ADUR DISTRICT COUNCIL

Communities Directorate

26 January 2018

Adur Executive

Date: **Tuesday 6 February 2018**

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. Minutes

To approve the minutes of the Adur Executive meeting held on 4 December 2017, a copy has previously been circulated.

5. **Housing Revenue Account - Budget 2018/19**

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

6. **Adur District Council Budget Estimates 2018/19 and setting of the 2018/19 Council Tax**

To consider a report from the Director for Digital and Resources, a copy is attached as item 6.

Part B - Not for Publication – Exempt Information Reports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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The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk

ADUR DISTRICT COUNCIL

Executive
Date: 6th February, 2018
Agenda Item: 5
Key Decision : No
Ward(s) Affected:

HOUSING REVENUE ACCOUNT – BUDGET 2018/19

REPORT BY THE DIRECTOR FOR DIGITAL AND RESOURCES AND THE DIRECTOR FOR COMMUNITIES

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report sets out financial challenges for the Housing Revenue Account and asks Members to set the rent levels and service charges for 2018/19. The report also considers some of the strategic challenges facing the Housing Revenue Account over the next few years and the impact that these will have over the next 30 years.

1.2 Members will be very aware that the rent limitation announced in 2015/16 continues to have a profound effect on the financial viability of the Housing Revenue Account. However, it is expected that this will end in 2019/20 allowing the HRAs finances to become more sustainable in the future.

1.3 The following appendices have been attached to this report:

(i) **Appendix 1** Proposed budget for 2018/19

(ii) **Appendix 2** 30 year financial forecast

(iii) **Appendix 3** HRA Treasury Management Strategy

2. RECOMMENDATIONS

2.1 The Executive is recommended to:-

(i) consider and approve the Housing Revenue Account estimates for 2018/19;

(ii) note that the rents of Council Dwellings will decrease by 1.0% reducing the average council dwelling rent by £0.91 to £90.44 per week (average rent currently £91.35 per week) – (Paragraph 6.3);

(iii) determine the level of associated rents and charges with effect from week one of 2018/19:-

(a) **Rents of Council garages** – agree an increase of 3.0% to £9.96. (currently £9.67 per week, plus VAT for non-Council tenants) (Paragraph 6.6)

2. RECOMMENDATIONS

(b) **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 (paragraph 9.2)

(iii) To approve the HRA Treasury Management Strategy contained in Appendix 3.

3.0 CONTEXT

3.1 This report seeks to explain the main issues surrounding the budgets for the Housing Revenue Account to enable Members to set rent levels for 2018/19.

3.2 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.

3.3 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.

3.4 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 2018/19 onwards.

3.5 The challenge of creating a sustainable business plan was made more difficult by the announcement by the Chancellor in the Spring Budget 2015 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.
>
> 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

3.0 CONTEXT

3.6 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 until 2020. Officers are recommending a reduction of 1% in line with the requirements of the Welfare Reform and Work Act and associated regulations.

3.7 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.

3.8 Adur Consultative Forum members are invited to attend the Executive meeting to relay their views on the budgetary proposals.

4.0 STRATEGIC RISKS AND CHALLENGES

4.1 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

4.2 Rent limitation

4.2.1 The rent limitation measures announced by the Chancellor in 2015 have had a profound impact on the HRA. Over the period of the reduction, 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	-12,183	-11,992	-11,872	-12,228
Income with inflationary increase (CPI + 1%)	-12,519	-12,845	-13,359	-13,760	-14,172
Income lost due to rental limitation	273	662	1,367	1,888	1,944

4.2.2 On the 4th October 2017, DCLG announced that “increases to social rent will be limited to the Consume Price Index (CPI) + 1% for 5 years from 2020”. Whilst this is a welcome announcement, it does mean that the Council is unlikely to be able to recover the lost income in the future.

4.0 STRATEGIC RISKS AND CHALLENGES

4.2 Rent limitation

4.2.3 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.

4.2.4 However, the Council will be faced with setting a deficit budget, and therefore rely on the use of reserves, over the next few years as it grapples with the fall in rental income and the need to invest in council homes. Every opportunity will be taken to reduce costs in the interim to reduce the call on reserves over the next 5 years.

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

4.3.1 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**	**2017/18 (Estimate)**	**2018/19 (Estimate)**
Stock at 1st April	2,631	2,617	2,609	2,599	2,591
Plus: Additions - Note(1)	2	1	0	0	0
Less: Right to Buy sales	16	9	10	8	8
Less: Disposals	0	0	0	0	0
Stock at 31st March	**2,617**	**2,609**	**2,599**	**2,591**	**2,583**

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.*

4.3.2 For 2017/18 the signs are that interest from tenants in the possible take up of RTB sales continues at a constant level. 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.

4.3.3 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”

4.0 STRATEGIC RISKS AND CHALLENGES

4.3 **Impact of Right to Buy and other potential stock losses**

4.3.4 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% up to a maximum cash value (the current maximum discount is £78,600). The cash cap increases in April every year in line with the Consumer Price Index.

4.3.5 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%.

4.3.6 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.

4.3.7 <u>Sale of higher value properties</u>

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 but uncertainty persists over when and if the policy will be implemented and what the threshold for "higher value" assets will be.

4.0 STRATEGIC RISKS AND CHALLENGES

4.3 **Impact of Right to Buy and other potential stock losses**

4.3.8 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.

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

4.4.1 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.

4.4.2 Experience suggests that the reforms have increased the financial pressures on some of the most vulnerable people of society, due to the introduction of caps on the total amount of weekly benefit paid and introducing further reductions for the under occupation of homes.

4.4.3 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.

4.4.4 Whilst it was expected that this benefit would be paid 6 weeks in arrears (due to the assessment period), the Autumn Budget 2017 introduced a number of measures to mitigate the hardship that the delay would potentially cause:

- From January 2018 those who need it, and who have an underlying entitlement to Universal Credit, will be able to access up to a month's worth of Universal Credit within five days via an interest-free advance. The government will extend the period of recovery from six months to twelve months, making it easier for claimants to manage their finances. New claimants in December will be able to receive an advance of 50% of their monthly entitlement at the beginning of their claim and a second advance to take it up to 100% in the new year, before their first payment date

- From February 2018 the government will remove the seven-day waiting period so that entitlement to Universal Credit starts on the first day of application

4.0 STRATEGIC RISKS AND CHALLENGES

4.4 Changes to Housing Benefit and Welfare Reform

- from April 2018 those already on Housing Benefit will continue to receive their award for the first two weeks of their Universal Credit claim

- the government will also make it easier for claimants to have the housing element of their award paid directly to their landlord

Extract from the Autumn Budget 2017

However, the decision that any funds will be spent on rent, as opposed to other expenditure, is in the hands of the individual recipient.

4.4.5 Research 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 and when Universal credit is rolled out, the Council may well see an increase in rent arrears.

4.4.6 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.

4.4.7 The benefit changes will continue to present a challenge for 2018/19. 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 2017 (to date) there have been 6 tenancies terminated for arrears. (Between 1 April 2016 and 31 March 2017 there were 8 tenancies terminated for arrears).

4.4.8 Some mitigation is in place to reduce tenants' arrears from growing, with a greater emphasis on tenancy sustainment through the role of Tenancy Sustainment Officer. Additionally, the Introductory Tenancy Officer provides support to new households, which includes financial support to prevent people from falling into arrears.

4.5 Outcome of the condition survey

4.5.1 A stock condition survey was undertaken last year. This revealed that the Council needs to invest atleast £33m over the next 5 years. This had already been recognised within the Council's capital strategy which has recommended increasing the level of investment in new schemes from £3.7m in 2016/17 rising to £5.2m (including £400k for new build schemes), an increase of £1.5m. However this will not be sufficient to meet the immediate investment needs of the housing stock.

4.0 STRATEGIC RISKS AND CHALLENGES

4.5 Outcome of the condition survey

4.5.2 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.

4.5.3 The Council currently spends £1.819m (£702.05 per property) on revenue responsive maintenance on occupied properties which is significantly higher than the 2016/17 benchmark figure of £421.85 per property. The level of spend reflects the under investment in the condition of the properties in previous years when the old housing subsidy system severely limited the annual amount of annual investment. 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 continue to increase over the next few years with a reducing level of revenue maintenance as follows:

Proposed budgets	2018/19	2019/20	2020/21	2021/22	2021/22
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital maintenance programme	4,800	5,800	6,400	6,500	6,500
Proposed increase		1,000	600	100	-
Total revenue maintenance	2,823	2,778	2,701	2,614	2,573
Estimated cash reduction per year		-45	-77	-87	-41

The falling level of revenue maintenance reflects both the increasing level of capital spend on properties combined with improvements in procurement and contract management.

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

5.0 THE HOUSING REVENUE ACCOUNT FOR 2018/19

5.1 The projected expenditure and income for the HRA in 2018/19 is as follows:-

	Estimate 2018/19	
	£'000	£'000
Expenditure		
Supervision and management	4,106	
Rent, rates, taxes and other charges	26	
Repairs and maintenance	2,823	
Depreciation	4,600	
Interest payments	2,309	
Movement in provision for bad debt	50	13,914
Income		-13,180
Net (Surplus)/Deficit for the year		734
Proposed contribution to /(from) earmarked reserves		-
Overall position for the year		734
Estimated balance brought forward 1st April, 2018		-1,892
Balance carried forward 31st March, 2019		**-1,158**

More detailed estimates for the Housing Revenue Account for 2017/18 and 2018/19 are shown in Appendix 1.

