	66,490	17,070	2,240	85,800
Environmental Health - Domestic	-	1,980	-	-	15,680	4,650	(11,380)	10,930	157,440	-	168,370
DIRECTOR OF ECONOMY											
Growth											
Street Scene	-	9,090	50	340	39,690	-	(28,480)	20,690	2,490	48,560	71,740
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	-	-	-	1,100	-	4,690	-	5,790	19,940	-	25,730
Car Parking	-	74,130	105,320	-	126,680	57,800	(655,610)	(291,680)	18,660	6,780	(266,240)
Clinical Waste	-	(2,140)	-	-	-	-	-	(2,140)	19,500	-	17,360
Graffiti	-	(2,290)	-	-	-	-	-	(2,290)	4,220	1,750	3,680
Pest Control	-	13,970	-	-	-	-	-	13,970	3,310	1,070	18,350
Recycling	-	(367,240)	-	-	-	-	-	(367,240)	129,750	82,400	(155,090)
Refuse	-	596,920	-	-	-	-	-	596,920	104,890	121,230	823,040
Street Cleansing	-	593,460	-	-	-	-	(125,360)	468,100	74,200	36,710	579,010
Trade Refuse	-	134,940	-	-	207,870	-	(545,660)	(202,850)	31,260	19,070	(152,520)
	0	1,612,840	827,210	1,440	462,060	67,140	(1,741,360)	1,229,330	919,930	506,750	2,656,010
Percentage Direct Cost	0%	54%	28%	0%	16%	2%					

ENVIRONMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2016/2017

SERVICE / ACTIVITY	Original Estimate 2015/2016	Inflation	One off - items	Committed Growth	Compensatory savings	Reduction in Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£		£	£	£
Business and Technical Services											
Engineering	115,340	1,050	-	-	-	-	-	-	(5,490)	13,830	124,730
Surveying & Design	206,890	2,190	-	-	-	-	-	-	(8,500)	(8,100)	192,480
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	55,200	(10)	-	-	-	-	-	-	-	4,800	59,990
Cemeteries	247,560	(240)	-	-	-	-	-	-	(12,260)	51,470	286,530
Parks	798,310	1,250	-	15,000	-	-	-	-	(3,450)	(91,210)	719,900
Dog warden	50,340	-	-	-	-	-	-	-	-	40	50,380
Housing											
Public Health Burials	11,250	50	-	-	-	-	-	-	-	(8,530)	2,770
Wellbeing											
Environmental Health - Commercial	105,530	20	-	-	-	-	-	-	-	(19,750)	85,800
Environmental Health - Domestic	268,620	160	-	-	-	-	-	-	-	(100,410)	168,370
DIRECTOR OF ECONOMY											
Growth											
Street Scene	59,010	220	-	-	-	-	-	-	-	12,510	71,740
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	24,310	20	-	-	-	-	-	-	-	1,400	25,730
Car Parking	(106,050)	(5,890)	-	-	-	-	-	-	(150,000)	(4,300)	(266,240)
Clinical Waste	18,160	-	-	-	-	-	-	-	-	(800)	17,360
Graffiti	15,480	-	-	-	-	-	-	-	-	(11,800)	3,680
Pest Control	47,860	-	-	-	-	-	-	-	-	(29,510)	18,350
Recycling	(50,300)	-	-	-	-	-	-	-	-	(104,790)	(155,090)
Refuse	850,130	-	-	-	-	-	-	-	-	(27,090)	823,040
Street Cleansing	572,420	(2,460)	-	-	-	-	-	-	-	9,050	579,010
Trade Refuse	(113,790)	(8,110)	-	-	-	-	-	-	(15,480)	(15,140)	(152,520)
TOTAL COST	3,176,270	(11,750)	0	15,000	0	0	0	0	(195,180)	(328,330)	2,656,010

