Adur District Council

Communities Directorate

27 January 2017

Adur Executive Committee

Date: **Tuesday 7 February 2017**

Time: **7pm**

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

Adur Executive: Councillors Neil Parkin (Leader), Angus Dunn (Deputy Leader), Carson Albury, Brian Boggis, Emma Evans 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 Questions

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 2017/18

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 2017/18 and Setting of the 2017/18 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Part B - Not for Publication – Exempt Information Reports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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Executive
7th February, 2017
Agenda Item No: 4

HOUSING REVENUE ACCOUNT – BUDGET 2017/18

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 2017/18. The report also considers some of the strategic challeges facing the Housing Revenue Account over the next few years.

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 2017/18.

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 in the period 2016/17 – 2019/20.

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 2017/18 onwards.

2.5 The challenge of creating a sustainable business plan was made more difficult by the announcement last year 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 Osbourne 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 4 years. Officers are recommending a reduction of 1% in line with the requirements of the Welfare Reform and Work Act..

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.

2.8 Adur Consultative Forum members will be invited to attend the Executive meeting to relay their views on the budgetary proposals.

3.0 STRATEGIC RISKS AND CHALLENGES

3.1 There are some specific challenges faced by the Housing Revenue Account over the next 5 years which will influence the 30 year business plan.

- Rent limitation
- Impact of Right to Buy and sale of higher value properties.
- Changes to Housing Benefit and Welfare Reform
- Outcome of the condition survey (including fire protection works)
- Changes to accounting practice

3.2 Rent limitation

3.2.1 The rent limitation measures announced by the Chancellor last year have had a profound impact on the HRA. Over the next five years, the Council will lose a substantial amount of rental income as follows:

	Budget 2016/17	Budget 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	-12,246	-12,124	-12,003	-11,883	-12,239
Income with inflationary increase (CPI + 1%)	-12,594	-12,972	-13,361	-13,762	-14,174
Income lost due to rental limitation	348	848	1,358	1,879	1,935

3.0 STRATEGIC RISKS AND CHALLENGES

3.2 Rent limitation

3.2.2 Once rent limitation comes to an end, the Council is unlikely to recover the lost income largely due to the government's rent guidelines which are likely to limit future rent increases to no more than inflation plus 1%.

3.2.3 The fall in income to the HRA will limit the scope to address both the issues raised by the condition surveys and the ability to invest in new properties although the Council remains committed to the redevelopment of Cecil Norris House and small scale development using the land owned by the HRA.

3.2.4 However, the Council will be faced with setting a deficit budget over the next few years as it grapples with the fall in rental income and the need to invest in council homes.

3.3 Impact of Right to Buy and Sale of Higher Value Properties

3.3.1 Council housing stock numbers have reduced over the past few years and will continue to decline in the short term as follows:

	2014/15	2015/16	2016/17 (Estimate)	2017/18 (Estimate)
Stock at 1st April	2,631	2,617	2,609	2,601
Plus: Additions - Note(1)	2	1	0	0
Less: Right to Buy sales	16	9	8	8
Less: Disposals	0	0	0	0
Stock at 31st March	**2,617**	**2,609**	**2,601**	**2,593**

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.*

3.3.2 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.

3.3.3 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 are the principles contained in the 2012 CLG publication "Reinvigorating Right To Buy and One For One Replacement – Information for Local Authorities"

3.0 STRATEGIC RISKS AND CHALLENGES

3.3 **Impact of Right to Buy and Sale of Higher Value Properties**

3.3.4 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.

3.3.5 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%.

3.3.6 Properties may be built by Adur Homes or another Registered Provider. Receipts from RTB will be returned to Government if we cannot allocate the receipts to any new homes.

3.3.7 ***Sale of higher value properties***

In addition to the policy on Right to Buy, the Housing and Planning Act contains provisions that may require local authorities to make a payment to Government based on the estimated value of their high value vacant housing which will be used to fund the proposed extension of the Right to Buy to Housing Association tenants.

The legislation will not mandate which specific properties the local authority will be required to sell. However, to fund the payment the Council will be obliged to sell housing properties as they become vacant.

To date the Secretary of State for Communities and Local Government has not required any Council to make such a payment.

3.0 STRATEGIC RISKS AND CHALLENGES

3.3.8 The impact of both the Right to Buy policy and potentially the requirement to sell higher value properties has significant implications for both the HRA and the wider housing strategy. The Council will see a fall in the number of affordable housing units for rent in the area. The limitation on land availability makes it difficult to build additional units to replace those lost whether these are built directly by the Council or via others. Current demand for affordable housing far outstrips supply which has inevitable consequences for the local community. The loss of units will also compromise the financial viability of the HRA as outlined in paragraph 3.3.3.

3.4 **Changes to Housing Benefit and Welfare Reform**

3.4.1 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 implemented across the Country with implementation of Universal Credit expected in 2018 locally.

3.4.2 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.

3.4.3 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 and it is paid 6 weeks in arrears. The decision that benefit is to be spent on rent, as opposed to other expenditure, is in the hands of the individual recipient.

3.4.4 Research recently undertaken by the National Federation of Arm's-Length Management Organisations (NFA) and the Association for Retained Council Housing (ARCH), which together represent more than one million council homes in England, found the percentage of council home tenants in receipt of Universal Credit who are in rent arrears has increased by seven percentage points – from 79% in March last year to 86%.This compares with 39% of tenants in arrears who do not receive Universal Credit. Consequently as Universal credit is rolled out the Council may well see an increase in rent arrears, however the interim Head of Housing is currently assessing how the Council can best engage with such tenants to ensure that arrears are minimised,

3.4.5 Data from CenSus indicate that approximately 1825 or 70% of Adur Homes tenants are in receipt of housing benefit. No tenants are currently affected by the under occupancy charge.

3.4.6 In the year up to (and including December 2016), a total of 7 Adur Homes households have been assisted by a Discretionary Housing Payment. The data does not record whether this is due to rent arrears caused benefit changes. 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.

3.0 STRATEGIC RISKS AND CHALLENGES

3.4 Changes to Housing Benefit and Welfare Reform

3.4.7 The benefit changes will continue to present a challenge for 2017/18. Furthermore, changes to welfare benefits and the introduction 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 2016 (to date) there have been eight tenancies terminated for arrears. although none of these were due to the under occupation charge. (Between 1 April 2015 and 31 March 2016 there were three tenancies terminated for arrears).

3.4.8 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. Additionally, the Introductory Tenancies provides the opportunity to support new households, which includes financial support to prevent people from falling into arrears.

3.5 Outcome of the condition survey

3.5.1 A stock condition survey was undertaken earlier in the year. This revealed that the Council needs to invest £33m over the next 5 years. This had already been recognised when the 2016/17 capital strategy had been discussed, which recommended increasing the level of investment in new schemes from £3.7m to £5.1m (including £400k for new build schemes), an increase of £1.4m. However this will not be sufficient to meet the immediate investment needs of the housing stock.

3.5.2 The dilemma that the Council faces is how to balance the need to spend more on the current stock with the need to provide more Council housing to meet local need at a time when rental income is falling. However, the lack of investment in the current stock has significant implications.

3.5.3 The Council currently spends £1.8m (£698.58 per property) on revenue responsive maintenance on occupied properties which is higher than the benchmark figure of £645.98 per property. The level of spend reflects the under investment in the condition of the properties, and increasing the capital programme should reduce the level of spend on revenue maintenance in future. Consequently, the 30 year business plan assumes that the level of capital investment will increase over the next few years with a reducing level of revenue investment as follows:

Proposed budgets	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital maintenance programme	4,700	5,290	5,900	6,518	7,148
Proposed increase		590	610	618	630
Revenue maintenance (excluding voids)	1,811	1,797	1,783	1,719	1,653
Estimated reduction		-14	-14	-64	-66

3.0 STRATEGIC RISKS AND CHALLENGES

3.5 Outcome of the condition survey

Once the backlog maintenance issues have been addressed, the level of investment required each year is expected to fall.

3.5.4 To minimise the financial impact of such a substantial increase in the capital programme upon the HRA, it is recommended that the annual set-aside for the repayment of debt is temporarily suspended (£1.7m) and that these resources are used to increase the size of the capital programme. Once the Council has addressed the backlog maintenance and returned to financial stability then these payments will resume.

3.5.5 There may be other benefits to addressing the backlog maintenance. The contact centre receives a considerable level of calls each year from tenants reporting issues with their properties. By improving the quality of the property, the level of calls should also reduce.

3.6 Changes to accounting practice

3.6.1 Earlier in the year the Council consulted on proposed changes to depreciation accounting. Under the previous guidance, the Council charged an amount for depreciation to the HRA which was equivalent to the Major Repairs Allowance which was then set aside to fund capital expenditure.

3.6.2 Under the new guidance, the Council will be obliged to charge depreciation to the HRA but this will be transferred to the Major Repais Reserve and can then be used to fund capital expenditure or repay debt.

3.6.3 Depreciation is substantially higher than the Major Repairs Allowance, however within the HRA there is also a provision to repay debt and revenue set-asides to fund capital expenditure. Consequently, the implications of this change can be accommodated as follows:

	2016/17	**2017/18**
	£'000	**£'000**
Depreciation	2,202	4,407
Set-aside for loan repayments	1,717	-
Contribution to new development and acquisition reserve	311	-
Revenue contribution to capital outlay	207	-
Overall	4,437	4,407

3.6.4 The Council then has the option of using the Major Repairs Allowance to either pay for capital investment or the repayment of debt although in the period 2017/18 – 2021/22 the reserve will be used to fund capital expenditure whilst the Council addresses the issues raised by the condition survey (see paragraph 3.5.4 above).

4.0 THE HOUSING REVENUE ACCOUNT FOR 2017/18

4.1 The projected expenditure and income for the HRA in 2017/18 is as follows:-

	Estimate 2017/18	
	£'000	**£'000**
Expenditure		
Supervision and management	3,862	
Rent, rates, taxes and other charges	43	
Repairs and maintenance	2,798	
Depreciation	4,407	
Interest payments	2,316	
Movement in provision for bad debt	50	13,476
Income		-13,331
Net (Surplus)/Deficit for the year		145
Proposed contribution to /(from) earmarked reserves		-
Overall position for the year		145
Balance brought forward 1st April, 2017		-2,074
Balance carried forward 31st March, 2018		**-1,929**

More detailed estimates for the Housing Revenue Account for 2016/17 and 2017/18 are shown in Appendix 1.

4.2 These projections take into account the budget from 2016/17, 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:

Expenditure:	**£'000**
2016/17 budget	13,359
Impact of inflation	131
Impact of transition to depreciation accounting	-35
Other minor changes	21
2017/18 budget	**13,476**
Income:	
2016/17 budget	-13,358
Impact of 1% rent decrease	120
Improved voids management	-78
Impact of Right to Buy	21
Fall in income from garage rents to reflect current demand	5
Adjustment to service charges to reflect latest costs	-41
2017/18 budget	**-13,331**

4.0 THE HOUSING REVENUE ACCOUNT FOR 2017/18

4.3 The 2017/18 budget shows a deficit position, this results from a combination of factors including the rent reduction of 1% costing the Council £0.5m in real terms in the first year and the need to increase the capital investment programme to address maintenance issues with the current housing stock. 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 2018/19, the challenge of reducing rental income will become ever harder, with a need for services to be delivered as efficiently as possible. However, whilst rent limitation remains in place, the Council may be faced with a deficit budget whilst it addresses the current condition of the housing stock. Once rent limitation comes to an end, the financial position of the HRA will improve albeit over a number of years.

5.0 RENT SETTING FOR 2017/18

5.1 Rent setting for the HRA is currently governed by the The Social Housing Rents (Exceptions and Miscellaneous Provisions) Regulations 2016 which mandate that all rents must be reduced by 1% per year.

5.2 In 2016/17 most rents were reduced by 1% reducing the average council dwelling rent by £0.93 to £91.99 per week.

5.3 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 2017/18 is calculated at £98.36.