5.2 These projections take into account the budget from 2017/18, 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**
2017/18 budget	13,512
Impact of inflation	248
Increase in depreciation following the annual valuation of HRA properties	193
Impact of pension fund revaluation	47
Reduction in building maintenance budgets	-100
Other minor changes	14
2018/19 budget	**13,914**
Income:	
2017/18 budget	-13,331
Impact of 1% rent decrease	193
Inflationary increase on other rents	-42
2018/19 budget	**-13,180**

5.0 THE HOUSING REVENUE ACCOUNT FOR 2018/19

5.3 The 2018/19 budget shows an increasing deficit position, this results from a combination of factors including:

- the rent reduction of 1% which is estimated to cost the Council £0.68m in real terms in 2018/19

- the need to increase the capital investment programme to address maintenance issues with the current housing stock.

Looking ahead to 2019/20, 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 the rent reductions come to an end, the financial position of the HRA will gradually improve albeit over a number of years. However, the annual increase to the HRA rents will still be constrained until 2025 at the earliest.

6.0 RENT SETTING FOR 2018/19

6.1 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.

6.2 In 2017/18 most rents were reduced by 1% and the average council dwelling rent fell by £0.92 to £91.35 per week.

<u>This year's proposed average dwelling rent level</u>

6.3 The **average rental decrease recommended** for 2018/19 is in line with the Welfare Reform and Work Act. The required rental decrease is 1%**.** This will decrease the average rent by £0.91 from £91.35 to **£90.44.** This rent reduction will apply to all current tenants.

6.4 The proposed average decrease 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 2018/19, the current limit for Adur is £94.57.

6.5 It is intended to relet vacant properties to new tenants at the limit rent.

<u>Garage Rents</u>

6.6 Garage rents were increased by 2.0% in 2017/18 to £9.67 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2018/19 by 3% to £9.96 which is in line with current inflation rate of 3.1%. These proposals will generate an extra £12,460 in income.

7.0 DEBT FINANCING COSTS

7.1 The debt financing costs chargeable to HRA in 2018/19 relate to interest payments. 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 £40.98m outstanding at 31st March 2018;

iii) new borrowing for capital expenditure or to refinance existing debt.

7.2 The budgeted costs are:

2018/19 Budget	Interest £000
Historic Debt	974
Settlement Debt	1,279
New Borrowing	56
Total Budget	**2,309**

8.0 REPAIRS AND MAINTENANCE

8.1 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.

8.2 The budget for routine repair and maintenance has decreased in real terms by £100,000 to reflect the higher level of capital investment and improvements in both procurement and contract management.

8.3 **Housing Capital Investment Programme**

8.3.1 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.

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

(i) revenue contributions to capital expenditure;

8.0 REPAIRS AND MAINTENANCE

8.3 **Housing Capital Investment Programme**

(ii) the Major Repairs Reserve. This will increase each year by an accounting adjustment for the amount of depreciation charged to the HRA (£4.6m). 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.

8.3.3 The HRA capital renovation programme for 2018/19 was approved at £5.2m by the Joint Strategic Committee at its meeting of 5th December, 2017. This reflected the recent condition survey and concerns about affordability due to the impact of rent limitation.

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

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

9.0 SERVICE CHARGES – CONTRACT PRICE INCREASES

9.1 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.

9.2 Members are therefore requested to delegate to the Head of Housing and the Chief Financial Officer in consultation with the Executive Member, Customer Services, authority to set service charges.

10.0 REALLOCATIONS OF SALARIES AND CENTRAL COSTS

10.1 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.

11.0 LEVEL OF RESERVE BALANCES

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

Reserves	Estimated balance at 01/04/18	Increase	Decrease	Forecast balance at year end 2018/19
	£000's	£000's	£000's	£000's
Housing Revenue Account	1,892	-	-744	1.148
Discretionary Assistance Fund	116	-	-	116
New Development and Acquisition Fund	1,383	-	-383	1,000
Business Development Fund	94	-	-94	0
Major Repair Reserve	-	4,600	-4,488	112
TOTAL	**3,485**	**4,600**	**-5,709**	**2,376**

11.2 HRA general reserve balances are forecast to be £1.892m at 1st April 2018 and 15.4% of total expenditure. This is over the target level explained detailed in paragraph 11.3 below, but reflective of the emphasis placed in securing resources to underpin revenue operations and capital expenditure in future years.

11.3 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.

11.4 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 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 is justified in striving to provide adequate reserves to build capacity for the future as part of a longer term strategy.

11.0 LEVEL OF RESERVE BALANCES

11.5 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 2018/19 capital budget includes provision for £4.4m to be utilised for financing HRA capital expenditure, comprising the carried forward balances and in-year contributions.

11.6 Although a balanced budget has been prepared, any underspends arising at the final revenue outturn for 2017/18 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.

12.0 IMPACT ON FUTURE YEARS

12.1 Attached at appendix 2 is the 30-year financial forecast. The focus for the 2018/19 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 2017/18, 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 Council homes for the benefit of our existing tenants.

12.2 The financial plan assumes that the rent will decrease again in 2019/20 and thereafter rent increases are in line with the Council's rent policy and the Government's 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.

12.3 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 few 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	3,074	2,893	2,159	1,195	533
Expected drawdown	-181	-734	-964	-662	-344
Balance at the end of the year	2,893	2,159	1,195	533	189

12.0 IMPACT ON FUTURE YEARS

12.4 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 £61.237m. This means that the Council's headroom for borrowing is £7.675m for 2018/19. This is in addition to future borrowing required for the current capital programme over the next 3 years.

12.5 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.

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

4. Construction of new homes on infill sites.

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.

12.6 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.

13.0 SUMMARY

13.1 The Council has no option but to decrease rents for the next two years for the majority of properties, however despite this, the HRA remains in a financially viable position over the longer term. 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 and becomes financially viable.

14.0 FINANCIAL IMPLICATIONS

14.1 The financial implications associated with the development of the budgets are detailed throughout the report.

Finance Officer: Sarah Gobey **Date**: 24th January, 2018

15.0 LEGAL IMPLICATIONS

15.1 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.'*

15.2 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.

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

i) the use of capital receipts under Right To Buy regulations, and emanating from the Local Authorities (Capital Financing and Accounting)(England) Amendment Regulations (SI 2012/711 & 2012/1324)

ii) maintain borrowing with the imposed debt ceiling limit arising from the Limits on Indebtedness Determination issued under the powers conferred upon the Secretary of State by S168 to 175 of the Localism Act, 2011.

Legal Officer: Susan Sale **Date**: 24th January, 2018

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

2015/16 Housemark Benchmarking Survey

Autumn Budget 2017

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 **Social Value**
Matter considered and no issues identified

2.2 **Equality Issues**
Matter considered and no issues identified

2.3 **Community Safety Issues (Section 17)**
Matter considered and no issues identified

2.4 **Human Rights Issues**
Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

APPENDIX 1

HOUSING REVENUE ACCOUNT		
	ORIGINAL ESTIMATE 2017/18	ESTIMATE 2018/19
	£	£
EXPENDITURE		
General Management	3,616,390	3,891,890
Special Services	191,170	214,570
Rent, Rates, Taxes & Other Charges	42,830	26,300
Repairs and Maintenance	2,883,030	2,823,320
Depreciation	4,406,760	4,600,000
Bad/Doubtful Debt	50,000	50,000
Capital Financing Costs		
Interest charges	2,322,240	2,308,980
TOTAL EXPENDITURE	**13,512,580**	**13,915,060**
INCOME		
Dwelling Rents	(12,183,440)	(11,991,720)
Non-Dwelling Rents	(545,130)	(566,920)
Heating and Service Charges	(365,090)	(374,210)
Leaseholder's Service Charges	(209,000)	(219,640)
Interest Received	(28,000)	(28,000)
TOTAL INCOME	**(13,330,660)**	**(13,180,490)**
NET (SURPLUS)/DEFICIENCY	**181,920**	**734,570**

APPENDIX 2

HOUSING REVENUE ACCOUNT

	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	2026/27 £'000
EXPENDITURE										
General Management	3,616	3,892	3,989	4,089	4,171	4,254	4,339	4,426	4,514	4,605
Special Services	191	215	220	225	230	235	239	244	249	255
Rents, Rates, Taxes & Other Charges	43	26	27	28	28	29	29	30	31	31
OVERALL RUNNING COSTS	3,850	4,133	4,236	4,342	4,429	4,518	4,607	4,700	4,794	4,891
Annual Revenue Maintenance Costs	2,882	2,823	2,778	2,701	2,614	2,573	2,611	2,644	2,680	2,743
Revenue Contributution to Capital	0	0	0	0	0	0	0	0	0	300
Charges for Capital										
Depreciation	4,407	4,600	4,688	4,728	4,751	4,768	4,833	4,898	4,964	5,080
Interest payable										
Interest - on historic debt	974	974	974	974	974	974	974	974	963	938
Interest - on assumed debt	1,313	1,279	1,313	1,295	1,277	1,258	1,240	1,222	1,204	1,186
Interest - on capital programme	35	55	60	85	106	130	172	196	212	227
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	13,511	13,914	14,099	14,175	14,201	14,271	14,487	14,684	14,867	15,415
INCOME										
Dwelling Rents	-12,183	-11,992	-11,863	-12,199	-12,502	-12,796	-13,097	-13,404	-13,718	-14,039
Other Rents and Charges	-1,119	-1,160	-1,192	-1,234	-1,276	-1,318	-1,363	-1,409	-1,457	-1,506
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-13,330	-13,180	-13,083	-13,461	-13,806	-14,142	-14,488	-14,841	-15,203	-15,573
NET COST OF SERVICES	**181**	**734**	**1,016**	**714**	**395**	**129**	**-1**	**-157**	**-336**	**-158**