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
DIRECTOR OF COMMUNITIES		
Environment		
Foreshores	(18,310)	7,700
	(18,310)	7,700
Housing		
Adur Homes	(30,680)	7,610
	(30,680)	7,610
Wellbeing		
Community Wellbeing	544,350	553,320
Community Safety	166,260	170,020
Environment Health - Commercial	139,110	139,070
Environment Health - Licensing	95,290	77,120
	945,010	939,530
Business and Technical Services		
Business Services	46,220	42,150
Engineering	163,760	162,450
Energy & Sustainability	49,320	52,540
	259,300	257,140
TOTAL FOR HEALTH AND WELLBEING	1,155,320	1,211,980

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES											
Environment											
Foreshores	-	-	12,260	-	8,600	-	(90,090)	(69,230)	23,200	53,730	7,700
Housing											
Adur Homes	101,700	1,790	-	6,370	40,650	39,650	(269,870)	(79,710)	71,880	15,440	7,610
Wellbeing											
Community Wellbeing	24,850	254,710	1,200	-	222,540	-	(6,400)	496,900	56,420	-	553,320
Community Safety	-	126,020	1,300	-	25,750	-	-	153,070	16,950	-	170,020
Environment Health - Commercial	-	122,370	-	-	8,640	-	-	131,010	8,060	-	139,070
Environment Health - Licensing	-	143,920	-	-	12,960	-	(106,360)	50,520	26,600	-	77,120
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Business Services	-	39,990	-	-	-	-	-	39,990	2,160	-	42,150
Engineering	-	61,190	4,100	-	5,700	-	-	70,990	8,860	82,600	162,450
Energy & Sustainability	-	52,540	-	-	-	-	-	52,540	-	-	52,540
TOTAL COST	126,550	802,530	18,860	6,370	324,840	39,650	(472,720)	846,080	214,130	151,770	1,211,980
Percentage Direct Cost	10%	61%	1%	0%	25%	3%					

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2016/2017

SERVICE / ACTIVITY	Original Estimate 2015/2016	Inflation	One off - items	Committed Growth	Compensatory savings	Reduction In Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES											
Environment											
Foreshores	(18,310)	(1,300)	-	-	-	-	-	-	(4,290)	31,600	7,700
Housing											
Adur Homes	(30,680)	(3,590)	-	-	-	-	-	-	-	41,880	7,610
Wellbeing											
Community Wellbeing	544,350	20	-	-	-	-	-	-	-	8,950	553,320
Community Safety	166,260	540	-	-	-	-	-	-	-	3,220	170,020
Environment Health - Commercial	139,110	170	-	-	-	-	-	-	-	(210)	139,070
Environment Health - Licensing	95,290	(1,140)	-	-	-	-	-	-	-	(17,030)	77,120
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Business Services	46,220	-	-	-	-	-	-	-	-	(4,070)	42,150
Engineering	163,760	330	-	-	-	-	-	-	(6,770)	5,130	162,450
Energy & Sustainability	49,320	-	-	-	-	-	-	-	-	3,220	52,540
TOTAL COST	1,155,320	(4,970)	0	0	0	0	0	0	(11,060)	72,690	1,211,980

**CUSTOMER SERVICES
PORTFOLIO**

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
DIRECTOR OF COMMUNITIES		
Leisure		
Leisure Strategic Support	544,490	560,200
	544,490	560,200
DIRECTOR OF CUSTOMER SERVICES		
Revenues and Benefits		
Revenues	393,560	395,220
Benefits	156,310	167,120
	549,870	562,340
TOTAL FOR CUSTOMER SERVICES	1,094,360	1,122,540

ADUR - CUSTOMER SERVICES PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES											
Leisure											
Leisure Strategic Support	-	17,380	48,920	-	4,370	170,000	(9,120)	231,550	5,500	323,150	560,200
DIRECTOR OF CUSTOMER SERVICES											
Revenues and Benefits											
Revenues	-	4,100	-	-	-	501,960	(249,850)	256,210	139,010	-	395,220
Benefits	-	4,100	-	-	13,000	21,389,350	(21,415,910)	(9,460)	174,520	2,060	167,120
TOTAL COST	0	25,580	48,920	0	17,370	22,061,310	(21,674,880)	478,300	319,030	325,210	1,122,540
Percentage Direct Cost	0%	0%	0%	0%	0%	100%					