5.4 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 £8 below the formula rent the income shortfall represents £1.1m. 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

5.5 The **average rental decrease recommended** for 2017/18 is in line with the Welfare Reform and Work Act. The required rental decrease is 1%**.** This will decrease the average rent by £0.92 from £91.99 to **£91.07.** This rent reduction will apply to all current tenants.

5.6 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 2017/18, the current limit for Adur is £95.05.

5.7 It is intended to relet vacant properties to new tenants at target rent. This policy will not be applied to transfers or mutual exchanges.

5.0 RENT SETTING FOR 2017/18

5.8 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%.

It is intended to revert to this policy once the current Government rent limitation policy comes to an end.

Garage Rents

5.9 Garage rents were increased by 5.0% in 2016/17 to £9.48 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2017/18 by 2% to £9.67. These proposals will generate an extra £10,700 in income.

6.0 DEBT FINANCING COSTS

6.1 The debt financing costs chargeable to HRA in 2017/18 relate to interest payments. From 2017/18 any Voluntary Revenue Provision set aside for the repayment of the debt will be charged to the Major Repairs Reserve.

The costs relate to three types of debt:

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 or to refinance existing debt.

6.2 The budgeted costs are:

2017/18 Budget	Interest £000
Historic Debt	974
Settlement Debt	1,280
New Borrowing	62
Total Budget	**2,316**

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.

7.2 The budget for routine repair and maintenance has been increased by 2% which is 0.4% 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 hosing 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 (£4.4m). This contribution is ring-fenced for repayment of debt or for direct financing of capital and maintenance expenditure;

(iii) capital receipts from the sale of Council houses; and

(iv) prudential borrowing (subject to affordability), but overall borrowing must be contained within the Debt Ceiling of £68.912m set by Central Government.

7.3.3 The HRA capital renovation programme for 2017/18 was approved at £5.1m by the Joint Strategic Committee at its meeting of 6th December, 2016 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.

7.0 REPAIRS AND MAINTENANCE

7.3 Housing Capital Investment Programme

It should be noted that a stock condition survey recently undertaken has highlighted the need to increase the level of investment in future years. This is discussed in more detail in paragraph 3.5.

7.3.4 The programme also included an allowance for developing New Homes (£0.4m).

7.3.5 A detailed analysis of both the revenue maintenance spend and the capital spend is currently being undertaken to ensure that expenditure is targeted effectively.

8.0 SERVICE CHARGES – CONTRACT PRICE INCREASES

8.1 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.

8.2 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 Executive Member, Customer Services, authority to defer such an increase to a more cost-effective date.

9.0 REALLOCATIONS OF SALARIES AND CENTRAL COSTS

9.1 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. These costs are reviewed each year as part of the budget setting process.

10.0 LEVEL OF RESERVE BALANCES

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

10.0 LEVEL OF RESERVE BALANCES

Reserves	Forecast Balance at 01/04/16	Increase	Decrease	Forecast balance at year end 2016/17
	£000's	**£000's**	**£000's**	**£000's**
Housing Revenue Account	2,074	-	-	2,074
Discretionary Assistance Fund	116	-	-	116
New Development and Acquisition Fund	1,554	311	70	1,795
Business Development Fund	250	-	80	170
Major Repair Reserve	-	2,200	2,200	-
TOTAL	**3,994**	**2,511**	**2,350**	**4,155**

10.2 HRA general reserve balances are forecast to be £2.074m at 1st April 2017 and 15.4% of total expenditure. This is over the target level explained in Para 10.3 below, but reflective of the emphasis placed in securing resources to underpin revenue operations and capital expenditure in future years.

10.3 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.

10.4 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 and future risks surrounding revenues and costs (including the impact of the impending welfare reforms, the impact of rent limitation 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.

10.5 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 2017/18 capital budget includes provision for £4.3m to be utilised for financing HRA capital expenditure, comprising the carried forward balances and in-year contributions.

10.6 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.

11.0 IMPACT ON FUTURE YEARS

11.1 Attached at appendix 2 is the 30-year financial forecast. The focus for the 2017/18 budget has been to ensure that the HRA remains sustainable in the longer term whilst ensure that the issues raised by the condition survey are addressed. As with 2016/17, the proposed budget for 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.

11.2 The financial plan assumes that there are rent decreases for the next three 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%). The rent decrease places the HRA under significant financial pressure at the very time when the Council needs to invest more in maintaining the housing stock.

11.3 The Council has managed the impact of the falling rent levels in the first two years, setting a balanced budget in 2016/17 and with only a limited withdrawal from reserves planned for 2017/18. However the HRA will become increasing reliant on reserves over the following two years whilst the rent level remain constrained drawing down funds from the reserve. Once rent limitation comes to an end, the Council should be able to restore the reserves to the previous levels.

	2017/18	2018/19	2019/20	2020/21	2020/21
	£'000	£'000	£'000	£'000	£'000
Balance at the start of the year	2,074	1,929	1,594	1,035	845
Expected drawdown	-145	-335	-559	-190	142
Balance at the end of the year	1,929	1,594	1,035	845	987

There does remain a risk however that rent limitation will continue on beyond 2019/20.

11.4 The financial strategy within the 30-year forecast also includes the MRP allowance for the repayment of the debt once the maintenance backlog has been addressed, 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 £61.5m. This means that the Council's headroom for borrowing is £7.409m for 2017/18. This is in addition to future borrowing required for the current capital programme over the next 3 years.

11.5 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 Albion Street

2. Redevelopment of Cecil Norris House.

11.0 IMPACT ON FUTURE YEARS

3. Repurchase of previously owned Council dwellings (particularly leasehold flats).

4. 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.

11.6 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.

12.0 SUMMARY AND RENTAL OPTIONS

12.1 The Council has no option but to decrease rents for the next three 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.

13.0 LEGAL IMPLICATIONS

13.1 The Welfare Reform and Work Act 2016 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.'*

13.2 The Housing and Planning Act give the Secretary of State the power to issue a determination that requires any Local Housing Authority in England to make a payment to the Secretary of State in respect of any given financial year that represents an estimate of:

1. the market value of the authority's interest in any higher value housing that is likely to become vacant during the year, less

2. any costs or other deductions of a kind described in the determination.

13.3 There are no other legal implications arising from the proposed budget other than those relating to :

13.0 LEGAL IMPLICATIONS

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.

14.0 RECOMMENDATIONS

14.1 The Executive 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 2017/18:-

(a) **Rents of Council Dwellings (except supported housing)** – agree a decrease of 1.0% reducing the average council dwelling rent by £0.92 to £91.07 per week (average rent currently £91.99 per week) – (Para.5.5)

(b) **Rents of Council garages** – agree an increase of 2.0% to £9.67. (currently £9.48 per week), plus VAT for non-Council tenants) (Para.5.9)

(c) **Service Charges** - delegate to the Head of Housing and Chief Financial Officer in consultation with the Executive Member for Customer Services, the setting of the service charges (para. 8.2)

(iii) 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 2016/17 - 2019/20

Welfare Work and Reform Act 2016

2014/15 Housemark Benchmarking Survey

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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 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.

APPENDIX 1

HOUSING REVENUE ACCOUNT

	ORIGINAL ESTIMATE 2016-17	ESTIMATE 2017/18
	£	£
EXPENDITURE		
General Management	3,032,520	3,671,240
Special Services	812,770	191,170
Rent, Rates, Taxes & Other Charges	44,400	42,830
Repairs & Maintenance	2,659,880	2,798,310
Depreciation	2,201,840	4,406,760
Bad/Doubtful Debt	50,000	50,000
Provision for refurbishment and new build	311,000	-
Capital Financing Costs		
Loan Repayments	1,717,000	-
Interest charges	2,322,240	2,315,330
Revenue Contributions to Capital	207,190	-
TOTAL EXPENDITURE	**13,358,840**	**13,475,640**
INCOME		
Dwelling Rents	(12,246,470)	(12,183,440)
Non-Dwelling Rents	(550,790)	(545,130)
Heating and Service Charges	(370,380)	(365,090)
Leaseholder's Service Charges	(163,200)	(209,000)
Interest Received	(28,000)	(28,000)
TOTAL INCOME	**(13,358,840)**	**(13,330,660)**
NET (SURPLUS)/DEFICIENCY	**-**	**144,980**

APPENDIX 2

HOUSING REVENUE ACCOUNT	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	2025/26 £'000
EXPENDITURE										
General Management	3,033	3,671	3,745	3,820	3,896	3,974	4,053	4,134	4,217	4,301
Special Services	813	191	195	199	203	207	211	215	220	225
Rents, Rates, Taxes & Other Charges	44	43	44	45	45	46	47	48	49	50
OVERALL RUNNING COSTS	3,890	3,905	3,984	4,064	4,144	4,227	4,311	4,397	4,486	4,576
Annual Revenue Maintenance Costs	2,659	2,798	2,752	2,739	2,659	2,577	2,595	2,665	2,735	2,808
Revenue Contributution to Capital	207	0	0	0	0	0	0	516	690	883
Charges for Capital										
Depreciation	2,202	4,407	4,495	4,585	4,631	4,677	4,724	4,866	5,012	5,162
Minimum Revenue Provision	1,717	0	0	0	0	0	0	0	0	0
Interest payable										
Interest - on historic debt	974	974	974	974	974	974	974	974	963	938
Interest - on assumed debt	1,348	1,313	1,296	1,278	1,259	1,241	1,223	1,205	1,187	1,169
Interest - on capital programme	0	28	31	34	36	85	146	160	160	160
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
Contribution to Reserves	311	0	0	0	0	0	0	0	0	0
TOTAL EXPENDITURE	13,358	13,475	13,582	13,724	13,753	13,831	14,023	14,833	15,283	15,746
INCOME										
Dwelling Rents	-12,246	-12,183	-12,062	-11,941	-12,299	-12,668	-13,048	-13,440	-13,843	-14,258
Other Rents and Charges	-1,084	-1,119	-1,157	-1,196	-1,236	-1,277	-1,321	-1,365	-1,412	-1,460
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-13,358	-13,330	-13,247	-13,165	-13,563	-13,973	-14,397	-14,833	-15,283	-15,746
NET COST OF SERVICES	**0**	**145**	**335**	**559**	**190**	**-142**	**-374**	**0**	**0**	**0**

APPENDIX 2

HOUSING REVENUE ACCOUNT

	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	2035/36 £'000
EXPENDITURE										
General Management	4,387	4,497	4,610	4,725	4,843	4,964	5,088	5,215	5,346	5,479
Special Services	228	234	240	246	252	258	265	272	279	285
Rents, Rates, Taxes & Other Charges	51	52	54	55	56	58	59	61	62	64
OVERALL RUNNING COSTS	4,666	4,783	4,904	5,026	5,151	5,280	5,412	5,548	5,687	5,828
Annual Revenue Maintenance Costs	2,884	2,962	3,038	3,149	3,266	3,386	3,510	3,638	3,771	3,911
Revenue Contributution to Capital	1,064	1,256	1,455	1,573	1,689	1,821	1,951	2,021	2,140	2,258
Charges for Capital										
Depreciation	5,317	5,477	5,641	5,867	6,102	6,346	6,600	6,864	7,139	7,425
Interest payable										
Interest - on historic debt	932	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	1,151	1,099	1,047	996	944	892	841	789	737	685
Interest - on capital programme	160	160	160	160	160	146	132	129	127	124
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	16,224	16,719	17,227	17,753	18,294	18,853	19,428	19,971	20,583	21,213
INCOME										
Dwelling Rents	-14,686	-15,127	-15,580	-16,048	-16,529	-17,025	-17,536	-18,062	-18,604	-19,162
Other Rents and Charges	-1,510	-1,564	-1,619	-1,677	-1,737	-1,800	-1,864	-1,931	-2,001	-2,073
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-16,224	-16,719	-17,227	-17,753	-18,294	-18,853	-19,428	-20,021	-20,633	-21,263
NET COST OF SERVICES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-50**	**-50**	**-50**