HOUSING REVENUE ACCOUNT	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	2036/37 £'000
EXPENDITURE										
General Management	4,697	4,814	4,935	5,058	5,184	5,314	5,447	5,583	5,723	5,866
Special Services	259	265	272	279	286	293	300	308	317	323
Rents, Rates, Taxes & Other Charges	32	33	33	34	35	36	37	38	39	40
OVERALL RUNNING COSTS	4,988	5,112	5,240	5,371	5,505	5,643	5,784	5,929	6,079	6,229
Annual Revenue Maintenance Costs	2,807	2,872	2,938	3,005	3,076	3,147	3,219	3,293	3,370	3,447
Revenue Contributution to Capital	630	691	690	791	890	991	1,090	1,150	1,250	1,350
Charges for Capital										
Depreciation	5,199	5,320	5,444	5,570	5,699	5,831	5,966	6,103	6,243	6,386
Interest payable										
Interest - on historic debt	932	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	1,134	1,083	1,031	979	928	876	824	772	721	669
Interest - on capital programme	260	319	385	454	524	568	613	684	736	791
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	16,000	16,379	16,710	17,152	17,604	18,038	18,478	18,913	19,381	19,854
INCOME										
Dwelling Rents	-14,367	-14,702	-15,044	-15,393	-15,749	-16,113	-16,485	-16,865	-17,252	-17,648
Other Rents and Charges	-1,558	-1,613	-1,671	-1,731	-1,792	-1,857	-1,923	-1,992	-2,064	-2,138
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-15,953	-16,343	-16,743	-17,152	-17,569	-17,998	-18,436	-18,885	-19,344	-19,814
NET COST OF SERVICES	**47**	**36**	**-33**	**0**	**35**	**40**	**42**	**28**	**37**	**40**

APPENDIX 2

HOUSING REVENUE ACCOUNT

	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	2046/47 £'000
EXPENDITURE										
General Management	6,012	6,163	6,317	6,475	6,637	6,802	6,973	7,147	7,326	7,509
Special Services	331	340	348	357	366	375	384	394	404	414
Rents, Rates, Taxes & Other Charges	41	42	43	44	45	46	47	48	49	51
OVERALL RUNNING COSTS	6,384	6,545	6,708	6,876	7,048	7,223	7,404	7,589	7,779	7,974
Annual Revenue Maintenance Costs	3,525	3,607	3,689	3,773	3,858	3,945	4,036	4,125	4,219	4,313
Revenue Contributution to Capital	1,350	1,550	1,650	1,650	1,850	1,950	2,050	2,150	2,250	2,350
Charges for Capital										
Depreciation	6,532	6,681	6,833	6,988	7,146	7,308	7,473	7,641	7,813	7,988
Interest payable										
Interest - on historic debt	932	932	932	932	932	932	932	932	932	932
Interest - on assumed debt	617	566	514	462	411	359	320	320	320	320
Interest - on capital programme	841	874	921	979	1,038	1,078	1,091	1,096	1,095	1,089
Provisions For Bad Debt	50	50	50	50	50	50	50	50	50	50
TOTAL EXPENDITURE	20,231	20,805	21,297	21,710	22,333	22,845	23,356	23,903	24,458	25,016
INCOME										
Dwelling Rents	-18,052	-18,464	-18,884	-19,314	-19,752	-20,199	-20,655	-21,120	-21,594	-22,078
Other Rents and Charges	-2,215	-2,295	-2,378	-2,464	-2,553	-2,646	-2,742	-2,841	-2,944	-3,051
Interest Received	-28	-28	-28	-28	-28	-28	-28	-28	-28	-28
TOTAL INCOME	-20,295	-20,787	-21,290	-21,806	-22,333	-22,873	-23,425	-23,989	-24,566	-25,157
NET COST OF SERVICES	**-64**	**18**	**7**	**-96**	**0**	**-28**	**-69**	**-86**	**-108**	**-141**

APPENDIX 3

HRA TREASURY MANAGEMENT STRATEGY

1.0 INTRODUCTION

1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2018-19. 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 2018/19 are unchanged from 2017/18, 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 revised in November 2011 to address the implications for introducing HRA Self-financing from 2012/13. An updated Code published in December 2017 did not include any changes to the HRA guidance.

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 2017/18 and unchanged for 2018/19 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	2016/17 Actual £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	14.909	43.865	79.785	106.536	131.128
Housing Revenue Account	60.103	61.237	61.474	62.010	63.010
Total CFR	**75.012**	**105.102**	**141.259**	**168.546**	**194.138**
Actual Debt					
General Fund	(14.971)	(43.855)	(79.109)	(103.441)	(125.365)
Housing Revenue Account	(59.581)	(59.009)	(57.539)	(56.369)	(55.663)
Total Debt Amount	**(74.552)**	**(102.864)**	**(136.648)**	**(159.810)**	**(181.028)**
(Over)/Under Borrowing					
General Fund	(0.062)	0.010	0.676	3.095	5.763
Housing Revenue Account	0.522	2.228	3.935	5.641	7.347
Total	**0.460**	**2.238**	**4.611**	**8.736**	**13.110**
HRA Borrowing Headroom	**9.331**	**9.903**	**11.373**	**12.543**	**13.249**

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2018/19-2020/21 submitted to the meeting of the Joint Strategic Committee on 1st February 2018).

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 2016/17 by £522k, 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 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 2018/19 to 2020/21 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 1st February 2018.

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 2020/21 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.

Executive
Date: 6th February, 2018
Agenda Item: 6
Key Decision: No
Ward(s) Affected:

ADUR DISTRICT COUNCIL BUDGET ESTIMATES 2018/19 AND SETTING OF 2018/19 COUNCIL TAX

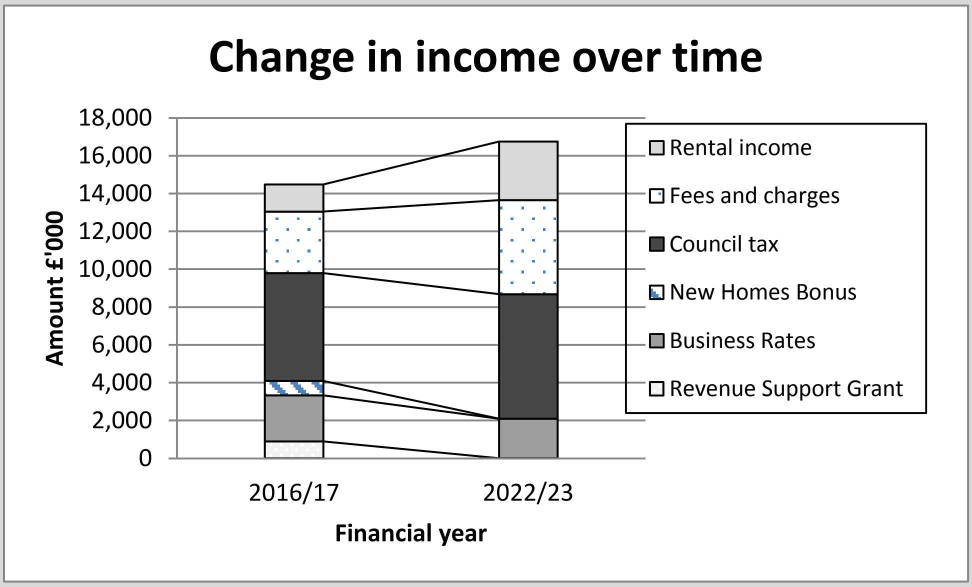
REPORT BY: DIRECTOR OF DIGITAL AND RESOURCES

1. EXECUTIVE SUMMARY

1.1 This report is the final report of the year resulting from the culmination of the annual budgeting exercise and asks members to consider:

- The final revenue estimates for 2018/19 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2018/19, prior to its submission to the Council for approval on the 22nd February 2018. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget proposals by Executive.

1.2 The report outlines the medium term financial challenge through to 2022/23, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic property investment. The budget strategy initiated 2 years ago is having a significant effect on how the Councils will be funded in the future with increasing income generated from commercial income and rents.



1. EXECUTIVE SUMMARY

1.3 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 2018/19 settlement.

1.4 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 4.2) ;
- The Executive will need to consider whether to increase Council Tax by maximum level possible 3% or by a lower amount (paragraph 5.10); and, finally
- The Executive needs to consider the proposals to invest in services outlined in Appendix 2

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2018/19 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).

1.6 The Police and Crime Commissioner consulted on an increase to the Council Tax for 2018/19 of £5.00 or 3.25%. Following the greater flexibility on Council Tax levels announced as part of settlement, the final increase recommended to the Sussex Police and Crime Panel (PCP) was £12.00 which is equivalent to a 7.8% increase. The proposed 2018/19 budget was approved by the PCP on 19th January 2018.

1.7 The Chancellor's Autumn Budget in November 2017 contained very little new news on Local Government.

1.8 The draft Local Government Settlement allowed Councils to increase core Council Tax by up to 3% which is in addition to the 3% Council Tax increase allowed specifically to support adult social care services. Therefore a maximum Council Tax increase of 6% for Councils with social care responsibilities is allowed.