ADUR CUSTOMER SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2015/2016



SERVICE / ACTIVITY	Original Estimate 2015/2016	Inflation	One off - items	Committed Growth	Compensatory savings	Reduction in Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR OF COMMUNITIES											
Leisure											
Leisure Strategic Support	544,490	540	-	-	-	-	-	-	(15,000)	30,170	560,200
DIRECTOR OF CUSTOMER SERVICES											
Revenues and Benefits											
Revenues	393,560	1,960	-	-	-	-	-	-	(11,050)	10,750	395,220
Benefits	156,310	(4,660)	-	40,000	-	-	-	-	(11,050)	(13,480)	167,120
TOTAL COST	1,094,360	(2,160)	0	40,000	0	0	0	0	(37,100)	27,440	1,122,540

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
CHIEF EXECUTIVE		
Communications		
Performance and Scrutiny	15,750	9,870
	15,750	9,870
DIRECTOR OF COMMUNITIES		
Wellbeing		
Democratic Services	509,980	520,640
	509,980	520,640
DIRECTOR OF CUSTOMER SERVICES		
Elections		
Elections	140,280	177,270
	140,280	177,270
TOTAL for LEADER	666,010	707,780

ADUR - THE LEADER PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE Communications Performance and Scrutiny	-	3,980	-	-	-	-	-	3,980	5,890	-	9,870
DIRECTOR OF COMMUNITIES Wellbeing Democratic Services	205,010	78,020	-	-	18,720	-	(15,600)	286,150	234,490	-	520,640
DIRECTOR OF CUSTOMER SERVICES Elections Elections	42,660	81,750	-	-	41,900	-	(3,200)	163,110	10,060	4,100	177,270
TOTAL COST	247,670	163,750	0	0	60,620	0	(18,800)	453,240	250,440	4,100	707,780
Percentage Direct Cost	52%	35%	0%	0%	13%	0%					

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2016/2017

SERVICE / ACTIVITY	Original Estimate 2015/2016	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	15,750	-	-	-	-	-	-	-	(5,880)	9,870
DIRECTOR OF COMMUNITIES Wellbeing Democratic Services	509,980	3,790	-	27,000	-	-	-	(4,000)	(16,130)	520,640
DIRECTOR OF CUSTOMER SERVICES Elections Elections	140,280	810	42,000	-	-	-	-	-	(5,820)	177,270
TOTAL COST	666,010	4,600	42,000	27,000	0	0	0	(4,000)	(27,830)	707,780

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	68,310	87,350
Home Improvement Assistance	87,270	65,620
Housing	559,270	632,820
Housing Strategy	29,900	55,560
	744,750	841,350
DIRECTOR OF ECONOMY		
Grants		
Grants	38,340	105,830
	38,340	105,830
Growth		
Planning Policy	258,860	194,680
Major Projects	27,500	59,230
Development Control	384,970	415,340
Regeneration	187,400	256,680
	858,730	925,930
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Building Control	124,560	125,670
	124,560	125,670
TOTAL FOR REGENERATION	1,766,380	1,998,780

ADUR - REGENERATION PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£	£	£
DIRECTOR FOR COMMUNITIES											
Housing											
Adur Homes	34,890	1,080	473,400	430	530	-	(485,400)	24,930	62,420	-	87,350
Home Improvement Assistance	-	91,260	-	-	-	-	(33,110)	58,150	7,470	-	65,620
Housing	-	315,020	-	-	317,750	16,360	(122,480)	526,650	105,770	400	632,820
Housing Strategy	-	31,440	-	-	-	-	-	31,440	24,120	-	55,560
DIRECTOR OF ECONOMY											
Grants											
Grants	143,690	11,090	-	-	-	-	(143,100)	11,680	94,150	-	105,830
Growth											
Planning Policy	-	23,420	-	-	17,190	-	-	40,610	154,070	-	194,680
Major Projects	-	4,000	-	-	-	-	-	4,000	55,230	-	59,230
Development Control	-	541,680	-	-	8,330	5,200	(218,040)	337,170	78,170	-	415,340
Regeneration	-	180,110	-	-	42,430	-	-	222,540	34,140	-	256,680
DIRECTOR OF CUSTOMER SERVICES											
Building Control & Land Charges											
Building Control	-	285,460	-	-	-	-	(185,350)	100,110	25,560	-	125,670
TOTAL COST	178,580	1,484,560	473,400	430	386,230	21,560	(1,187,480)	1,357,280	641,100	400	1,998,780
Percentage Direct Cost	7%	58%	19%	0%	15%	1%					