APPENDIX 2

HOUSING REVENUE ACCOUNT	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	2045/46 £'000
EXPENDITURE										
General Management	5,616	5,757	5,901	6,048	6,199	6,354	6,513	6,676	6,843	7,014
Special Services	292	300	307	315	323	331	339	348	356	365
Rents, Rates, Taxes & Other Charges	66	67	69	71	72	74	76	78	80	82
OVERALL RUNNING COSTS	5,974	6,124	6,277	6,434	6,594	6,759	6,928	7,102	7,279	7,461
Annual Revenue Maintenance Costs	4,053	4,201	4,355	4,513	4,679	4,850	5,028	5,211	5,401	5,598
Revenue Contributution to Capital	2,422	2,598	2,726	2,840	2,952	3,063	3,159	3,215	3,270	3,322
Charges for Capital										
Depreciation	7,722	8,031	8,352	8,686	9,033	9,394	9,770	10,161	10,567	10,990
Interest payable										
Interest - on historic debt	932	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	634	582	530	479	427	375	336	336	336	336
Interest - on capital programme	75	14	0	0	0	0	0	0	0	0
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	21,862	22,532	23,222	23,934	24,667	25,423	26,203	27,007	27,835	28,689
INCOME										
Dwelling Rents	-19,737	-20,329	-20,939	-21,567	-22,214	-22,880	-23,567	-24,274	-25,002	-25,752
Other Rents and Charges	-2,147	-2,225	-2,305	-2,389	-2,475	-2,565	-2,658	-2,755	-2,855	-2,959
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-21,912	-22,582	-23,272	-23,984	-24,717	-25,473	-26,253	-27,057	-27,885	-28,739
NET COST OF SERVICES	**-50**	**-50**	**-50**	**-50**	**-50**	**-50**	**-50**	**-50**	**-50**	**-50**

APPENDIX 3

1.0 INTRODUCTION

1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2017-18. 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 treasury management and investment strategies presented and proposed for 2017/18 are unchanged from 2016/17, 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. However, in order to provide additional capital funding to address a backlog of maintenance, the Voluntary Revenue Provision will be suspended for at least 10 years.

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) Uninvested 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

The central aim of the Strategy agreed for 2016/17 and unchanged for 2017/18 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 arrangements (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 this provides a key prudential indicator for performance management. The HRA Debt Limit is £68.912m. The current estimates, based on the capital investment programme for the next three years, are shown in the table below:

Adur District Council	2015/16 Actual £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	15.003	15.918	30.231	35.380	40.338
Housing Revenue Account	61.819	60.103	60.103	60.103	60.103
Total CFR	**76.822**	**76.021**	**90.334**	**95.483**	**100.441**
Actual Debt					
General Fund	(12.978)	(12.968)	(26.100)	(30.194)	(34.104)
Housing Revenue Account	(61.290)	(59.581)	(57.875)	(56.169)	(54.462)
Total Debt Amount	**(74.268)**	**(72.549)**	**(83.975)**	**(86.363)**	**(88.566)**
(Over)/Under Borrowing					
General Fund	2.025	2.950	4.131	5.186	6.234
Housing Revenue Account	0.529	0.522	2.228	3.934	5.641
Total	**2.554**	**3.472**	**6.359**	**9.120**	**11.875**
HRA Borrowing Headroom	**7.622**	**9.331**	**11.037**	**12.743**	**14.450**

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2017/18-2019/20 submiited to the meeting of the Joint Strategic Committee on 2nd February 2017).

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 2015/16 by £529k, reflecting the amount by which debt outstanding and Minimum Revenue Provision (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 changes 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 2017/18 to 2019/20 the CFR is projected to be below the debt as reflected in the capital investment proposals to be approved by the meeting of the Joint Strategic Committee on 2nd February 2017.

4.0 THE DEBT MATURITY PROFILE AND HEADROOM FOR NEW BORROWING

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 2019/20 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 the effect was negligible.

5.4 For historic debt at the transition date, the two pooled approach assumed the HRA was fully borrowed at the level of its CFR, with the residual debt attributed to the General Fund. Thus, any over borrowing at that date was attributed to the General Fund, rather than shared with the HRA. The effect at 31 March 2012 of applying the two pooled approach was:

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

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

6.1 Before 2012/13, the former subsidy system provided for a statutory determination – the Item 8 credit – to attribute interest on notional average HRA cash balances to the HRA Comprehensive Income and Expenditure statement.

6.2 This recognised the general principal that the HRA should benefit from its cash balances and reserves, and the introduction of the self-financing arrangements did not alter this principle.

6.3 The Strategy adopts the CIPFA recommended approach for all investments to be pooled, since it states that the "interest on cash balances calculation can be used to manage the charge between HRA and General Fund". Accordingly, to do this the Strategy retains the use of the notional average cash balance approach used within the former Statutory Item 8 calculation as the basis for crediting the HRA share of interest receivable.

HRA TREASURY MANAGEMENT STRATEGY

7.0 HOW TO RECOGNISE ANY COSTS OR REVENUES GENERATED FROM OVER/UNDER BORROWING

7.1 In practice it is recognised that there will be timing differences between the Council's underlying need to borrow (the CFR) and actual borrowing.

7.2 Where under borrowing occurs, the Council is drawing upon internal reserves and balances to fund capital expenditure, and therefore bears the cost of interest foregone on the amount of cash consumed that might otherwise be invested.

7.3 Conversely, where over borrowing occurs surplus cash to requirements is held that forms part of surplus cash available for investment. This may arise where borrowing for capital expenditure is undertaken in advance of actual expenditure to take advantage of low interest rates.

7.4 In both scenarios the CIPFA Treasury Management code states that the effect should be included in the interest on balances calculation to appropriately allocate the respective portions to HRA and General Fund.

7.5 Accordingly, the Strategy adopts the approach whereby the relevant credit or debit shall be computed with reference to the difference between the HRA and General Fund CFR and the respective actual debt during the year. Where an over-borrowing position occurs interest shall be credited 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 BUDGET ESTIMATES 2017/18 AND SETTING OF 2017/18 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 2017/18 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2017/18, prior to its submission to the Council for approval on the 23rd February 2017. 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 and any committed growth. The report also updates members about the impact of the draft 2017/18 settlement.

1.3 The major points raised within the report include:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for another 2-5 years (see section 3.2) ;
- The Executive will need to consider whether to increase Council Tax by maximum level possible of 2% or by a lower amount (paragraph 5.10).

1.4 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2017/18 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (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 2017/18 of £5.00 or 3.36%. The proposed 2017/18 budget was considered by the Sussex Police and Crime Panel (PCP) on 20th January 2017 and an increase of £5.00 was approved.

1.0 SUMMARY

1.6 The Chancellor's Autumn Statement in November 2016 contained very little that impacted directly on Local Government.

1.7 The draft Local Government Settlement confirmed that a 3% 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 5% 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 17th February 2017. The formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 23rd February 2017.

1.9 The following appendices have been attached to this report:

(i)	**Appendix 1**	Revenue Budget Summary Statement 2016/17 – 2021/22
(ii)	**Appendix 2**	Schedule of Earmarked Reserves
(iii)	**Appendix 3**	Property Analysis & Calculation of Tax Base
(iv)	**Appendix 4**	Adur Budget 2017/18 – Summary of Executive Member Portfolios
(v)	**Appendix 5**	Glossary of technical terms used in Local Government Settlement

2.0 BACKGROUND

2.1 The Joint Strategic Committee considered the 'Outline 5-year forecast for 2017/18 to 2021/22 and the Budget Strategy' on 13th September 2016. 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 report built on the strategy first proposed last year whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.

2.2 With this strategy in mind, the Councils have set-up several strategic boards who are responsible for taking forward key initiatives aimed at delivering savings for the future:

- **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.

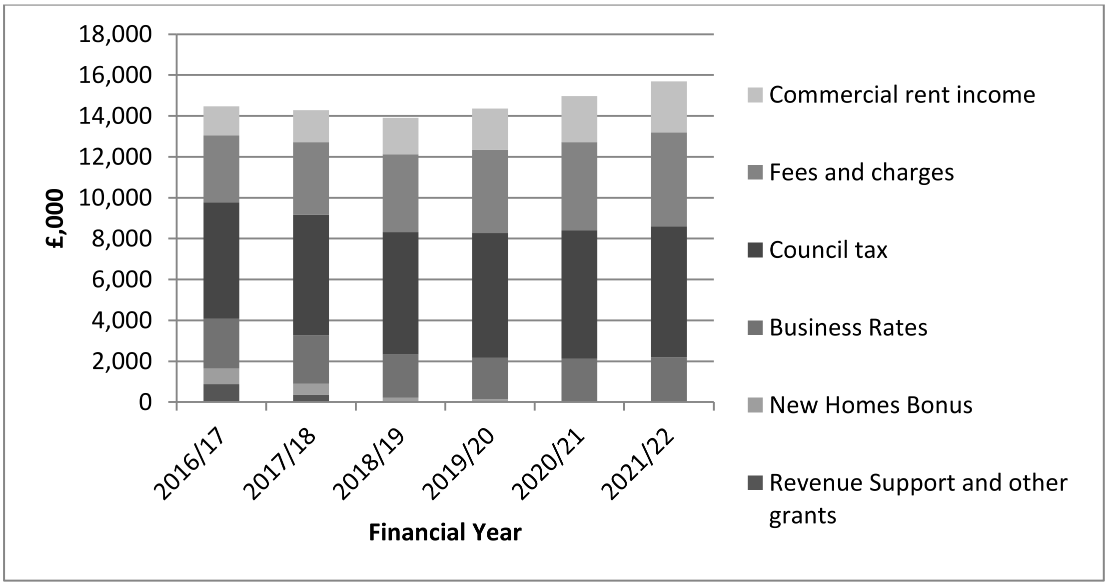
2.0 BACKGROUND

- **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.

For 2017/18 the Digital Programme Board, the Customer and Commercial Board and the Strategic Asset Management Board were set explicit targets as part of the budget strategy.

2.3 The successful delivery of the strategy will fundamentally change how the Council is funded. The Council is moving increasingly away from government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities. Overall the Council benefits on average from over £14m of income per year.

Total income	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support and other grants	887	344	0	0	0	0
Business Rates	2,436	2,386	2,108	2,019	2,110	2,175
New Homes Bonus	767	553	228	142	27	26
Council tax	5,690	5,883	5,981	6,115	6,252	6,393
Income from taxation	9,780	9,166	8,317	8,276	8,389	8,594
Fees and charges	3,265	3,553	3,804	4,060	4,321	4,587
Commercial rent income	1,431	1,560	1,791	2,027	2,268	2,513
Income from commercial activity	4,696	5,113	5,595	6,087	6,589	7,100
Total income excluding specific grants	14,476	14,279	13,912	14,363	14,978	15,694



2.0 BACKGROUND

2.4 The subsequent report to the Joint Strategic Committee, on 6th December 2016 updated Members as to the latest budgetary information and the forecast shortfall, before savings or growth, was revised as follows:

Adur District Council	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Overall shortfall – September forecast	1,156	2,260	2,747	3,148	3,395
Overall shortfall – December forecast (including net approved growth)	1,177	2,313	2,800	3,200	3,446
Increase / (Decrease) in shortfall	21	53	53	52	51
Overall shortfall – December forecast	1,177	2,313	2,800	3,200	3,446
Savings identified in December 2016 report	-1,099	-1,299	-1,499	-1,699	-1,899
Revised budget shortfall/Surplus(-) as at December 2016	78	1,014	1,301	1,501	1,547

2.5 The 2017/18 savings proposals identified within the report amounted to £1,099,000.

2.6 Since the meeting on 6th December 2016, 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 2017/18 can be summarised as:

	£'000
Original shortfall as identified in September	**1,156**
Changes identified in December 2016:	
(a) Improvements to the income from Council Tax	-72
(b) Reduction in Government Grant for Council Tax Support Scheme administration (New Burdens Funding)	40
(d) Net committed growth items identified by budget holders	123
(e) Removal of contingency budget	-70
Budget shortfall as at 6th December 2016 c/forward	**1,177**

2.0 BACKGROUND

	£'000
Budget shortfall as at 6th December 2016 b/ forward	**1,177**
Settlement	
Impact of provisional New Homes Bonus allocation	99
Adjustment to other government grants	-5
Adjustment for final items identified	
Changes to the capital programme	
- Impact of latest estimates of spend and slippage	-154
- Running costs of Fishersgate Community Centre	16
- Impact of 2017 rates revaluation of the rates payable by the Council (may change?)	10
- Adjustment to insurance budget following increase in Insurance Premium Tax which is increasing by 2%	6
- Removal of provision for new growth items	-60
Final adjustment to allocations between the two Councils	
Revised budget shortfall – carried forward	**1,089**
Less: Net savings agreed in December	-1,099
Adjustment to final savings arising from allocations	6
Budget surplus to be placed in reserves (before any further action is agreed)	**-4**

3.0 AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 Autumn Statement 2016

3.1.1 The Chancellor Philip Hammond delivered the 2016 Autumn Statement on the 23rd November 2016, which included a substantial re-assessment of Government finances since the previous Budget. The Chancellor announced that the public purse will be £122bn worse off in the period until 2021, with debt rising from 84.2% of GDP last year to 87.3% this year, and further increasing to 90.2% in 2017/18.