1.9 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 16th February 2018. The formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 22nd February 2018.

1.10 The following appendices have been attached to this report:

(i) **Appendix 1** 5 year forecast for Adur District Council

1. EXECUTIVE SUMMARY

(ii) **Appendix 2** Proposals for investment in services

(iii) **Appendix 3** Estimated Reserves

(iv) **Appendix 4** Council Tax base for 2018/19

(v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2018/19

(vi) **Appendix 6** Glossary of terms used

2. RECOMMENDATIONS

2.1 The Executive is recommended to:

(a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;

(b) Agree to recommend to Council the draft budgets for 2018/19 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £8,570,810 subject to any amendments above; and

(c) Consider which band D Council Tax to recommend to Council for Adur District Council's requirements in 2018/19 as set out in paragraph 5.10.

3.0 SUMMARY

3.1 The Joint Strategic Committee considered the 'Outline 5-year forecast for 2018/19 to 2022/23 and the Budget Strategy' on 11th July 2017. 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 in 2015/16 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 and business rates.

3.2 The Councils have set up several boards that are responsible for taking forward key strands of the budget strategy aimed at delivering savings for the future:

3.0 SUMMARY

- **The Major Projects Board** will lead on delivering projects to increase employment space and additional housing;

- **The Service Redesign Board** (previously the Digital Programme Board) will lead on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work.

- **The Strategic Asset Management Board** will lead on delivering the income growth associated with the Strategic Property Fund; and

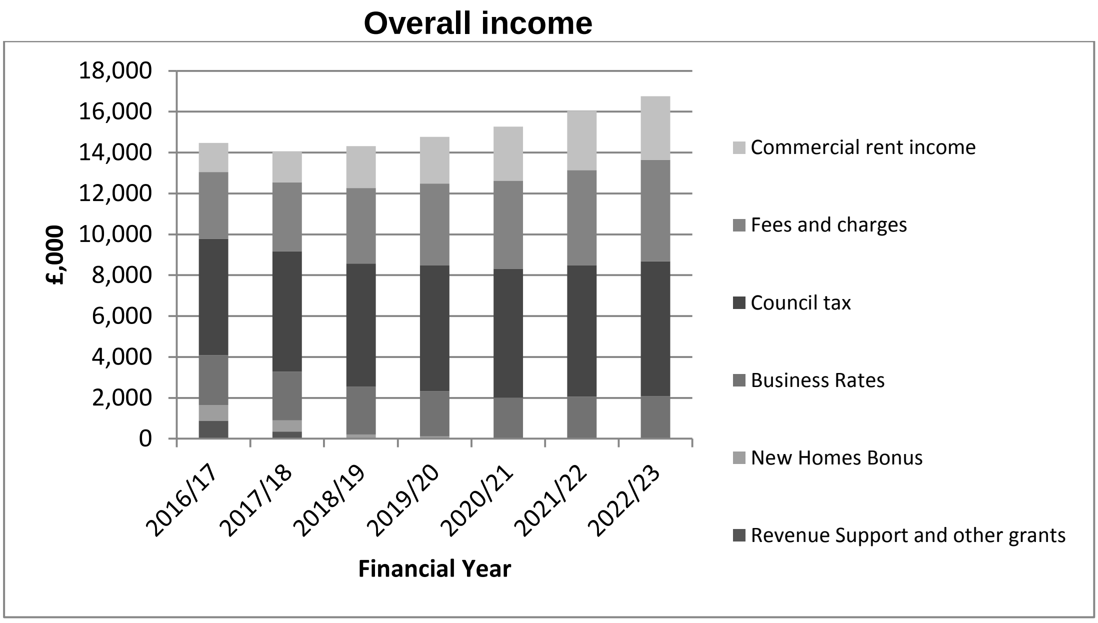
- **The Customer and Commercial Board** will lead on the delivery of the income growth from commercial services and seek to improve the customer experience.

For 2018/19 the Service Redesign Board, the Customer and Commercial Board and the Strategic Asset Management Board have been set explicit targets as part of the budget strategy.

3.3 The successful delivery of our strategy fundamentally changes 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 over time.

Total budgeted income	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support and other grants	887	344	0	0	0	0	0
New Homes Bonus	767	553	202	116	1	0	0
Business Rates	2,436	2,386	2,337	2,202	2,010	2,051	2,090
Council Tax	5,690	5,883	6,031	6,163	6,301	6,442	6,587
Income from taxation	9,780	9,166	8,570	8,481	8,312	8,493	8,677
Fees and charges	3,265	3,371	3,692	4,002	4,318	4,640	4,969
Commercial rent income	1,431	1,528	2,051	2,292	2,643	2,896	3,104
Income from commercial activity	4,696	4,899	5,743	6,294	6,961	7,536	8,073
Total income excluding specific grants	14,476	14,065	14,313	14,775	15,273	16,029	16,750

3.0 SUMMARY



3.4 The subsequent report to the Joint Strategic Committee, on 5th December 2017 updated Members as to the latest budgetary information and the forecast shortfall, before savings or growth, was revised as follows:

Adur District Council	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – July forecast	1,486	1,848	3,120	3,357	3,824
Overall shortfall – December forecast (including net approved growth)	1,392	1,796	3,096	3,308	3,725
Increase / Decrease(-) in shortfall	-94	-52	-24	-49	-99
Overall shortfall – December forecast	1,392	1,796	3,096	3,308	3,725
Savings identified in December 2017 report	-1,366	-1,526	-1,831	-2,031	-2,181
Revised budget shortfall/Surplus(-) as at December 2017	26	270	1,265	1,277	1,544

3.5 The 2018/19 savings proposals identified within the report amounted to £1,366,000.

3.6 Since the meeting in December, the Adur District Council budget has been finalised and the last adjustments have been included subject to the final considerations about the level of Council Tax and any proposals to reinvest back into services. Overall, therefore, the current financial position of the Council for 2018/19 can be summarised as:

3.0 SUMMARY

		£'000
Original shortfall as identified in September		**1,486**
Summary of changes identified in December 2017:		
(a)	Improvements to the income from Council Tax	-51
(b)	Further increase to cost of the homelessness service	7
(c)	Reduction in Government Grants	26
(d)	Net committed growth items identified by budget holders and other minor adjustments	61
(e)	Reduction in capital programme financing costs	-7
(f)	Removal of contingency budget	-130
Budget shortfall as at 5th December 2017		**1,392**
Settlement		
	Impact of provisional New Homes Bonus allocation	0
Adjustment for final items identified		
	Changes to the capital programme	
	- Impact of latest expected spend profile	-102
	Change to Public Convenience cleaning arrangements	11
	Improved forecast business rate income	-19
	Adjustment to final inflation calculations, pension costs including the impact of increments and regradings	50
	Reduction in forecast Investment Income	1
Final adjustment to allocations between the two Councils		
Revised budget shortfall – carried forward		**1,333**
Less:	Net savings agreed in December	-1,366
	Adjustment to final savings arising from finalisation of restructuring proposals and review of allocations	1
Budget surplus to be placed in reserves (before any further action is agreed)		**-32**

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 Autumn Budget Statement 2017

4.1.1 The Chancellor Philip Hammond delivered the 2017 Budget Statement on the 22nd November 2017. There were some significant announcements made in the budget relating to changes to economic forecasts, fundamental changes to the business rate system, and some high-profile funding announcements including additional resources for the NHS and housing.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 Autumn Budget Statement 2017

4.1.2 There were significant changes to the prospects for growth, with Gross Domestic Product (GDP) likely to be 0.5% lower than originally expected at around 1.5% next year. The implication for public finances is that national taxation is likely to grow at a slower rate than previously forecast particularly from 2019/20 onwards with inevitable consequences for the funding available for public services. Nevertheless, public expenditure is still expected to grow albeit at a slower rate than anticipated.

4.1.3 We are currently in a spending review period which is due to end in 2019/20, consequently there were very few changes to departmental budgets. Some additional funding was released for the National Health Services but beyond this there were no changes to the Departmental Expenditure Limits (DELs) or the Resources budget. The DELs are only confirmed until 2019/20, the new limits for 2020/21 onwards will only be published once the outcome of the next Comprehensive Spending Review is announced.

4.1.4 In the short term, there were no changes for the funding made available for Local Government. However the lower growth forecast may mean that local government spending will be lower than originally assumed following the next Comprehensive Spending Review. There were some significant announcements of particular interest to Local Authorities:

i) Business rates:

The inflation rate to be used for the business rate multiplier has been switched from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This rate is generally 1% lower. Whilst the Council's baseline funding and tariff payment will be adjusted to reflect the loss of income, there are consequences for the Council due to the loss of potential income growth in its share of retained business rates over the medium term.

Valuations will now be on a three year cycle which will cause more upheaval but will lessen the impact of the revaluations when they occur both for businesses and local authorities.

The current £1,000 discount for pubs will be extended for one more year. The council will be compensated for the potential loss of income.

ii) Council Tax:

The Council will be given the power to charge 100% premium on empty properties. Currently the Council charges a 50% premium on homes that have been empty for more than two years. The Council is awaiting the relevant legislation to be laid before parliament before deciding whether to use this new power or not.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 Autumn Budget Statement 2017

ii) Council Tax:

A report will presented to the Joint Strategic Committee in due course regarding the use of this new power. It should be remembered that the Council has very few long term empty properties (19 as per the CTB1 form) and so the potential additional income is relatively small, although the additional premium would be an incentive to owners to bring the property back into use and improve the supply of housing.

iii) Housing:

Housing was a major theme in the statement with many of the announcements affecting local government directly. These included:

- Homelessness taskforce and a commitment to halving rough sleeping by 2022.
- £630m fund to support the delivery of homes on small sites
- £2.7bn to increase the Housing Infrastructure Fund
- A lifting of the debt cap in high demand areas to help Councils build additional affordable homes. Councils will have to bid for increases to their borrowing caps from 2019/20 onwards. A total of £1bn has been made available in the period 2019/20 – 2021/22.