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2016/2017



SERVICE / ACTIVITY	Original Estimate 2015/2016	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	68,310	(4,550)	-	-	-	-	-	-	23,590	87,350
Home Improvement Assistance	87,270	(650)	-	-	-	-	-	-	(21,000)	65,620
Housing	559,270	1,720	-	-	-	-	-	-	71,830	632,820
Housing Strategy	29,900	-	-	-	-	-	-	-	25,660	55,560
DIRECTOR OF ECONOMY										
Grants										
Grants	38,340	-	-	-	-	-	-	-	67,490	105,830
Growth										
Planning Policy	258,860	340	-	-	-	-	-	-	(64,520)	194,680
Major Projects	27,500	-	-	-	-	-	-	-	31,730	59,230
Development Control	384,970	(4,020)	-	-	-	-	-	-	34,390	415,340
Regeneration	187,400	170	-	6,100	-	-	-	-	63,010	256,680
DIRECTOR OF CUSTOMER SERVICES										
Building Control & Land Charges										
Building Control	124,560	(3,360)	-	-	-	-	-	(14,000)	18,470	125,670
TOTAL COST	1,766,380	(10,350)	0	6,100	0	0	0	(14,000)	250,650	1,998,780

SERVICE	ESTIMATE 2015/2016	ESTIMATE 2016/2017
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Other Buildings	227,890	239,300
	227,890	239,300
Finance		
Corporate Management	1,346,090	1,389,980
Treasury Management	590,330	647,800
	1,936,420	2,037,780
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	(254,700)	-
	(254,700)	-
DIRECTOR OF ECONOMY		
Growth		
Estates	(241,890)	58,990
	(241,890)	58,990
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Land Charges	(4,610)	(12,380)
	(4,610)	(12,380)
TOTAL FOR RESOURCES	1,663,110	2,323,690

ADUR - RESOURCES PORTFOLIO - 2016/2017 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Transfer to/from Reserves	Capital Charges	TOTAL BUDGET
	£		£	£	£	£	£	£	£		£	£
DIRECTOR FOR DIGITAL & RESOURCES												
Business and Technical Services												
Other Buildings	-	37,880	40,570	-	4,090	-	-	82,540	3,630	-	153,130	239,300
Finance												
Corporate Management	1,225,550	321,180	121,610	-	(9,360)	28,920	(508,580)	1,179,320	287,400	(62,420)	(14,320)	1,389,980
Treasury Management	-	-	-	-	-	-	(241,560)	(241,560)	62,480	-	826,880	647,800
DIRECTOR FOR COMMUNITIES												
Housing												
Adur Homes	-	-	-	-	-	-	-	0	-	-	-	0
DIRECTOR OF ECONOMY												
Estates												
Estates	-	70,180	126,570	-	14,720	-	(511,380)	(299,910)	170,130	-	188,770	58,990
DIRECTOR OF CUSTOMER SERVICES												
Building Control & Land Charges												
Land Charges	-	49,810	-	-	19,510	-	(92,050)	(22,730)	10,350	-	-	(12,380)
TOTAL COST	1,225,550	479,050	288,750	0	28,960	28,920	(1,353,570)	697,660	533,990	(62,420)	1,154,460	2,323,690
Percentage Direct Cost	60%	23%	14%	0%	1%	1%						

RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2016/2017



SERVICE / ACTIVITY	Original Estimate 2015/2016	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	227,890	770	-	-	-	-	-	(7,440)	18,080	239,300
Finance										
Corporate Management	1,346,090	32,690	-	91,000	-	-	-	(24,150)	(55,650)	1,389,980
Finance - others	-	-	-	-	-	-	-	-	-	0
Treasury Management	590,330	-	-	-	-	(32,160)	(13,000)	-	102,630	647,800
DIRECTOR FOR COMMUNITIES										
Housing										
Adur Homes	(254,700)	-	-	-	-	-	-	-	254,700	0
DIRECTOR OF ECONOMY										
Estates										
Estates	(241,890)	(8,260)	-	-	-	-	-	(30,000)	339,140	58,990
DIRECTOR OF CUSTOMER SERVICES										
Building Control & Land Charges										
Land Charges	(4,610)	(1,430)	-	-	-	-	-	-	(6,340)	(12,380)
TOTAL COST	1,663,110	23,770	0	91,000	0	(32,160)	(13,000)	(61,590)	652,560	2,323,690

**PROVISIONAL LOCAL GOVERNMENT SETTLEMENT
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Baseline funding level

The amount of an individual council's Start-up Funding Assessment for 2013-14 provided through the local share of the Estimated Business Rates Aggregate, uprated in line with the small business rates multiplier (set at the September forecast of the Retail Price Index, unless otherwise decided).

Billing authorities

A unitary council, or a lower tier council in a two-tier area, which collects the council tax for its own activities, and for those of the precepting authorities in its area. The billing authority passes on the precept receipts to each precepting authority in its area. These are the 326 billing authorities that collect council tax and business rates: district councils, London boroughs, and unitary councils. Before 1 April 2009 there were 354.

Business Rates

These rates, formally called national non-domestic rates, are the means by which local businesses contribute to the cost of providing local council services.

Business rates baseline

Determined for individual councils at the outset of the business rates retention scheme by dividing the local share of the Estimated Business Rates Aggregate (England) between billing authorities on the basis of their proportionate shares, before the payment of any major precepting authority share.

Business Rates Retention Scheme

The name given to the current system of funding local authorities through the local government finance settlement, set out in the Local Government Finance Act 2013. The local government sector retains 50% of the business rates they collect. In addition they also receive Revenue Support Grant to help support their services.

Control totals

These are the national totals for each of the individual elements within the local spending control total. They are determined as part of the Spending Review. It is also the name given to the size of each of the different elements within the Settlement Funding Assessment.

Council Tax

A local tax on domestic property, set by councils – calculated by deducting any funding from reserves, income it expects to raise and general funding it will receive from the Government – in order to meet its planned spending. 31

Council Tax Base

This is the number of Band D equivalent dwellings in a council area. To calculate the tax base for an area, the number of dwellings in each council tax band is reduced to take account of discounts and exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate.

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Council Tax Bands

There are eight council tax bands. How much council tax each household pays depends on the value of the homes. The bands are set out below.

Value of home estimated at 1 April 1991			Proportion of the tax due April 1991 for a band D property
Band A	Under	£40,000	66.7%
Band B	£40,001 -	£52,000	77.8%
Band C	£52,001 -	£68,000	88.9%
Band D	£68,001 -	£88,000	100%
Band E	£88,001 -	£120,000	122.2%
Band F	£120,001-	£160,000	144.4%
Band G	£160,001-	£320,000	166.7%
Band H	Over	£320,001	200%

Estimated Business Rates Aggregate

The total business rates forecast at the outset of the business rate retention scheme to be collected by all billing authorities in England in 2013-14. The Estimated Business Rates Aggregate is updated year on year in line with the change in the small business multiplier (usually the September Retail Price Index).

Floor damping

A method by which stability in funding is protected through limiting the effect of wide variations in grant. A floor guarantees a lower limit to a year-on-year change in grant. The grant amounts of councils who receive changes above the floor are scaled back by a fixed proportion to help pay for the floor.

Levy

Mechanism to limit disproportionate benefit from business rates. The levy is applied proportionally on a 1:1 basis (i.e. a 1% increase in business rates income results in an council getting a 1% increase in revenue from the rates retention scheme) but with a limit on the maximum levy rate that is imposed, at 50p in the pound. Levy payments are used to fund the safety net.