3.1.2 As a result, one of the most significant policy decisions has been that the Government will no longer seek to deliver a budget surplus by the end of this current Parliament, although there is an ambition that public finances should return to a balanced budget by 'as early as possible' in the next Parliament. This decision has allowed the Chancellor to respond, not with further fiscal tightening and departmental funding reductions, but by maintaining the current spending plans and using additional borrowing to fund infrastructure investment.

3.0 AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 Autumn Statement 2016

3.1.3 However there will be no easing of the financial pressure for public services including Local Government but that said Local Government were not worse off as a result of the Autumn Statement. The Government clearly intended to operate within the four-year guarantee announced in the 2016/17 settlement. Nevertheless, this does continue with the significant reduction in Local Government funding over the period 2016/17 – 2019/20 announced as part of the spending review.

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%

3.1.3 The Government will keep to the same broad priorities for the remainder of this Parliament in line with its previous spending decisions, including ring fencing funding for NHS, defence, and overseas aid; and the triple-lock guarantee of increases to pensions.

3.1.4 There was a welcome final announcement that the timetabling of the national budgets has been changed. The Chancellor announced the intention to have the Budget in the autumn and a Spring Statement. This switch will allow more time for scrutiny of funding decisions before they come into effect.

3.1.5 Contained within the Autumn Statement were a few announcements which have particular relevance to the Council:

- The Chancellor announced that there would be £1 billion to invest in full-fibre broadband and trialling 5G networks. This investment will support the private sector to roll out more full-fibre broadband by 2020-21. Funding will also support trials of 5G mobile communications.

  And from April 2017, the government will also provide a new 100% business rates relief for new full-fibre infrastructure for a 5 year period.

3.0 AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.1 Autumn Statement 2016

This is very welcome particularly in light of the Gigabit Coast project which seeks to facilitate improved digital infrastructure throughout the County and for which Adur and Worthing Councils will act as the pilot project.

- Rural Rates Relief will increase to 100% which will be welcome news for small business. The Councils expect to be fully reimbursed for this change through additional government grant.

- The living wage is set to increase from £7.20 to £7.50 per hour which will be welcome news for the low paid.

- Insurance Premium Tax will increase from 10% to 12% from 1st June 2017. It is inevitable that the insurance companies will pass this cost onto the consumers.

3.2 2017/18 Local Government Finance Settlement

3.2.1 The Secretary of State for the Department for Communities and Local Government (DCLG) Sajid Javit delivered the provisional Local Government Finance Settlement on the 15th December 2016. Consultation on the provisional settlement closed on the 13th January 2017.

3.2.2 The key features of the 2017/18 provisional settlement were outlined in the speech as:

- *Four year offer*
- *Changes to New Homes Bonus*
- *Funding for Social Care*
- *Fair Funding review*

Taking each of these in turn:

3.2.3 Four Year Offer

In his speech, the Secretary of State confirmed the Government's commitment to the 2016/17 four year funding plan.

> *"This local government finance settlement honours our commitment to 4-year funding certainty for councils that are committed to reform. "*

The Secretary of State for Communities and Local Government – Sajid Javit

97% of councils submitted a long term efficiency plan.

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.2 2017/18 Local Government Finance Settlement

The Council has received confirmation that it's efficiency plan has been accepted by the government as so have certainty about the level of government funding from revenue support grant for the next three years.

Adur District Council	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Draft settlement	1,348	774	271	0	0	0
Decrease year on year (£)		574	503	271	0	0
Decrease year on year (%)		42.58%	64.99%	100.00%		

3.2.4 New Homes Bonus (NHB)

Following the consultation on New Homes Bonus earlier in the year, significant changes were announced to the scheme as part of settlement. As expected, legacy payments are being reduced from 6 years to 5 years in 2017/18 and then to 4 years in 2018/19. More unexpectedly, a national baseline for housing growth of 0.4% will be introduced; growth below this threshold will not qualify for grant. The implication of this change is that 102 Band D equivalent properties will need to be completed each year before any grant will be awarded.

The national savings in New Homes Bonus generated by the new baseline will be used to contribute towards the cost of social care. A new £240m adult social care support grant has been created in 2017/18 and is distributed according to relative need.

It is further proposed that from 2018/19 the Government will withhold payments from authorities not supporting housing growth whether through an absence of a local plan or by not granting planning permission (which is then granted on appeal). There will be a further consultation on this element of the new scheme in the Summer 2017.

The retention of the New Homes Bonus will benefit those Councils who have capacity to build a significant number of homes. Consequently, due to the limited number of new homes currently being planned in the Adur district there is a risk that the council will not benefit from additional income in 2017/18 due to the effect of new national housing baseline.

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.2 2017/18 Local Government Finance Settlement

3.2.4 New Homes Bonus (NHB)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Original assumption	652	590	437	193	86	0
Draft settlement						
Historic allocations	767	552	201	115		
2017/18 allocation		1	1	1	1	
Potential future allocations			26	26	26	26
Total New Homes Bonus	767	553	228	142	27	26
Increase / decrease (-) in grant from previous assumptions	115	-37	-209	-51	-59	26

The New Homes Bonus has been an important source of funding. The provisional 2017/18 allocation for this council is £553,293. It should be noted that the future allocations are indicative at this stage as the final details of the new scheme are dependent not only on the level of house building but on the outcome of the consultation planned for next Summer.

3.2.5 Funding for Social Care

There will be an increase in the allowable addition to the social care precept. This will increase from the current 2% to the new threshold of 3% in 2017-18 and 2018-19 which the Government estimates will yield £208m and £444m respectively.

This is a welcome change for those with social care responsibility but will only go part of the way to meeting the costs.

In effect, this will increase the maximum potential addition to the County Council share of the bill to 5% in each year.

3.2.6 Fair funding review

The Government is undertaking a Fair Funding Review, to thoroughly consider how to introduce a more up-to-date, more transparent and fairer needs assessment formula.

The review is looking at all the services provided by local government and will determine the starting point for local authorities under the new business rate retention scheme due to be introduced across the Country by 2019/20. Consequently this review will not only influence the level of Revenue Support Grant received by each Council but all the amount of business rates each Council will be able to retain.

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.2 2017/18 Local Government Finance Settlement

3.2.7 Summary of 2017/18 Local Government Settlement

In overall terms, the 2017/18 settlement revealed that District and Borough Councils were the most heavily affected class of authority by an overall cut in government funding of 15.35%. For districts, this is even slightly less than last year's drop of 16.96%.

YEAR-ON-YEAR CHANGE FOR THE 2017/18 SETTLEMENT

Class of Local Authority	2016-17 Adjusted settlement Funding Assessment	2017-18 Settlement Funding Assessment	Overall Reduction in funding
	£million	£million	%
England	18,601.46	16,630.16	-10.60%
London Area	4,555.10	4,235.48	-7.02%
Metropolitan Areas	4,999.32	4,553.31	-8.92%
Shire Areas	9,043.75	7,838.08	-13.33%
Isles of Scilly	3.29	3.29	0.00%
London Area			
London Boroughs	3,398.55	3,078.33	-9.42%
GLA	1,156.55	1,157.15	0.05%
Metropolitan Areas			
Metropolitan Districts	4,751.57	4,323.36	-9.01%
Metropolitan Fire Authorities	247.75	229.95	-7.18%
Shire Areas			
Shire unitaries with fire	321.61	283.17	-11.95%
Shire unitaries without fire	3,459.30	3,066.75	-11.35%
Shire counties with fire	1,677.09	1,426.86	-14.92%
Shire counties without fire	2,408.24	2,043.98	-15.13%
Shire districts	**789.80**	**668.57**	**-15.35%**
Combined fire authorities	387.71	348.75	-10.05%

3.2.8 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on Friday 13th January 2017 with final settlement expected by the first week in February.

3.2.9 In previous years, there were few significant changes at this late stage. If there are any significant changes arising from the final information members will be briefed before Council.

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.3 Other matters related to settlement

3.3.1 Council Tax Referendum

In parallel to the settlement, the proposed referendum criteria were published. Shire districts can increase council tax by 2% or £5.00 on Band D equivalent property whichever is higher. The proposed 2017/18 budget assumes an increase of 1.98%, which is equivalent to £5.49.

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

3.3.2 Business Rate Retention Scheme

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

- There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be of 7.5% of Baseline Funding which is equivalent to a maximum fall in income below the baseline funding level of £123,770.

- A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over it's share of the business rate target.

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

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

* Any levy is now retained by the business rate pool rather than paid over to the Treasury.

3.3.3 The forecast for 2017/18 is currently being finalised. The 2017/18 NNDR return which underpins this forecast is due to be submitted by the 31st January 2017 and any substantial changes resulting from the final assessment of the business rate income will be reported verbally to members at the meeting.

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.3 Other matters related to settlement

3.3.2 Business Rate Retention Scheme

3.3.4 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's on-going 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 Parcelforce and Monks Farm sites.

3.3.5 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 enables 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 over £2m retained locally each year to benefit the residents of West Sussex.

3.3.6 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. There is no time limit on when an appeal might be lodged. This is particularly pertinent in a valuation year.

- There is a specific risk associated with schools becoming academies. If a school assumes academy status then it will become eligible for mandatory rate relief which will reduce the Council's business rate income. The risk in the Adur district is mainly related to the primary schools as the majority of secondary schools are already eligible for relief due to their academy or faith status.

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

3.3.7 Consequently there could be significant swings in the amount of business rate income in any one year particularly following a rating revaluation. However, any shortfall in income will be recovered in the following financial year. The Council will fully provide for any known backdated business rates appeals at the 2016/17 year end.

3.4 Long term implications of current government policy

3.4.1 The financing of local government continues to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on performance in the delivery of homes (New Homes Bonus and additional Council Tax) and the creation of employment space (Business Rate Retention Scheme).