4.2 2018/19 Local Government Finance Settlement

4.2.1 The Secretary of State for the Department for Communities and Local Government (DCLG) Sajid Javit delivered the provisional Local Government Finance Settlement on the 19th December 2017. Consultation on the provisional settlement closed on the 16th January 2018.

4.2.2 The key features of the 2018/19 provisional settlement were outlined in the speech as:

- *Four year settlement*
- *Adjustments for the business rate retention system*
- *Negative Revenue Support Grant (RSG)*
- *New Homes Bonus*
- *Council Tax referendum thresholds*
- *Other minor settlement matters*
- *100% business rate pilots*
- *Changes to local government funding in 2020/21 Fair Funding review*

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 **2018/19 Local Government Finance Settlement**

Taking each of these in turn:

4.2.3 **Four Year Settlement**

The multi-year settlements that were announced in 2016/17 were confirmed for 2018/19 and 2019/20.

The Council had received confirmation in 2016/17 that its efficiency plan had been accepted by the government as so have certainty about the level of government funding from revenue support grant for the period 2017/18 to 2019/20. However, as the Council is not receiving any revenue support grant from 2019/20 onwards this confirmation is now of academic interest only.

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%		

4.2.4 **Adjustments to the Business Rate Retention System**

The Council's Tariff, Baseline Funding Level (BFL) and Revenue Support Grant (RSG) has been updated to reflect the new business rate multiplier which, from 2018-19 onwards, will be based on the CPI.

There have also been two changes to the way that the Government will adjust for the effect of the 2017 revaluation on the 2018/19 Tariff and BFL:

- The tariff calculation is based on the estimated growth in the overall business rate values between 2010 and 2017 as per the Valuation Office listings. In 2017/18 this was calculated using the values as at 31st March 2016. This calculation has now been revised for the values as at 31st March 2017. Consequently any properties that have been revalued during 2016/17 will have an impact on the calculation.

Adur	2010 valuation listing	2017 valuation listing	Growth	% growth
2017/18 calculation	46,072,922	46,833,283	760,361	1.65%
2018/19 calculation	44,794,000	46,153,000	1,359,000	3.03%
Change	1,278,922	680,283		

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2.4 **Adjustments to the Business Rate Retention System**

- Previously the intention was to revise the 2017-18 revaluation adjustment using the 2016-17 outturn (for Non-Domestic Rating Income). The Department is now proposing to “remove the one-off changes to the appeals provision in 2016-17”.

These adjustments have generated revised tariffs and top-ups for 2017-18. The adjustment is indexed (using the small business rate multiplier) to create a similar adjustment in 2018-19.

In 2018-19 (“exceptionally”) authorities will receive a backdated “adjustment” representing the difference between their provisional and revised top-up or tariff in 2017-18.

For Adur District Council, this change in methodology has a significant impact. Shoreham Power Station had a significant revaluation at the end of 2016/17 due to an appeal, its rateable value was reduced from 4,135,000 to 3,480,000. This has had a significant impact on the amount that Adur has to pay over to the government relating to 2017/18 in tariff which amounts to £142k.

However the impact for our partner Worthing Borough Council is only marginal. The Council will pay over an additional £7k in tariff to the Government relating to 2017-18.

Whilst it is legitimate to calculate the tariffs and BLF using the most up-to-date information available, it is questionable whether it is legitimate or fair to expect Councils to make a back payment as a result of changing methodology and data.

Where changes have been made in the past to government calculations to distribute funding, these have only applied to the new financial year, there have been no retrospective adjustments.

4.2.5 **Negative RSG**

When the multi-year settlements were announced, some authorities were given “negative RSG” allocations in 2018-19 and in 2019-20. This was where an authority’s Baseline Funding Level (BFL) is greater than its Settlement Funding Assessment (SFA) and, in order to ensure that these authorities were not ‘over-funded’, the authority’s tariff or top-up was adjusted. The adjustment is often referred to as “negative RSG”. Whilst this approach was technically correct, it was difficult to convince the sector about its legitimacy particularly in light of the business rate retention scheme which was intended to give Councils’ an element of control and reward over the income generated through local business rates.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2.5 Negative RSG

In his statement, the Secretary of State referred to the "strength of feeling" in the sector. These representations were successful in 2018-19 (when the small number of negative RSG allocations were reversed).

The Government has announced that they will review the “negative RSG” allocations for 2019-20. Whilst it is by no means certain that they will be removed, it does strongly suggest that the Secretary of State is minded to address the issue.

If the Government decides to reverse the adjustment relating to negative RSG allocations then additional funding will need to be found for the sector. It should not to be funded from within the 2019-20 settlement itself. The cost nationally would be £152.9m.

For Adur District Council, the proposed adjustment to the Tariff will be £366,500. The overall impact on the income paid over to the Government via the tariff is expected to change as a result of the recalculation and the imposition of ‘Negative RSG’’ as follows:

Tariff payment	2017/18	2018/19	2019/20
	£	£	£
As per 2018/19 settlement	4,641,100	4,926,900	5,036,100
Add:			
Retrospective adjustment		142,000	
Negative RSG			366,500
Revised 2018/19 tariff	4,641,100	5,068,900	5,402,600
Annual increase		427,800	333,700
Percentage increase in payment		9.22%	7.19%

Although due to the impact of the levy calculation the financial impact is reduced to £183,250.

	2019/20	
	Without negative subsidy	**Including negative subsidy**
Council share of business rates and S31 grants	8,068,000	8,068,000
Less: Tariff	-5,036,100	-5,402,600
	3,031,900	2,665,400

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 2018/19 Local Government Finance Settlement

4.2.5 Negative RSG

	2019/20	
	Without negative subsidy	**Including negative subsidy**
Balance brought forward	3,031,900	2,665,400
Less: Base Line Funding	-1,737,600	-1,737,600
Additional business rates	1,294,300	927,800
Less: 50% Levy	-647,150	-463,900
Additional retained rates	647,150	463,900
Reduction due to negative subsidy		183,250

4.2.6 New Homes Bonus (NHB)

The Government has decided not to implement any further changes to the way that New Homes Bonus (NHB) is calculated. It had been proposed in a recent consultation paper (September 2017) that NHB payments might be reduced where the authority had refused planning permission which was subsequently granted on appeal, this change is now not being implemented.

This condition would have been in addition to the threshold on payments that had been set at 0.4% in 2017-18. The threshold meant that NHB payments would only be made on an increase in council tax base that exceeded 0.4%. There was an expectation that the threshold would be increased, partly to ensure that the total funding would remain within the control total of £938m in 2018-19 (down from £1bn in 2017-18). Instead the Secretary of State has announced that the threshold will remain at 0.4%. Overall the Council is expected to receive the following amounts in NHB over the next few years:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Current assumption	1,388	1,184	1,058	540	306	120
Draft settlement						
Historic allocations	553	202	116	1	0	0
2018/19 allocation		0	0	0	0	0
Potential future allocations		0	0	0	0	0
Total New Homes Bonus	553	202	116	1	0	0
Increase / decrease (-) in grant from previous assumptions		0	0	0	0	0

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 2018/19 Local Government Finance Settlement

4.2.6 New Homes Bonus (NHB)

The New Homes Bonus has been an important source of funding. The provisional 2018/19 allocation for this council is £202,440. It should be noted that the future allocations are indicative only as they are dependent on the level of house building.

It is currently assumed that NHB will be phased out as part of the next CSR and the fairer funding review. Nationally, the amounts allocated to the scheme have been reduced year on year over the lifetime of the current CSR as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20
	£Bn	£Bn	£Bn	£Bn	£Bn
Total funding allocated nationally	1.200	1.485	1.251	0.946	0.900

4.2.7 Council Tax referendum thresholds

In parallel to the settlement, the proposed referendum criteria were published. Shire districts can increase council tax by 3% or £5.00 on Band D equivalent property whichever is higher. The higher threshold is justified on the grounds that it reflects the current inflation rate. CPI in November was 2.8%. It is possible that the Government will continue with a policy of setting the referendum criteria in the light of prevailing inflation rates in future years, however the impact of this will lessen if inflation falls back to the target rate of 2%.

The current 5-year forecast assumes an increase of 2%. The additional increase would enable the Council to re-invest back into priority services to meet the commitments detailed in Platforms for our places.

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

4.2.8 Other minor settlement matters

The Council will be able to increase their planning fees by 20% for 2018/19 if the proceeds are invested in their planning services. The planning service currently costs £739,520 so any proceeds will be invested in the service. This proposal was set out in the housing white paper earlier this year. Given that the fees budget has underachieved over the past few years, there will be no immediate financial benefit as a result of this change.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 **2018/19 Local Government Finance Settlement**

4.2.8 **Other minor settlement matters**

No additional funding was announced for the proposed 2% two-year pay offer for local government workers. The Chancellor promised to fund costs of NHS pay award in the Autumn Budget but, as expected, there is no new money to do the same for local government.