Local government finance settlement

The local government finance settlement is the annual determination of funding distribution as made by the Government and debated by Parliament. 32

Local government spending control total

The total amount of expenditure for Revenue Support Grant in the Department for Communities and Local Government's Local Government Departmental Expenditure Limit plus the local share of the Estimated Business Rates Aggregate that is allocated to the local government sector by Government for each year of a Spending Review.

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Local share

The percentage share of locally collected business rates that is retained by local government. This is set at 50%.

Lower tier councils

Councils that carry out the functions which in shire areas with two tiers of local government are carried out by shire districts. They are the same councils as billing authorities.

Multiplier

The business rates multiplier which, when multiplied by the rateable value of a property, determines a ratepayer's business rate bill. There are two multipliers – one for small businesses and one for larger businesses. These are set nationally. The small business multiplier is updated annually by the Retail Price Index, unless the Government decides otherwise and the other multiplier adjusted accordingly, to fund rate relief for small businesses.

Precept

This is the amount of council tax income all billing and precepting authorities need to provide their services. The amounts for all authorities providing services in an area appear on one council tax bill, which is administered by the billing authority.

Precepting authority

An authority or body that does not collect council tax or business rates but is part of the business rates retention scheme. This is an authority which sets a precept to be collected by billing authorities. County councils, police authorities, the Greater London Authority, single purpose fire and rescue authorities and parish councils are all precepting authorities.

Proportionate share

This is the percentage of the national business rates yield which a council has collected on the basis of the average rates collected by councils over the two years to 2011-12. This percentage was applied to the local share of the 2013-14 Estimated Business Rates Aggregate to determine the billing authority business rates baseline.

Receiving authorities

These are the 421 authorities that are eligible to receive Revenue Support Grant (billing authorities plus county councils and fire and rescue authorities). 33

Reserves

This is a council's accumulated surplus income (in excess of expenditure) which can be used to finance future spending.

Revenue Support Grant

A Government grant which can be used to finance revenue expenditure on any service.

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Ringfenced grant

A grant paid to councils which has conditions attached to it, which restrict the purposes for which it may be spent.

Safety net

Mechanism to protect any council which sees its business rates income drop, in any year, by more than 7.5% below its baseline funding level (with baseline funding levels being updated by the small business rates multiplier for the purposes of assessing eligibility for support).

Sets of services

There are four sets of services, corresponding to the services supplied by the four types of local authorities (although some councils may provide more than one tier of service). These are:

- upper-tier services – those services, other than fire, supplied by county councils in two-tier areas, and described in this consultation as relating to ‘social care councils’
 - police services
 - fire and rescue services
- lower-tier services – those services supplied by district councils (‘non-social care councils’ in the consultation) in two-tier areas.

Settlement core funding

The definition of settlement core funding for this purpose takes into account the main resources available to councils, which for this purpose comprise:

- Council Tax income from 2015-16 (including any Council Tax Freeze Grant)
- the Settlement Funding Assessment, comprising:
 - estimated business rates income (baseline funding level under the rates retention scheme)
 - Revenue Support Grant.

Settlement Funding Assessment

Previously referred to as Start-Up Funding Assessment. It comprises at a national level the total Revenue Support Grant and the local share of Estimated Business Rates Aggregate for the year in question. On an individual council level it comprises each council’s Revenue Support Grant for the year in question and its baseline funding level, updated year-on-year in line with the September forecast of the Retail Price Index, unless otherwise decided. 34

Specific grants

Grants paid under various specific powers, but excluding Revenue Support Grant or area-based grant. Some specific grants are ringfenced.

**PROVISIONAL LOCAL GOVERNMENT SETTLEMENT
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Specified body

This is the term used for a body or bodies which are directly funded from Revenue Support Grant, and which provide services centrally for local government as a whole.

Tariffs and top ups

Calculated by comparing at the outset of the business rate retention scheme an individual council's business rates baseline against its baseline funding level. Tariffs and top ups are self-funding, fixed at the start of the scheme and updated year-on-year in line with the September forecast of the Retail Price Index, unless otherwise decided.