3.0 THE AUTUMN STATEMENT 2016 AND 2017/18 LOCAL GOVERNMENT FINANCE SETTLEMENT

3.4 Long term implications of current government policy

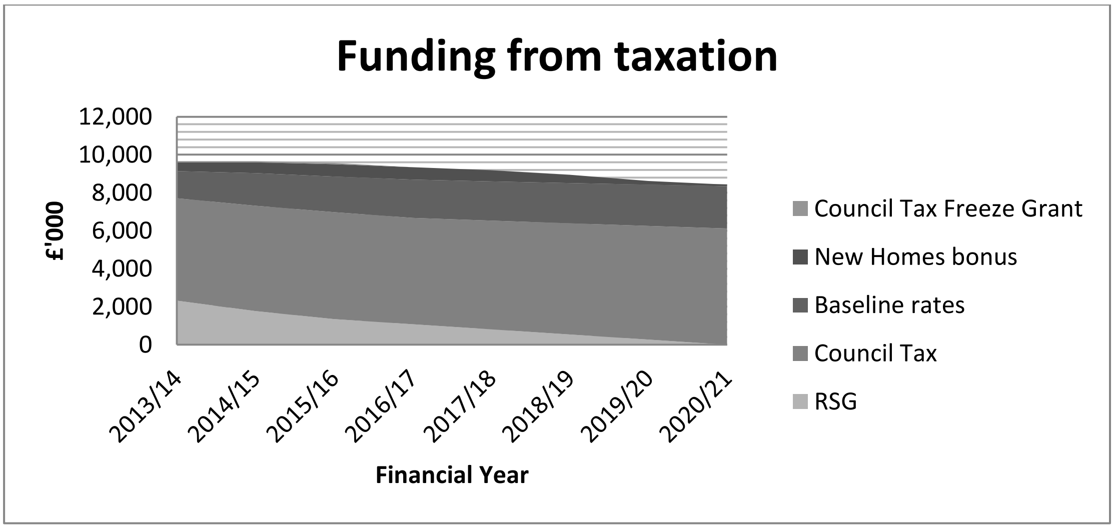
Consequently, the income from Council Tax forms an increasingly significant proportion of the Council's overall taxation income over the next 5 years and so the decision regarding the annual increase has a greater strategic importance.

Breakdown of taxation income to the Council:

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Council Tax *	5,690	5,883	5,981	6,115	6,252	6,393
Business Rates *	2,436	2,386	2,108	2,019	2,110	2,175
Revenue Support and other grants **	887	380	32	29	26	24
New Homes Bonus	767	553	228	142	27	26
	9,780	9,202	8,349	8,305	8,415	8,618

* Includes any surplus or deficit on the collection fund
** Includes the Transition Grant and other minor grants

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Council Tax *	58.18%	63.93%	71.63%	73.63%	74.30%	74.18%
Business Rates *	24.91%	25.93%	25.25%	24.31%	25.07%	25.24%
Revenue Support and other grants **	9.07%	4.13%	0.39%	0.35%	0.31%	0.28%
New Homes Bonus	7.84%	6.01%	2.73%	1.71%	0.32%	0.30%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



4.0 2016/17 BUDGET – CURRENT POSITION

4.1 The revenue monitoring report to the Joint Strategic Committee on 8th November 2016 projected an overspend for the year of £32,000.

	Forecast Over/(Under) spend
	£'000
Homelessness	
Increasing caseloads	126
Treasury Management	
Impact of new MRP policy, the final 2015/16 capital programme and changes in interest rates	(236)
Car Parking	
Underachievement of income against budget Off Street	100
Underachievement of income against budget On Street	35
Net other variations	7
Forecast Overspend as at 8th November 2016	**32**

4.2 As at the end of the 2nd quarter, Adur District Council is likely to overspend. The on-going trends identified as part of the monitoring during 2016/17 have been incorporated into the 2017/18 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 2017/18 will be reported when the outturn report comes before the Joint Strategic Committee in July 2017. 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 2017/18

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,165,860. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.

5.2 The final budget will be dependent on Members consideration of any non-committed growth proposals, and the Council Tax increase that Members are prepared to support.

5.0 DRAFT REVENUE ESTIMATES 2017/18

5.3 The key question of how the net budget requirement of £9.2m 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 2016/17 to 2017/18 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 4. The changes can be summarised briefly as follows:

	£'000	£'000
2016/17 Original Estimate		9,780
Add: General Pay and Price Increases		117
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 3 year forecast (net of any proposed use of reserves)	397	
Reduced Income as per 3 year forecast	76	
		473
Less: Compensatory savings/Additional Income:		
Compensatory savings	-42	
Impact of Capital Investment Programme	-73	-115
2017/18 budget prior to agreed savings		10,255
Less: Savings agreed by members		
Approved in December		-1,099
Final adjustment to saving		6
Executive Member requirements		9,162
Potential contribution to reserves*		4
Potential budget requirement before external support		9,166
Collection fund surplus		-34
2017/18 BUDGET REQUIREMENT		**9,132**

*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.

5.0 DRAFT REVENUE ESTIMATES 2017/18

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 Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

5.7 The current net estimated 2017/18 spend is less than previously predicted and is mainly due to the following factors:

	£'000
Reduction in New Homes Bonus	99
Impact of latest estimates of capital spend and slippage	-154
Removal of provision for new growth items	-60

5.8 In addition to the above, the projected surplus on the Collection Fund is now estimated to be £198,120, of which £34,100 is the District Council share. This is a minor surplus in light of the overall income due which exceeds £34.2m, and is due to a slight improvement in the level of income to the collection fund.

5.9 Members are now faced with the question:

- What level of Council Tax to set?

The decision 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 2017/18.

5.10.2 The consultation undertaken last year revealed that:

5.0 DRAFT REVENUE ESTIMATES 2017/18

5.10 **The Council Tax increase:**

Responses to potential Council Tax increases	**%**
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 A 1.98% increase in the level of Council Tax would be a modest increase in the District council share of the bill for 2017/18 as follows:

Adur District Council	**£**
Average Band D Council Tax in 2016/17	276.93
Annual impact of 1.98% increase	5.49
Amount per week	0.11

5.10.4 Members should also be aware that the Police and Crime Commissioner has been consulting on a £5.00 (3.36%) increase for their 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 under 4%:

	2016/17	**2017/18 (Indicative)**	**%**
	£	**£**	
Adur District Council	276.93	282.42	1.98%
West Sussex District Council	1,207.89	1,255.60	3.95%
Sussex Police and Crime Commissioner	148.91	153.91	3.36%
	1,633.73	1,691.93	3.56%

5.10.5 There are long term consequences in setting a Council Tax increase significantly lower than the maximum permitted. This is particularly significant at the moment given the scale of the withdrawal of government funding the Council will contend with over the next 5 years. The financial impact of freezing Council Tax rather than increasing by 2% is detailed below.

5.0 DRAFT REVENUE ESTIMATES 2017/18

Adur District Council	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000
Council Tax income if Council Tax is increased by just under 2.0% every year	5,849	5,981	6,115	6,252	6,393
Council Tax income if Council Tax is frozen every year	5,734	5,748	5,762	5,776	5,790
Fall in income per annum if Council Tax is frozen	115	233	353	476	603
Current budget shortfall based on 2% council tax increase	1,093	2,469	3,083	3,696	3,769
Revised budget shortfall if Council Tax is frozen	1,208	2,702	3,436	4,172	4,372

5.10.6 Members are asked to consider which level of Council Tax increase that they support. An increase of just under 2% would enable the Council to set a balanced budget.

5.10.7 Each 1% increase in Council Tax is worth £57,000 and increasing Council Tax by just under 2.0% will protect the longer term financial interests of the Council during a particularly challenging time.

5.11 **Summary of budget position**

Depending on the choices made regarding the Council Tax increase the overall budget position will be:

	£'000	£'000
Net budget requirement		9,162
Less: Government grant (including transition grant)	344	
Baseline Funding	1,650	
Share of additional Business Rate income	736	
Council Tax (1.98% increase)	5,849	
New Homes Bonus	553	
Collection Fund surplus	34	-9,166
Balanced Budget based on 1.98% Council Tax increase		-4
		-4
Maximum contribution to reserves		4
		-

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 1.98% tax increase for 2017/18 which is to be considered as part of this report). The settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

	Expected shortfall (Cumulative)				
	2017/18	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall	1,089	2,461	3,072	3,682	3,753
Less:					
Net savings agreed in December	-1,093	-1,293	-1,493	-1,693	-1,893
Potential contribution to reserves to be agreed	4	-	-	-	-
Adjusted cumulative budget shortfall	-	1,168	1,579	1,989	1,860
Savings required each year	-	1,168	411	410	-129

6.2 The continuation of the withdrawal of government fund 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 Councils 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;

6.3 However, these measures are unlikely to be enough. The Council will also need to deliver on the strategy to generate £180k more commercial income per year and invest in property. Alongside this, there will need to be a continuing emphasis on efficiency in the annual savings exercise; whether this is through the digital strategy or by improving customer service. Overall, if the Council delivers upon the current budget strategy then the level of new initiatives required each year to balance the budget will reduce as follows:

6.0 IMPACT ON FUTURE YEARS

	Expected shortfall (Cumulative)			
	2018/19	**2019/20**	**2020/21**	**2021/22**
	£'000	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall	1,168	1,579	1,989	1,860
Future savings from budget strategy:				
Customer and Commercial Board	-180	-360	-540	-720
Digital Programme Board	-80	-160	-240	-320
New savings initiatives to be identified	908	1,059	1,209	820
New initiatives required each year	908	151	150	-389

2018/19 remains a particularly challenging year.

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 99 'Local Authority Reserves and Balances'.

7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The **General Fund Working Balance** which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. unexpected increases in the demand for services); 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 2016 was £407,000 which was 4.2% of net 2016/17 revenue expenditure. This is below the lower level set out in the policy and was the result of spend arising from unforeseen circumstances. In future, any underspends will provide the opportunity to put money back into reserves. There are no plans to draw down from the working balance.

7.0 RESERVES

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

		£'000	%
31.03.2017	Balance carried forward – per Final Accounts	407	4.4
31.03.2018	No planned drawdown or contribution expected	407	4.9
31.03.2019	No planned drawdown or contribution expected	407	4.9
31.03.2020	No planned drawdown or contribution expected	407	4.8

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 each year.

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 0.25% would cost the Council in a region of £60,210 in 2017/18.

2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £91,800.

3. Further adverse falls in income from such sources as development control income, car parks and land.

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 2017/18 of £552,120 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 £920,200 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 as the opportunity arises funds should be put into the reserve to bring the forecast level back within these parameters.

7.0 RESERVES

7.5 The estimated balance of general fund earmarked reserves as at 31st March, 2018 is £946,000, although this reduces to £473,000 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 2. 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. The Council has over the past year minimised new calls on such resources.

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. However 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) **Housing Services** – The Council has experienced a significant increase in demand for emergency and temporary accommodation over the past year. Whilst substantial growth has been built into the budget, the degree to which this will be adequate depends on two factors:

1. The extent to which caseload continues to grow

2. The supply of cost effective accommodation

Whilst the Council is now sourcing more cost effective accommodation for our clients, there remains a risk that demand for such accommodation will outstrip our ability to find additional cost effective units.

8.0 SIGNIFICANT RISKS

In addition, there will be a change to the funding regime. Currently, an additional £60.00 per week per family can be claimed from housing benefit towards the cost of accommodating clients in bed and breakfast. From 1st April, this funding is to be replaced with a grant and it is not known how the grant will be assessed.

(ii) **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 2017/18, income may fall further than expected or new targets for commercial income may not be met.

(iii) **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.

(iv) **Inflation** - A provision for 1% inflation has been built into non-pay budgets. Pay budgets have a 1% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2017/18, 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	92
Non-pay	32

8.2 To help manage these risks, the council has a working balance of £407,000 and other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 The Council ran a consultation exercise last year which support the Council's five year budget strategy. In light of this, no consultation exercise was undertaken this year.

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 2017/18. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2017/18 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 2017/18 to 2019/20 for Adur District Council and Worthing Borough Council', which is to be discussed at the Joint Strategic Committee on the 2nd February 2017.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.

11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;

- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.3 **Overall view on the robustness of the estimates**:

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

(1) The provision of estimates for items outside of the direct control of the Council:

- Income from fees and charges in volatile markets, e.g. car parks and development control fees.
- External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
- Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.

(2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.

(3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a diligent budget monitoring regime during 2017/18.