4.2.9 **100% business rate pilots**

West Sussex was unsuccessful in its bid to be one of the pilot areas, however the scheme was heavily oversubscribed.

In the prospectus for 2018-19 pilots the Government had set out a criteria for selecting pilots. The pilots had to be affordable: the increase in the number of pilots will be costly to HM Treasury. Other criteria were:

- Wide geographic spread across England;
- Focus on rural areas and on two-tier areas;
- Wide variation of business rates represented.

The successful bids in the South East of England were Surrey and Kent.

There will be further pilots in 2019-20 and the Department will announce details in due course.

4.2.10 **Changes to local government funding in 2020/21**

<u>Fair funding review</u>

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 which is now due to be introduced across the Country by 2020/21.

Consequently this review will not only influence the level of Revenue Support Grant received by each Council but also the amount of business rates each Council will be able to retain.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 **2018/19 Local Government Finance Settlement**

4.2.10 **Changes to local government funding in 2020/21**

Fair funding review

As part of settlement, the Government announced a consultation on the Fair Funding Review (FFR). The consultation will close on the 12th March 2018 and the Council will consider and respond to the document with a report being presented to the Joint Strategic Committee on 6th March 2018.

Reform of the Business Rate Retention Scheme

The Secretary of State has announced that the local share in the Business Rate Retention Scheme (BRRS) will increase from 50% (40% to the District Councils and 10% to the County Councils) to 75% in 2020-21. The increase in local share will be fiscally neutral and will be matched by transfers of Revenue Support Grant, public health grant and other grants. This is a significant change from previous plans with the local share now increasing to 75% rather than 100%.

This change has arisen because of the significant amount of legislation required for Brexit, it will be very difficult to introduce a Local Government Finance Bill before 2020-21. Government will be using existing legislation instead, but will continue to test the 100% system as well. Consequently the more radical change to the business rate scheme has been deferred but not abandoned.

Whilst it is not clear how this change will be dealt with in two tier areas, given the requirement for fiscal neutrality, it is likely that the County will be the beneficiary of the increased share of business rate income.

The Statement also appears to suggest that there will be a full baseline reset in 2020-21, however there is no decision has been made yet on whether there will be a full or partial reset:

> "Local authorities will be able to keep that same share of growth on their baseline levels from 2020 to 2021, when the system is reset. So from 2020 to 2021 business rates will be redistributed according to the outcome of the new needs assessment subject to suitable transitional measures."

Within the 5 year forecast, it is assumed that the Council will lose at least 50% of any gain in the new system.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.2 2018/19 Local Government Finance Settlement

4.2.11 **Summary of 2018/19 Local Government Settlement**

In overall terms, the 2018/19 settlement revealed that District and Borough Councils received an overall cut in government funding of 7.10%, this is the lowest for some time. For districts, this is significantly less than last year's drop of 15.35% although this does reflect the lower reduction in overall funding which last year amounted to a 10.6% reduction, nearly double the current year's reduction.

YEAR-ON-YEAR CHANGE FOR THE 2018/19 SETTLEMENT

Class of Local Authority	2017-18 Adjusted Settlement Funding Assessment	2018-19 Settlement Funding Assessment	Overall Reduction in funding
	£million	£million	%
England	17,904.97	16,937.59	-5.40%
London Area			
London Boroughs	3,078.33	2,901.23	-5.75%
GLA	2,117.15	2,151.37	1.62%
Metropolitan Areas			
Metropolitan Districts	4,545.09	4,355.80	-4.16%
Metropolitan Fire Authorities	229.95	222.43	-3.27%
Combined Authorities	60.95	60.95	0.00%
Shire Areas			
Shire unitaries with fire	315.78	294.47	-6.75%
Shire unitaries without fire	3,067.30	2,854.81	-6.93%
Shire counties with fire	1,426.86	1,294.50	-9.28%
Shire counties without fire	2,043.98	1,846.54	-9.66%
Shire districts	**670.83**	**623.22**	**-7.10%**
Combined fire authorities	348.75	332.27	-4.73%

4.2.12 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 16th January 2018 with final settlement expected by the middle of February.

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

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.3 Update on current Business Rate Retention Scheme

4.3.1 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 £127,500.
- 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 its 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 Pool*	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.

4.3.2 The forecast for 2018/19 is currently being finalised. The 2018/19 NNDR return which underpins this forecast is due to be submitted by the 31st January 2018 and any substantial changes resulting from the final assessment of the business rate income will be reported verbally to members at the meeting.

4.3.3 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures especially in light of the Government's commitment to return all of business rates to Local Government. Members will be aware that there are several schemes progressing within the Council which will create employment space. Examples include: The Parcelforce and Monks Farm sites.

4.3.4 The Council is now participating in a County based business rates pool which has been approved by DCLG. Participating in the pool enables the Councils involved 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 £2.6m retained locally each year to benefit the residents of West Sussex.

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.3 Update on current Business Rate Retention Scheme

4.3.5 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. In the first year of the 2010 valuation, the VOA received 170 appeals with an ultimate loss in rateable value of over £0.15m, however to date far fewer appeals have been received following the 2017 revaluation.

- There is a specific risk associated with schools becoming academies. If a school assumes academy status then it will become eligible of mandatory rate relief which will reduce the Council's business rate income.

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

4.3.6 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 2017/18 year end.

4.4 Long term implications of current government policy

4.4.1 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).

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

4.0 THE BUDGET STATEMENT 2017 AND 2018/19 LOCAL GOVERNMENT FINANCE SETTLEMENT

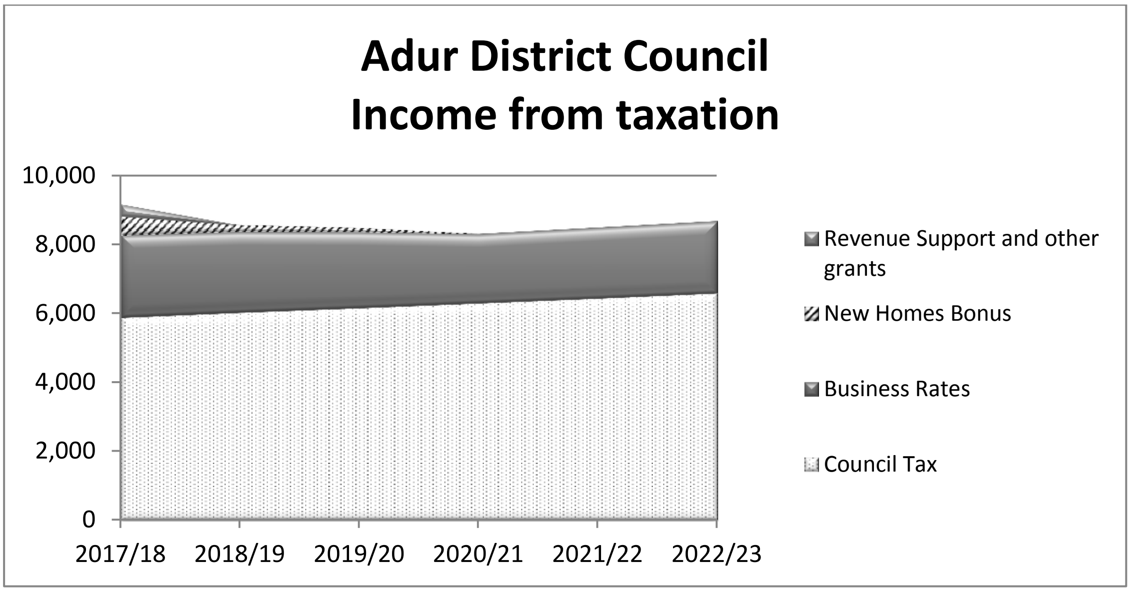
4.4 Long term implications of current government policy

Breakdown of taxation income to the Council:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	5,883	6,031	6,163	6,301	6,442	6,587
Business Rates *	2,386	2,337	2,202	2,010	2,051	2,090
New Homes Bonus	553	202	116	1	0	0
Revenue Support and other grants **	344	0	0	0	0	0
	9,166	8,570	8,481	8,312	8,493	8,677

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

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	64.18%	70.37%	72.67%	75.81%	75.85%	75.91%
Business Rates *	26.03%	27.27%	25.96%	24.18%	24.15%	24.09%
New Homes Bonus	6.04%	2.36%	1.37%	0.01%	0.00%	0.00%
Revenue Support and other grants **	3.75%	0.00%	0.00%	0.00%	0.00%	0.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



5.0 DRAFT REVENUE ESTIMATES 2018/19

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £8,570,810. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December. The budget already contains a number of spending commitments including:

- Increases to the Housing Services budget to address service pressures and to ensure that the service is adequately resourced to meet the challenges of the new Homelessness Reduction Act and increasing demand (£7k)

- The impact of changing the cleansing arrangements for public conveniences. The toilets will now be cleaned in-house improving the quality for the benefit of the user (£11k)

- Funding the investment in the Councils assets (£99k) including:
  - Improving the car parks
  - Acquisition of a Council owned supply of temporary and emergency accommodation
  - Investments in parks and opens spaces including play area improvements and improvements to tennis courts
  - Shoreham air crash memorial project, to create a fitting and lasting memorial.
- Investment in new refuse and recycling rounds to meet the demands of our growing communities retaining the current weekly refuse round and fortnightly recycling round (£91k).

Attached at Appendix 2 are some additional proposals for investment into services.