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 2017/18 Budget, the resulting Council Tax for the District can be set. This takes into account the Total Aggregate External Finance (Revenue Support Grant and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.0 COUNCIL TAX SETTING

12.3 **Adur Distrcit Council:**

(a) The following table shows the net sum to be raised from local Council Taxpayers in 2017/18 prior to the consideration of the budget proposals. This is based on 1.98% Council Tax increase:

	£	£
Net 2017/18 Budget *		9,165,860
Less:		
Aggregate External Finance:		
Revenue Support Grant	-271,200	
Baseline Funding	-1,650,290	
Additional Retained Business Rate income	-736,110	
New Homes Bonus	-553,290	
Contribution from the Collection Fund surplus (as per paragraph 5.8)	-34,100	
Transition Grant	-72,710	
		-3,317,700
Balance to be raised from Council Tax		**5,848,160**

* 2017/18 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 item. 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 2017/18 is 20,707.30 Band D equivalent properties. There is an increase to the current year base of 20,520.6 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 3.

	2016/17 Tax Base	**2017/18 Tax Base**
Lancing	6,096.50	6,129.00
Sompting	2,719.40	2,742.20
Unparished	11,704.70	11,836.10
TOTAL	20,520.60	20,707.30

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 2017/18 expenditure of £265,800 (£257,210 in 2016/17) falls under the resolution and will need to be financed by a Band D Council Tax of £18.18, 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 2017/18. An average Council Tax increase of 1.98% will ensure that the Council has a balanced budget.

Area	**2016/17**	**2017/18 (Average 1% increase)**	**2017/18 (Average 1.98% increase)**
	£	**£**	**£**
Lancing	264.33	266.97	269.55
Percentage increase		1%	1.97%
Annual increase (Band D)		2.64	5.22
Weekly increase (Band D)		0.05	0.10
Shoreham, Southwick, Sompting and Coombes			
Basic Council Tax	264.33	266.97	269.55
Special Expenses	17.82	18.18	18.18
TOTAL in Shoreham, Southwick, Sompting and Coombes	**282.15**	**285.15**	**287.73**
Percentage increase		1.1%	1.98%
Annual increase (Band D)		3.00	5.58
Weekly increase (Band D)		0.06	0.11

12.0 COUNCIL TAX SETTING

12.4 **West Sussex County Council and Sussex Police and Crime Commissioner**

(a) The County Council requirements are expected to be confirmed on 19th February, 2016. The Police and Crime Commissioner's proposed increase of around 3.36% is due to be considered by the Police and Crime Panel on 20th January. The latest date that any increase by the Police and Crime Commission will be confirmed is the 20th February 2017.

	2016/17 £	2017/18 £
West Sussex County Council Sussex Police and Crime Commissioner	1,207.89 148.91	t.b.c. 153.91
TOTAL	1,356.80	**t.b.c.**

12.5 **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 21st February 2017.

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 just under £1.1m of savings and is now in the position to set a balanced budget.

13.2 Looking further ahead, 2018/19 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 commercial income growth and business efficiencies through the digital agenda assumes a greater importance.

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 and income from our commercial services.

13.4 The aims of 'Platforms for our Places' 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.

13.0 CONCLUSION

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 2017/18 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) Agree to recommend to Council the draft budgets for 2017/18 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,165,860 subject to any amendments above; and

(b) Consider which band D Council Tax to recommend to Council for Adur District Council's requirements in 2017/18 as set out in paragraph 12.3.

(c) Agree to recommend to Council the special expenses of £18.18 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 September 2016 Outline forecast 2017/18 to 2021/22 and Budget Strategy

Report to the Joint Strategic Committee 6th December 2016 Updated Outline 5 year forecast and savings proposals.

Background Papers:

Local Authority Finance (England) Settlement Revenue Support Grant for 017/18 and Related Matters: DCLG Letters and associated papers of 15th December 2016.

Autumn Statement 2016. HM Treasury

Local Government Act 2003 and Explanatory Note

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

Statement of Accounts 2015/16

Report to Joint Strategic Committee 6th December 2015 – 2nd Revenue Budget Monitoring 2015/16

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ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2016/17 - 2021/22

	2016/17 Base	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	**9,780**	9,780	9,780	9,780	9,780	9,780
Annual Inflation						
Estimated inflation		195	522	858	1,198	1,555
Less : Over provision for pay award in previous year		(78)	(78)	(78)	(78)	(78)
One -off / non-recurring items						
Local Elections (held every other year)		(42)	-	(44)	-	(46)
Committed Growth						
Impact of Pension contribution increase		62	126	195	199	203
Loss of Housing Benefit Administration Grant		40	80	120	160	200
Increasing demand for emergency accomodation		100	100	100	100	100
Impact of reprocurement of building maintenance contracts for corporate buildings		4	4	4	4	4
Reprocurement of IT systems		16	16	16	16	16
Temporary closure of Riverside Car Park		20	20	-	-	-
New 2020 recycling targets		-	-	200	400	400
Impact of 2% additional Insurance Premium Tax		6	6	6	6	6
Running costs of Fishersgate Community Centre		16	16	16	16	16
Impact of 2017 rate revaluation		10	10	10	10	10
Growth items identified by Heads of Service approved in December		123	123	123	123	123
Impact of capital programme						
Financing costs		81	14	3	95	150
Impact of final adjustments to capital programme		-	3	3	3	3
Impact of latest estimates of spend and slippage		(154)	(40)	(41)	23	(51)
Treasury management income						
Investment income adjustment		76	76	77	16	(45)
Approved Growth items						
Provision for new growth items						
Total Cabinet Member Requirements	**9,780**	**10,255**	**10,778**	**11,348**	**12,071**	**12,346**
Total Cabinet Member Requirements B/fwd	**9,780**	**10,255**	**10,778**	**11,348**	**12,071**	**12,346**
Baseline funding	1,617	1,650	1,700	1,776	1,812	1,848
Less: Safety net pay't / business rate shortfall		**-**	**-**	**-**	**-**	**-**
Add: Retained additional business rates	438	405	408	243	298	327
Add: Share of previous year's surplus	381	331				
Adusted Baseline funding	2,436	2,386	2,108	2,019	2,110	2,175
Revenue Support Grant	774	271	-	-	-	-
Council Tax						
Adjusted Council Tax income	5,683	5,849	5,981	6,115	6,252	6,393

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2016/17 - 2021/22	2016/17 Base	2017/18	2018/19	2019/20	2020/21	2021/22
	£'000	£'000	£'000	£'000	£'000	£'000
Other grants						
Transitional Grant	73	73	-	-	-	-
Council Tax Reduction Scheme Grant	40	-	-	-	-	-
New homes bonus (2011/12 - 2016/17)	62	-	-	-	-	-
New homes bonus (2012/13 - 2017/18)	153	-	-	-	-	-
New homes bonus (2013/14 - 2018/19)	244	244	-	-	-	-
New homes bonus (2014/15 - 2019/20)	107	107	-	-	-	-
New homes bonus (2015/16 - 2020/21)	86	86	86	-	-	
New homes bonus (2016/17 -2019/20)	115	115	115	115	-	-
New homes bonus (2017/18 - 2020/21)	-	1	1	1	1	-
New homes bonus (2018/19- 2021/22)	-	-	26	26	26	26
New homes bonus (2019/20 - 2022/23)	-	-	-	-	-	-
New homes bonus (2020/21 - 2023/24)	-	-	-	-	-	-
Total NHB	767	553	228	142	27	26
Collection fund surplus/deficit (-)	7	34	-	-	-	-
Total other grants and contributions	887	660	228	142	27	26
Total Income from Grants and Taxation	**9,780**	**9,166**	**8,317**	**8,276**	**8,389**	**8,593**
(Surplus) / Shortfall in Resources	**-**	**1,089**	**2,461**	**3,072**	**3,682**	**3,753**
Contribution to (-) / Use of Reserves to Balance Budget						
Capacity issues reserve	-	-	-	-	-	-
Total Income from Reserves	**-**	**-**	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	**-**	**1,089**	**2,461**	**3,072**	**3,682**	**3,753**
Savings identified to date:						
Strategic Property Investment Fund						
Future property purchases		100	300	500	700	900
Commercial activities and commissioning						
Commercial and Property Board		223	223	223	223	223
Efficiency Measures						
Digital strategy		73	89	89	89	89
Restructures and service plan savings approved in December 2016		697	681	681	681	681
Total future initiatives identified		**1,093**	**1,293**	**1,493**	**1,693**	**1,893**
Cumulative savings still to be found/ (surplus)		**(4)**	**1,168**	**1,579**	**1,989**	**1,860**
Annual savings still to be found		(4)	1,172	411	410	(129)
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Average annual increase (Band C property)		£4.92	£5.02	£5.12	£5.22	£5.32
Average weekly increase (Band C property)		£0.09	£0.10	£0.10	£0.10	£0.10

ESTIMATED RESERVES **APPENDIX 2**

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.17	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. CAPACITY ISSUES FUND	122	15	(58)	79	-	-	79
Purpose:							
To enable the Council to fund one-off initiatives. Now includes Carry Forward Reserve.							
2. INSURANCE FUND	182	30	(15)	197	30	(20)	207
Purpose:			*see below				
To offset the costs of insurance excesses and fund insurance risk management initiatives.							
3. INVESTMENT PROPERTY MAINTENANCE FUND	41	-	(3)	38	-	-	38
Purpose:							
To offset future maintenance costs of investment properties.							

*** 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 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.17	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.18
	£'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	44	-	-	44	-	(44)	-
7. SPECIAL & OTHER EMERGENCY RESERVE	86	-	-	86	-	-	86
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 01.04.16	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.17	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.18
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
9. GRANTS & CONTRIBUTIONS HELD IN RESERVES *	473	-	-	473	-	-	473
10. RESIDUAL PROJECTED UNDERSPEND	-	-	-	-	-	-	-
Reserves to be identified at outturn.		*see below					
11. GENERAL FUND WORKING BALANCE	408	-	-	408	-	-	408
TOTAL	1,419	45	(76)	1,388	30	(64)	1,354

***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	2,731.0	4,996.0	11,319.0	6,114.0	1,928.0	733.0	302.0	10.0	**28,133.0**
Less: Exemptions	0.0	-64.0	-53.0	-91.0	-64.0	-17.0	-8.0	-3.0	0.0	**-300.0**
	0.0	**2,667.0**	**4,943.0**	**11,228.0**	**6,050.0**	**1,911.0**	**725.0**	**299.0**	**10.0**	**27,833.0**
Disabled Relief Adjustment (net)	8.0	7.0	27.0	2.0	-27.0	-8.0	-2.0	-2.0	-5.0	**0.0**
Chargeable Dwellings	**8.0**	**2,674.0**	**4,970.0**	**11,230.0**	**6,023.0**	**1,903.0**	**723.0**	**297.0**	**5.0**	**27,833.0**
Broken down as follows:										
Full Charge	2.0	915.0	2,711.0	7,738.0	4,438.0	1,520.0	596.0	255.0	2.0	**18,177.0**
25% Discount (including adj for SP Dis)	6.0	1,752.0	2,244.0	3,471.0	1,573.0	378.0	120.0	35.0	1.0	**9,580.0**
50% Discount	0.0	18.0	32.0	67.0	42.0	17.0	13.0	9.0	1.0	**199.0**
0% Discount (Long Term Empty Homes)	0.0	43.0	54.0	97.0	45.0	12.0	11.0	1.0	2.0	**265.0**
Total Equivalent Number of Dwellings	6.5	2,234.0	4,397.0	10,355.3	5,622.3	1,806.0	688.5	284.8	4.8	**25,399.0**
Reduction in tax base due to Council Tax Support	3.4	724.5	991.7	1,177.6	286.6	47.9	5.8	1.5	0.0	**3,238.9**
Adjusted equivalent total dwellings	**3.1**	**1,509.5**	**3,405.3**	**9,177.6**	**5,335.7**	**1,758.1**	**682.7**	**283.3**	**4.8**	**22,160.1**
Band D Equivalents										
Revenue Support Settlement	1.7	995.0	2,632.8	8,137.0	5,330.0	2,147.6	986.0	472.2	9.5	**20,711.8**
Add: Forecast new homes	0.0	2.0	6.1	16.9	12.8	5.7	2.7	1.3	0.0	**47.5**
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	52.0	0.0	0.0	0.0	0.0	**52.0**
COUNCIL TAX BASE	**1.7**	**997.0**	**2,638.9**	**8,153.9**	**5,290.8**	**2,153.3**	**988.7**	**473.5**	**9.5**	**20,707.3**

APPENDIX 4
CIVIC BUDGET TABLE 2017/18
Summary of Executive Member Requirements

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INDIVIDUAL MEMBER PORTFOLIOS
Summary and Variance Pages

ADUR BUDGET 2017/2018
Summary of Executive Member Portfolios

Adur District Council

APPENDIX 4

EXECUTIVE PORTFOLIO	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
Environment	2,656,010	2,567,090
Health and Wellbeing	1,211,980	1,106,260
Customer Services	1,122,540	1,109,240
Leader	707,780	626,870
Regeneration	1,998,780	2,147,560
Resources	2,396,440	1,960,440
Support Services Depreciation Not Charged To Services	253,300	190,140
NET SERVICE EXPENDITURE	**10,346,830**	**9,707,600**
Credit Back Depreciation / Impairments	(1,776,510)	(1,378,220)
Minimum Revenue Provision	1,181,290	818,480
	9,751,610	**9,147,860**
Transfer to / from Reserves	14,000	14,000
Balance Available to Transfer To / (From) Reserves	14,700	4,000
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	**9,780,310**	**9,165,860**
Baseline Funding	(1,617,270)	(1,650,290)
Additional business rate income	(818,820)	(736,110)
Revenue Support Grant	(773,930)	(271,200)
Transition Grant	(72,980)	(72,710)
Council Tax Reduction Scheme Grant	(40,000)	-
Council Tax Freeze Grant	-	-
Other unfenced grants (New homes bonus)	(766,640)	(553,290)
Contribution to/ (from) Collection Fund	(7,900)	(34,100)
AMOUNT REQUIRED FROM COUNCIL TAX	**5,682,770**	**5,848,160**
COUNCIL TAX BASE	**20,520.6**	**20,707.3**
Average Band D Council Tax - Adur District	**276.93**	**282.42**
% increase		1.98%

ENVIRONMENT PORTFOLIO

Adur District Council

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Engineering	124,730	121,780
Surveying & Design	192,480	214,200
	317,210	**335,980**
DIRECTOR FOR COMMUNITIES		
Environment		
Allotments	59,990	27,490
Cemeteries	286,530	111,070
Parks	719,900	902,120
Dog Warden	50,380	44,400
	1,116,800	**1,085,080**
Housing		
Public Health Burials	2,770	2,800
	2,770	**2,800**
Wellbeing		
Environmental Health - Commercial	85,800	69,750
Fishersgate Community Centre	-	16,000
Environmental Health - Domestic	168,370	200,070
	254,170	**285,820**
DIRECTOR OF ECONOMY		
Growth		
Street Scene	71,740	48,690
	71,740	**48,690**
DIRECTOR OF CUSTOMER SERVICES		
Waste and Cleansing		
Abandoned Vehicles	25,730	29,480
Car Parking	(266,240)	(217,570)
Clinical Waste	17,360	14,690
Graffiti	3,680	4,680
Pest Control	18,350	11,100
Recycling	(155,090)	(223,790)
Refuse	823,040	773,270
Street Cleansing	579,010	588,750
Trade Refuse	(152,520)	(171,890)
	893,320	**808,720**
TOTAL ENVIRONMENT PORTFOLIO	**2,656,010**	**2,567,090**

ADUR - ENVIRONMENT PORTFOLIO - 2017/2018 - 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	-	-	40,920	-	15,480	-	(7,860)	48,540	48,380	24,860	121,780
Surveying & Design	-	12,560	145,250	-	120	-	(340)	157,590	3,560	53,050	214,200
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	-	8,880	20,440	-	-	-	(49,230)	(19,910)	44,780	2,620	27,490
Cemeteries	-	146,080	77,540	-	-	-	(187,370)	36,250	71,950	2,870	111,070
Parks	-	22,630	661,040	-	52,840	-	(151,180)	585,330	211,050	105,740	902,120
Dog Warden	-	37,370	-	-	-	-	-	37,370	5,520	1,510	44,400
Housing											
Public Health Burials	-	-	-	-	2,800	-	-	2,800	-	-	2,800
Wellbeing											
Environmental Health - Commercial	-	53,210	-	-	1,630	-	(680)	54,160	13,350	2,240	69,750
Fishersgate Community Centre	-	-	-	-	16,000	-	-	16,000	-	-	16,000
Environmental Health - Domestic	-	1,250	-	-	15,840	4,700	(11,810)	9,980	188,800	1,290	200,070
DIRECTOR OF ECONOMY											
Growth											
Street Scene	-	-	-	370	40,100	-	(39,050)	1,420	2,550	44,720	48,690
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	-	-	-	1,110	-	4,690	-	5,800	23,680	-	29,480
Car Parking	-	3,680	106,280	-	127,950	57,800	(658,720)	(363,010)	140,120	5,320	(217,570)
Clinical Waste	-	(2,450)	-	-	-	-	-	(2,450)	17,140	-	14,690
Graffiti	-	170	-	-	-	-	-	170	2,760	1,750	4,680
Pest Control	-	560	-	-	-	-	-	560	9,470	1,070	11,100
Recycling	-	(405,800)	-	-	-	-	-	(405,800)	125,620	56,390	(223,790)
Refuse	-	572,860	-	-	-	-	-	572,860	105,600	94,810	773,270
Street Cleansing	-	592,250	-	-	-	-	(127,870)	464,380	84,870	39,500	588,750
Trade Refuse	-	135,480	-	-	209,780	-	(582,780)	(237,520)	39,180	26,450	(171,890)
	0	**1,178,730**	**1,051,470**	**1,480**	**482,540**	**67,190**	**(1,816,890)**	**964,520**	**1,138,380**	**464,190**	**2,567,090**
Percentage Direct Cost	0%	42%	38%	0%	17%	2%					

ENVIRONMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2017/2018

SERVICE / ACTIVITY	Original Estimate 2016/2017	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	124,730	550	-	-	-	-	-	-	-	(3,500)	121,780
Surveying & Design	192,480	1,400	-	-	-	-	-	-	-	20,320	214,200
DIRECTOR FOR COMMUNITIES											
Environment											
Allotments	59,990	(420)	-	-	-	-	-	-	(7,300)	(24,780)	27,490
Cemeteries	286,530	(1,010)	-	2,650	-	-	-	-	(6,720)	(170,380)	111,070
Parks	719,900	(40)	-	4,700	-	-	-	-	(400)	177,960	902,120
Dog warden	50,380	-	-	-	-	-	-	-	-	(5,980)	44,400
Housing											
Public Health Burials	2,770	30	-	-	-	-	-	-	-	-	2,800
Wellbeing											
Environmental Health - Commercial	85,800	20	-	-	-	-	-	-	-	(16,070)	69,750
Fishersgate Community Centre	-	-	-	16,000	-	-	-	-	-	-	16,000
Environmental Health - Domestic	168,370	(20)	-	-	-	-	-	-	(200)	31,920	200,070
DIRECTOR OF ECONOMY											
Growth											
Street Scene	71,740	(160)	-	-	-	-	-	-	(10,000)	(12,890)	48,690
DIRECTOR OF CUSTOMER SERVICES											
Waste and Cleansing											
Abandoned Vehicles	25,730	10	-	-	-	-	-	-	-	3,740	29,480
Car Parking	(266,240)	(10,780)	-	23,200	-	-	-	-	(10,000)	46,250	(217,570)
Clinical Waste	17,360	-	-	-	-	-	-	-	-	(2,670)	14,690
Graffiti	3,680	-	-	-	-	-	-	-	-	1,000	4,680
Pest Control	18,350	-	-	-	-	-	-	-	-	(7,250)	11,100
Recycling	(155,090)	-	-	-	-	-	-	-	-	(68,700)	(223,790)
Refuse	823,040	-	-	-	-	-	-	-	-	(49,770)	773,270
Street Cleansing	579,010	(2,510)	-	-	-	-	-	-	-	12,250	588,750
Trade Refuse	(152,520)	(8,960)	-	-	-	-	-	-	(26,250)	15,840	(171,890)
TOTAL COST	**2,656,010**	**(21,890)**	**0**	**46,550**	**0**	**0**	**0**	**0**	**(60,870)**	**(52,710)**	**2,567,090**

HEALTH AND WELLBEING PORTFOLIO

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
DIRECTOR OF COMMUNITIES		
Environment		
Foreshores	7,700	(12,590)
	7,700	**(12,590)**
Housing		
Adur Homes	7,610	33,900
	7,610	**33,900**
Wellbeing		
Community Wellbeing	553,320	413,950
Community Safety	170,020	233,990
Environment Health - Commercial	139,070	111,050
Environment Health - Licensing	77,120	89,310
	939,530	**848,300**
Business and Technical Services		
Business Services	42,150	43,300
Engineering	162,450	165,270
Energy & Sustainability	52,540	28,080
	257,140	**236,650**
TOTAL FOR HEALTH AND WELLBEING	**1,211,980**	**1,106,260**

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2017/2018 - 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	-	9,030	18,620	-	8,690	-	(94,870)	(58,530)	24,240	21,700	(12,590)
Housing											
Adur Homes	89,640	-	-	6,430	41,070	40,050	(275,270)	(98,080)	115,660	16,320	33,900
Wellbeing											
Community Wellbeing	-	147,130	1,020	-	224,770	-	-	372,920	41,030	-	413,950
Community Safety	-	203,530	1,310	-	8,600	-	-	213,440	20,550	-	233,990
Environment Health - Commercial	-	96,440	-	-	8,730	-	-	105,170	5,880	-	111,050
Environment Health - Licensing	8,000	124,130	-	-	13,080	-	(116,490)	28,720	60,590	-	89,310
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Business Services	-	29,090	-	-	-	-	-	29,090	14,210	-	43,300
Engineering	-	7,350	4,140	-	5,760	-	-	17,250	67,870	80,150	165,270
Energy & Sustainability	-	3,680	-	-	-	-	-	3,680	24,400	-	28,080
TOTAL COST	**97,640**	**620,380**	**25,090**	**6,430**	**310,700**	**40,050**	**(486,630)**	**613,660**	**374,430**	**118,170**	**1,106,260**
Percentage Direct Cost	9%	56%	2%	1%	28%	4%					

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2017/2018

SERVICE / ACTIVITY	Original Estimate 2016/2017	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	7,700	(1,620)	-	-	-	-	-	-	(2,970)	(15,700)	(12,590)
Housing											
Adur Homes	7,610	(4,520)	-	-	-	-	-	-	-	30,810	33,900
Wellbeing											
Community Wellbeing	553,320	2,230	-	-	-	-	-	-	-	(141,600)	413,950
Community Safety	170,020	100	-	-	-	-	-	-	-	63,870	233,990
Environment Health - Commercial	139,070	90	-	-	-	-	-	-	-	(28,110)	111,050
Environment Health - Licensing	77,120	(1,290)	-	-	-	-	-	-	(720)	14,200	89,310
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Business Services	42,150	-	-	-	-	-	-	-	-	1,150	43,300
Engineering	162,450	100	-	-	-	-	-	-	-	2,720	165,270
Energy & Sustainability	52,540	-	-	-	-	-	-	-	-	(24,460)	28,080
TOTAL COST	**1,211,980**	**(4,910)**	**0**	**0**	**0**	**0**	**0**	**0**	**(3,690)**	**(97,120)**	**1,106,260**