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

5.3 The key question of how the net budget requirement of £8.570m 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 2017/18 to 2018/19 are at Appendix 1. A breakdown of each Executive Member’s summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

5.0 DRAFT REVENUE ESTIMATES 2018/19

	£'000	£'000
2018/19 Original Estimate		9,166
Add: General Pay and Price Increases		374
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	213	
Reduced Income as per 5 year forecast	118	
Impact of Capital Investment and Development Programme	99	430
Less: Compensatory savings/Additional Income:		
Compensatory savings	-33	
Additional income	-34	-67
2018/19 budget prior to agreed savings		9,903
Less: Savings agreed by members		
Approved in December		-1,366
Adjustments arising from finalisation of restructuring proposals and review of the commercial property income		1
Executive Member requirements		8,538
Potential contribution to reserves*		32
Potential budget requirement before external support		8,570
Collection fund surplus		-4
2018/19 BUDGET REQUIREMENT		**8,566**

*The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the proposals to invest in services at Appendix 2 and the Council Tax increase.

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

5.6 As part of the review of the allocation of support services there have been some changes for individual services which are reflected in the detailed budgets. It is important to note that this does not change the overall cost of the support services to each Council, other than by agreed changes, but that it does influence the size of the share that each service takes, 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).

5.0 DRAFT REVENUE ESTIMATES 2018/19

5.7 The current net estimated 2018/19 spend is lower than previously predicted in December and is mainly due to the following factors:

	£'000
Impact of latest expected capital spend on treasury management costs	-102
Latest forecast of business rate income (including any adjustments arising from settlement)	-19
Impact of bringing public convenience cleansing back in-house to improve quality of cleansing	11
Final adjustments to inflation (including the impact of increments and regradings)	50

5.8 The projected Council Tax surplus on the Collection Fund is estimated to be £25,127, of which £4,194 is the District Council share. This is a minor surplus in light of the overall income due of £35.4m, and is due a full review of the Single Person Discounts undertaken in 2017/18.

5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Whether to accept the growth items detailed in Appendix 2?

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

5.10 **The Council Tax increase:**

5.10.1 The Council Tax has only been increased in 2 out of the last 7 years. This, together with a 1% reduction applied in the same period, has generated an overall increase in the tax of 2.97%. Over the same period, inflation (CPI) has been 10.08%

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£	£	£	£	£	£	£	£
Band D tax	274.27	274.27	274.27	274.27	271.53	271.53	276.93	282.42
Annual Increase per year		0.00%	0.00%	0.00%	-1.00%	0.00%	1.99%	1.98%
Increase over 7 years								**2.97%**
Inflation over 7 years								**10.08%**

5.10.2 The budget forecast currently assumes that Council Tax will increase by 2.0% in 2018/19. However the referendum criteria announced just before Christmas gives the Council the flexibility to raise the Council Tax by up to 3% if so desired. Members are reminded that the Consumer Price Index is currently 3.1%.

5.0 DRAFT REVENUE ESTIMATES 2018/19

5.10 The Council Tax increase:

5.10.3 Even a 3% uplift would be a modest increase in the District council share of the bill for 2018/19. The table below details how the Council Tax will change as a result of 2%, 2.8% (the increase required to fund all of the growth proposals detailed in Appendix 2), and 2.96%

	2017/18	2%	2.80%	2.96%
	£	£	£	£
Council Tax Band D	282.42	288.09	290.34	290.79
Annual increase		5.67	7.92	8.37
Weekly increase		0.11	0.15	0.16
Council Tax Band C	251.04	256.08	258.08	258.48
Average annual increase		5.04	7.04	7.44
Average weekly increase		0.10	0.14	0.14
Additional Council Tax raised			**47,077**	**56,492**

Members should also be aware that the Police and Crime Commissioner is recommending a £12.00 increase (7.8%) increase for their share of the overall bill. There are indications that the County Council will set an increase close to the maximum permitted (6%). Consequently, the total overall increase in the Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed would be just over 5%:

	2017/18	2018/19 (Indicative only)	%
	£	£	
Adur District Council	282.42	290.79	2.96%
West Sussex County Council	1,231.46	1,304.10	5.90%
Sussex Police and Crime Commissioner	153.91	165.91	7.80%
	1,667.79	1,760.80	5.58%

5.10.4 The decision to raise Council Tax should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to 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 impact of changing the Council Tax by 1% for 2018/19 would be as follows:

5.0 DRAFT REVENUE ESTIMATES 2018/19

5.10 The Council Tax increase:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Estimated Council Tax increase		2%	2%	2%	2%
Impact of 1% change to Council Tax in 2018/19	59.1	60.3	61.5	62.7	64.0

5.10.5 Members are asked to consider which level of Council Tax increase that they support. An increase of 2% would enable the Council to set a balanced budget. An increase of 2.96% will enable the Council to fund all of the new initiatives outlined in Appendix 2.

5.10.6 Increasing Council Tax by at least 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 and the new growth items; the overall budget position will be at a 2% increase:

	£’000	**£’000**
Net budget requirement		8,538
Less: Baseline Funding	1,700	
Share of additional Business Rate income	637	
Council Tax (2.0% increase)	6,027	
New Homes Bonus	202	
Collection Fund surplus	4	-8,570
Balanced budget based on 2.00% Council Tax increase		-32
Maximum impact of accepting the growth items (Appendix 2)		80
		48
Maximum withdrawal from reserves if Council Tax increase remains at 2%		-48
		-

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 2.00% tax increase for 2018/19 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)				
	2018/19	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall as per appendix 1	1,333	1,976	3,202	3,417	3,837
Less:					
Net savings	-1,365	-1,526	-1,831	-2,031	-2,181
Impact of accepting the growth items in paragraph 5.11	80	80	80	80	80
Potential contribution to reserves to be agreed	-48	-	-	-	-
Adjusted cumulative budget shortfall	-	530	1,451	1,466	1,736
Savings required each year	-	530	921	15	270

6.2 The continuation of the withdrawal of government funding 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 4 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 £600k 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)			
	2019/20	2020/21	2021/22	2021/22
	£'000	£'000	£'000	£'000
Cumulative budget shortfall	530	1,451	1,466	1,736
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	270	931	686	696
New initiatives required each year	270	661	-245	10

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 2017 was £407,000 which was 4.4% of net 2016/17 revenue expenditure –this is below the lower level set out in the policy set by the Council and was the result of spend arising from unforeseen circumstances. There are no plans to draw down from the working balance

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	408	4.4
31.03.2018	No planned drawdown or contribution expected	408	4.7

7.0 RESERVES

		£'000	%
31.03.2019	No planned drawdown or contribution expected	408	4.8
31.03.2020	No planned drawdown or contribution expected	408	4.9
31.03.2021	No planned drawdown or contribution expected	408	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 £41,700 in 2018/19.
2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £89,400.
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 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 2018/19 of £514,200 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 £857,000 in the working balance which is roughly equivalent to 10% of net revenue spend. Consequently, the current policy of holding balances of between 6% and 10% is valid and the forecast level falls within these parameters.

7.5 The estimated balance of general fund earmarked reserves as at 31st March, 2019 is £1,156,000, although this reduces to £730,000 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.

7.0 RESERVES

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 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.

(ii) **Income -** The Council receives income from a number of services which will be affected by demand. These include land charges, building control, trade and green waste services, development control and now business rates. Whilst known reductions in income have been built into the proposed budgets for 2018/19, income may fall further than expected or new targets for commercial income may not be met.

8.0 SIGNIFICANT RISKS

The Council is investing in new commercial property, as leases expire there is an increased risk of loss of income from voids. To mitigate this risk the Council is introducing an annual provision from 2019/20 for void rents of £100k which will be increased annually in line with the level of investment in the property portfolio.

(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	89
Non-pay	72

(v) **Accounting changes - International Financial Reporting Standard (IFRS) 9: Accounting for Financial Instruments**

Chartered Institute of Public Finance and Accountancy (CIPFA) has recently adopted the new IFRS 9 accounting standard for financial instruments in the proposed 2018/19 Accounting Code of Practice.

Guidance on the new standard is expected early in the New Year, however the Council should expect that the adoption of IFRS 9 will result in potential additional costs to the General Fund resulting from how certain investments will be valued in the future. These costs arise from the requirement to value at the year-end certain investments based on the potential sale price of the instrument.

The Council has relatively little exposure to this risk as it only has one £1.0m investment in the CCLA LAMIT property fund which would meet the definition contained within the new standard. It should be appreciated that the investment in the property fund is to secure long term revenue streams not immediate growth in fund value. Although over the medium term, it is expected that such funds will increase in value. The investment in the CCLA generates approximately a 4% return, by far our best performing investment.

8.0 SIGNIFICANT RISKS

(v) **Accounting changes - International Financial Reporting Standard (IFRS) 9: Accounting for Financial Instruments**

Currently the maximum loss that the Council is exposed to is £40,000 although the extent of the loss may be influenced by the economy over the next few years as the Country exits the EU.

The Local Government Sector is currently lobbying the Government for a statutory override for the new accounting standard which will allow Councils to better manage any potential in-year losses.

8.2 To help manage these risks, the council has a working balance of £408,000 and other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 The Council ran a detailed consultation exercise in 2015/16 which supported the proposed five year budget strategy. In light of this, no consultation exercise was undertaken this year. There are no significant changes to either the strategy or services planned for 2018/19.

9.2 Officers and members have been consulted on the content of this report.

10.0 UPDATE TO PRUDENTIAL INDICATORS

10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2018/19 and future years.

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.