CUSTOMER SERVICES PORTFOLIO

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
DIRECTOR OF COMMUNITIES		
Leisure		
Leisure Strategic Support	560,200	500,990
	560,200	**500,990**
DIRECTOR OF CUSTOMER SERVICES		
Revenues and Benefits		
Revenues	395,220	383,560
Benefits	167,120	224,690
	562,340	**608,250**
TOTAL FOR CUSTOMER SERVICES	**1,122,540**	**1,109,240**

ADUR - CUSTOMER SERVICES PORTFOLIO - 2017/2018 - SUBJECTIVE ANALYSIS

Adur District Council

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	-	12,560	29,660	-	4,410	160,000	(9,300)	197,330	16,430	287,230	500,990
DIRECTOR OF CUSTOMER SERVICES											
Revenues and Benefits											
Revenues	-	2,890	-	-	-	476,980	(252,920)	226,950	156,610	-	383,560
Benefits	-	8,670	-	-	13,130	21,344,360	(21,385,990)	(19,830)	242,460	2,060	224,690
TOTAL COST	**0**	**24,120**	**29,660**	**0**	**17,540**	**21,981,340**	**(21,648,210)**	**404,450**	**415,500**	**289,290**	**1,109,240**
Percentage Direct Cost	0%	0%	0%	0%	0%	100%					

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

SERVICE / ACTIVITY	Original Estimate 2016/2017	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	560,200	140	-	-	-	-	-	-	(10,000)	(49,350)	500,990
DIRECTOR OF CUSTOMER SERVICES											
Revenues and Benefits	-	-	-	-	-	-	-	-	-	-	0
Revenues	395,220	1,950	-	-	-	-	-	-	(30,000)	16,390	383,560
Benefits	167,120	(4,940)	-	40,000	-	-	-	-	(50,000)	72,510	224,690
TOTAL COST	**1,122,540**	**(2,850)**	**0**	**40,000**	**0**	**0**	**0**	**0**	**(90,000)**	**39,550**	**1,109,240**

LEADER PORTFOLIO

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
CHIEF EXECUTIVE		
Communications		
Performance and Scrutiny	5,890	32,160
	5,890	**32,160**
DIRECTOR OF COMMUNITIES		
Wellbeing		
Democratic Services	520,640	441,130
	520,640	**441,130**
DIRECTOR OF CUSTOMER S ERVICES		
Elections		
Elections	177,270	153,580
	177,270	**153,580**
TOTAL for LEADER	**703,800**	**626,870**

ADUR - THE LEADER PORTFOLIO - 2017/2018 - 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	-	-	-	-	-	-	-	0	32,160	-	32,160
DIRECTOR OF COMMUNITIES											
Wellbeing											
Democratic Services	208,490	83,710	-	-	13,410	-	(15,600)	290,010	151,120	-	441,130
DIRECTOR OF CUSTOMER SERVICES											
Elections											
Elections	-	80,350	-	-	42,330	-	(3,220)	119,460	30,450	3,670	153,580
TOTAL COST	**208,490**	**164,060**	**0**	**0**	**55,740**	**0**	**(18,820)**	**409,470**	**213,730**	**3,670**	**626,870**
Percentage Direct Cost	49%	38%	0%	0%	13%	0%					

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2017/2018

SERVICE / ACTIVITY	Original Estimate 2016/2017	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	9,870	-	-	-	-	-	-	-	22,290	32,160
DIRECTOR OF COMMUNITIES										
Wellbeing										
Democratic Services	520,640	2,170	-	8,600	-	-	-	(6,500)	(83,780)	441,130
DIRECTOR OF CUSTOMER SERVICES										
Elections										
Elections	177,270	410	(42,660)	-	-	-	-	-	18,560	153,580
TOTAL COST	**707,780**	**2,580**	**(42,660)**	**8,600**	**0**	**0**	**0**	**(6,500)**	**(42,930)**	**626,870**

REGENERATION PORTFOLIO

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	87,350	194,960
Home Improvement Assistance	65,620	42,090
Housing	632,820	691,670
Housing Strategy	55,560	15,230
	841,350	**943,950**
DIRECTOR OF ECONOMY		
Grants		
Grants	105,830	87,220
	105,830	**87,220**
Growth		
Planning Policy	194,680	245,570
Major Projects	59,230	85,060
Development Control	415,340	406,730
Regeneration	256,680	268,120
	925,930	**1,005,480**
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Building Control	125,670	110,910
	125,670	**110,910**
TOTAL FOR REGENERATION	**1,998,780**	**2,147,560**

ADUR - REGENERATION PORTFOLIO - 2017/2018 - 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	41,110	121,140	478,140	430	540	-	(495,110)	146,250	48,710	-	194,960
Home Improvement Assistance	-	70,070	-	-	-	-	(33,770)	36,300	5,790	-	42,090
Housing	-	315,970	-	-	353,430	16,510	(124,930)	560,980	130,490	200	691,670
Housing Strategy	-	-	-	-	-	-	-	0	15,230	-	15,230
DIRECTOR OF ECONOMY											
Grants											
Grants	144,910	-	-	-	-	-	(143,100)	1,810	85,410	-	87,220
Growth											
Planning Policy	-	9,930	-	-	17,360	-	-	27,290	218,280	-	245,570
Major Projects	-	-	-	-	-	-	-	0	85,060	-	85,060
Development Control	-	530,700	-	-	8,410	5,250	(232,600)	311,760	94,970	-	406,730
Regeneration	-	147,400	-	-	53,920	-	-	201,320	60,720	6,080	268,120
DIRECTOR OF CUSTOMER SERVICES											
Building Control & Land Charges											
Building Control	-	284,680	-	-	-	-	(213,860)	70,820	40,090	-	110,910
TOTAL COST	**186,020**	**1,479,890**	**478,140**	**430**	**433,660**	**21,760**	**(1,243,370)**	**1,356,530**	**784,750**	**6,280**	**2,147,560**
Percentage Direct Cost	7%	57%	18%	0%	17%	1%					

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2017/2018

Adur District Council

SERVICE / ACTIVITY	Original Estimate 2016/2017	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	87,350	(4,960)	-	-	-	-	-	-	112,570	194,960
Home Improvement Assistance	65,620	(660)	-	-	-	-	-	-	(22,870)	42,090
Housing	632,820	880	-	100,000	-	-	-	(67,500)	25,470	691,670
Housing Strategy	55,560	-	-	-	-	-	-	-	(40,330)	15,230
DIRECTOR OF ECONOMY										
Grants										
Grants	105,830	-	-	-	-	-	-	-	(18,610)	87,220
Growth										
Planning Policy	194,680	170	-	-	-	-	-	-	50,720	245,570
Major Projects	59,230	-	-	-	-	-	-	-	25,830	85,060
Development Control	415,340	(4,430)	-	-	-	-	-	-	(4,180)	406,730
Regeneration	256,680	490	-	10,000	-	-	-	(5,000)	5,950	268,120
DIRECTOR OF CUSTOMER SERVICES										
Building Control & Land Charges										
Building Control	125,670	(3,710)	-	-	-	-	-	(24,800)	13,750	110,910
TOTAL COST	**1,998,780**	**(12,220)**	**0**	**110,000**	**0**	**0**	**0**	**(97,300)**	**148,300**	**2,147,560**

RESOURCES PORTFOLIO

SERVICE	ESTIMATE 2016/2017	ESTIMATE 2017/2018
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Other Buildings	239,300	135,940
	239,300	**135,940**
Finance		
Corporate Management	1,462,730	1,274,910
Treasury Management	647,800	757,450
	2,110,530	**2,032,360**
DIRECTOR FOR COMMUNITIES		
Housing		
Adur Homes	-	-
	-	**-**
DIRECTOR OF ECONOMY		
Growth		
Estates	58,990	(194,530)
	58,990	**(194,530)**
DIRECTOR OF CUSTOMER SERVICES		
Building Control & Land Charges		
Land Charges	(12,380)	(13,330)
	(12,380)	**(13,330)**
TOTAL FOR RESOURCES	**2,396,440**	**1,960,440**

ADUR - RESOURCES PORTFOLIO - 2017/2018 - 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	-	63,900	45,450	-	4,130	-	-	113,480	7,870	-	14,590	135,940
Finance												
Corporate Management	1,201,830	(182,060)	122,820	-	208,150	29,070	(508,600)	871,210	483,160	(62,450)	(17,010)	1,274,910
Treasury Management	-	-	-	-	-	-	(115,370)	(115,370)	69,260	-	803,560	757,450
DIRECTOR FOR COMMUNITIES												
Housing												
Adur Homes	-	-	-	-	-	-	-	0	-	-	-	0
DIRECTOR OF ECONOMY												
Estates												
Estates	-	50,900	129,680	-	14,870	-	(681,400)	(485,950)	136,910	-	154,510	(194,530)
DIRECTOR OF CUSTOMER SERVICES												
Building Control & Land Charges												
Land Charges	-	51,580	-	-	19,710	-	(98,540)	(27,250)	13,920	-	-	(13,330)
TOTAL COST	**1,201,830**	**(15,680)**	**297,950**	**0**	**246,860**	**29,070**	**(1,403,910)**	**356,120**	**711,120**	**(62,450)**	**955,650**	**1,960,440**
Percentage Direct Cost	68%	-1%	17%	0%	14%	2%						

RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2017/2018

SERVICE / ACTIVITY	Original Estimate 2016/2017	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Non Committed Growth	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£		£	£	£
DIRECTOR FOR DIGITAL & RESOURCES											
Business and Technical Services											
Other Buildings	239,300	320	-	-	-	-	-	-	-	(103,680)	135,940
Finance											
Corporate Management	1,462,730	3,730	-	-	-	-	-	-	(24,060)	(167,490)	1,274,910
Finance - others	-	-	-	-	-	-	-	-	-	-	0
Treasury Management	647,800	-	-	19,860	-	(21,670)	-	75,910	28,770	6,780	757,450
DIRECTOR FOR COMMUNITIES											
Housing											
Adur Homes	-	-	-	-	-	-	-	-	-	-	0
DIRECTOR OF ECONOMY											
Estates											
Estates	58,990	1,230	-	4,150	-	-	-	-	(170,000)	(88,900)	(194,530)
DIRECTOR OF CUSTOMER SERVICES											
Building Control & Land Charges											
Land Charges	(12,380)	(1,640)	-	-	-	-	-	-	(4,650)	5,340	(13,330)
TOTAL COST	**2,396,440**	**3,640**	**0**	**24,010**	**0**	**(21,670)**	**0**	**75,910**	**(169,940)**	**(347,950)**	**1,960,440**

GLOSSARY OF TECHNICAL TERMS FROM THE PROVISIONAL LOCAL GOVERNMENT SETTLEMENT CONSULTATION DOCUMENT

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.

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.

GLOSSARY OF TECHNICAL TERMS FROM THE PROVISIONAL LOCAL GOVERNMENT SETTLEMENT CONSULTATION DOCUMENT

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% (6/9)
Band B	£40,001	-	£52,000	77.8% (7/9)
Band C	£52,001	-	£68,000	88.9% (8/9)
Band D	£68,001	-	£88,000	100% (9/9)
Band E	£88,001	-	£120,000	122.2% (11/9)
Band F	£120,001	-	£160,000	144.4% (13/9)
Band G	£160,001	-	£320,000	166.7% (15/9)
Band H	Over		£320,001	200% (18/9)

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 uprated 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.

GLOSSARY OF TECHNICAL TERMS FROM THE PROVISIONAL LOCAL GOVERNMENT SETTLEMENT CONSULTATION DOCUMENT

Local share
The percentage share of locally collected business rates that is retained by local government. This is set at 50% of which the Council retains 40% and the County Council retain 10%.

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 uprated 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.

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.

GLOSSARY OF TECHNICAL TERMS FROM THE PROVISIONAL LOCAL GOVERNMENT SETTLEMENT CONSULTATION DOCUMENT

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 uprated by the small business rates multiplier for the purposes of assessing eligibility for support).

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, uprated 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.

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 uprated year-on-year in line with the September forecast of the Retail Price Index, unless otherwise decided.