10.3 The Code of Practice has recently been revised. The freedom for local authorities to set the scope and size of their capital plans remains unrestricted, but the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through the governance procedures. This includes a new requirement to publish an annual capital strategy, which the Council has long complied with however this document must now contain more information on risk management.

10.0 UPDATE TO PRUDENTIAL INDICATORS

10.4 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 are included with the annual Treasury Management Strategy Statement which is due to be considered by JSC on the 1st February 2018 and which will be included in the Council budget pack for approval.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

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

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

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

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

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

(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.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

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

(1) 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 2018/19.

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 2018/19 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.

12.3 **Adur District Council:**

(a) The following table shows the net sum to be raised from local Council Taxpayers in 2018/19 prior to the consideration of the budget proposals. This is based on 2.96% Council Tax increase which is sufficient to fund all of the proposals for growth included at Appendix A:

12.0 COUNCIL TAX SETTING

12.3 **Adur District Council:**

	£	£
Net 2018/19 Budget *		8,570,810
Less:		
Aggregate External Finance:		
Baseline Funding	-1,699,870	
Additional Retained Business Rate income	-637,000	
New Homes Bonus	-202,440	
Contribution from the Collection Fund surplus (as per paragraph 5.8)	-4,190	
		-2,543,500
Amount to be raised from Council Tax based on a 2% Council Tax increase		**6,027,310**
Additional impact of proposals identified in Appendix 2 if all approved		47,590
Balance to be raised from Council Tax based on a 2.80% increase		**6,074,900**

* 2018/19 budget requirement after any contribution to or from reserves required to balance the budget.

Within section 5 of the report, members are given the options for the Council Tax and approving the non-committed growth items.

(b) **Council Tax Base**

The Council's Tax base for 2018/19 is 20,923.20 Band D equivalent properties. There is an increase to the current year base of 20,707,30 which is due to a reduction in Council Tax discounts following a fundamental review of Single Persons Discounts, an increasing number of homes and the falling cost of Council Tax benefits. The full calculation of the tax base is shown in Appendix 4.

	2017/18 Tax Base	**2018/19 Tax Base**
Lancing	6,129.00	6,166.80
Sompting	2,742.20	2,741.20
Unparished	11,836.10	12,015.20
TOTAL	20,707.30	20,923.20

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 2018/19 expenditure of £273,870 (£265,800 in 2017/18) falls under the resolution and will need to be financed by a Band D Council Tax of £18.54, 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 2018/19. A Council Tax increase of 2.0% will ensure that the Council has a balanced budget, an increase of 2.96% will lever in sufficient additional resources to fund the growth proposed at Appendix 2 and provide a small contingency budget.

Area	2017/18	2018/19 (Average 2% increase)	2018/19 (Average 2.96% increase)
	£	£	£
Lancing	269.55	274.95	277.56
Percentage increase		2%	2.96%
Annual increase (Band D)		5.40	8.01
Weekly increase (Band D)		0.10	0.15
Shoreham, Southwick, Sompting and Coombes			
Basic Council Tax	269.55	274.95	277.56
Special Expenses	18.18	18.54	18.54
TOTAL in Shoreham, Southwick, Sompting and Coombes	**287.73**	**293.49**	**296.10**
Percentage increase		2.0%	2.91%
Annual increase (Band D)		5.76	8.37
Weekly increase (Band D)		0.11	0.16

12.0 COUNCIL TAX SETTING

12.4 West Sussex County Council and Sussex Police Authority

(a) The County Council requirements are expected to be confirmed on 20th February, 2018. The Police and Crime Commissioner's proposed increase of around 7.80% was considered by the Police and Crime Panel on 19th January 2018 and agreed.

	2016/17 £	2017/18 £
West Sussex County Council	1,231.46	t.b.c.
Sussex Police Authority	153.91	165.91
TOTAL	1,385.37	**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 22nd February 2018.

13.0 LEGAL IMPLICATIONS

13.1 The Local Government Act 2003 requires that the Councils set a balance budget. This report demonstrates how the Council will meet this requirement for 2018/19.

14.0 CONCLUSION

14.1 This has been a very difficult year. The Council has seen the withdrawal of a significant amount of Revenue Support Grant. However, to meet this challenge the Council has identified over £1.3m of savings and is now in the position to set a balanced budget and make some re-investment back into priority services.

14.2 Looking further ahead, 2019/20 will continue to be challenging as the Council continues to address falling resources from Government 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 continues to play a vital role in balancing the budget.

14.3 However, provided we continue to deliver on this strategy, the Council will become increasingly financially resilient over the next 5-10 years as Revenue Support Grant disappears, New Homes Bonus reduces and we become largely funded by our community through Council Tax and Business Rates and income from our commercial services. Nevertheless, we must not forget that the planned Fairer Funding Review and business rate reset may present yet further challenges for the Council to meet.

14.0 CONCLUSION

14.4 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.

14.5 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

14.6 Finally, in preparing the strategy and forecast for 2018/19 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.

Local Government Act 1972

Background Papers:

Report to the Joint Strategic Committee 13th July 2017 'Towards a sustainable future – Budget strategy for the 2018/19 budget'

Report to the Joint Strategic Committee 5th December 2017 'Sustainable Councils: 5 year forecast 2018/19 – 2022/23 and savings proposals'

Report to the Joint Strategic Committee 5th December 2017 'Investing in Service Delivery: Capital Investment Programme 2018/19 to 2020/21'

Local Authority Finance (England) Settlement Revenue Support Grant for 2018/19 and Related Matters: DCLG Letters and associated papers of 19th December 2017.

Autumn Budget 2017 - HM Treasury

Autumn Budget 2017 – On-the-day Briefing by CIPFA Financial Advisory Service

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 2016/17

Report to Joint Strategic Committee 5th December 2017 – 2nd Revenue Budget Monitoring 2017/18

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 **Social Value**
Matter considered and no issues identified

2.2 **Equality Issues**
Matter considered and no issues identified

2.3 **Community Safety Issues (Section 17)**
Matter considered and no issues identified

2.4 **Human Rights Issues**
Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

APPENDIX 1

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2017/18 - 2022/23						
Net Spending to be Financed from Taxation	**2017/18 Base**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Base budget	**9,166**	9,166	9,166	9,166	9,166	9,166
Annual Inflation						
Estimated inflation		374	657	974	1,278	1,585
One -off / non-recurring items						
Local Elections (held every other year)		43	(25)	45	(26)	47
Committed Growth						
Impact of Pension contribution changes		(33)	(30)	(31)	(32)	(33)
Loss of Housing Benefit Administration Grant		53	53	53	53	53
Impact of new arrangements for funding homelessness		-	-	184	184	184
Reduction in PCN income		65	65	65	65	65
New 2020 recycling targets		-	200	400	400	400
Additional waste and recycling round		91	91	91	91	91
Impact of Homelessness Reduction Act		7	7	7	7	7
Committed growth items identified by Heads of Service and approved in December 2017		61	61	61	61	61
Impact of new public convienence cleaning service		11	11	11	11	11
Contingency		-	70	140	210	280
Impact of capital programme						
Financing costs		99	125	300	377	516
Additional income						
Investment income		(34)	(34)	(52)	(95)	(139)
Reopening of Riverside Car Park		-	(20)	(20)	(20)	(20)
Approved Growth items						
Provision for new growth items		-	60	120	180	240
Total Cabinet Member Requirements	**9,166**	**9,903**	**10,457**	**11,514**	**11,910**	**12,514**
Total Cabinet Member Requirements B/fwd	**9,166**	**9,903**	**10,457**	**11,514**	**11,910**	**12,514**
Baseline funding	1,650	1,700	1,738	1,773	1,808	1,844
Add: Retained additional business rates	405	591	464	238	243	246
Add: Share of previous year's surplus / (deficit)	331	46				
Adusted Baseline funding	2,386	2,337	2,202	2,010	2,051	2,090
Revenue Support Grant	271	-	-	-	-	-
Council Tax						
Adjusted Council Tax income	5,849	6,027	6,163	6,301	6,442	6,587

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2017/18 - 2022/23

Net Spending to be Financed from Taxation	2017/18 Base	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Other grants						
Transitional Grant	73	-	-	-	-	-
New homes bonus (2013/14 - 2018/19)	244	-	-	-	-	-
New homes bonus (2014/15 - 2019/20)	107	-	-	-	-	-
New homes bonus (2015/16 - 2020/21)	86	86	-	-	-	
New homes bonus (2016/17 -2019/20)	115	115	115	-	-	-
New homes bonus (2017/18 - 2020/21)	1	1	1	1	-	-
New homes bonus (2018/19- 2021/22)	-	-	-	-	-	-
Total NHB	553	202	116	1	-	-
Collection fund surplus/deficit (-)	34	4	-	-	-	-
Total other grants and contributions	660	206	116	1	-	-
Total Income from Grants and Taxation	**9,166**	**8,570**	**8,481**	**8,312**	**8,493**	**8,677**
(Surplus) / Shortfall in Resources	**-**	**1,333**	**1,976**	**3,202**	**3,417**	**3,837**
Contribution to (-) / Use of Reserves to						
Capacity issues reserve	-	-	-	-	-	-
Total Income from Reserves	**-**	**-**	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	**-**	**1,333**	**1,976**	**3,202**	**3,417**	**3,837**
Savings identified to date:						
Strategic Property Investment Fund						
Recent Acquisitions		77	77	77	77	77
Future property purchases		216	516	816	1,066	1,266
Proposed increase to 2017/18 programme		200	200	200	200	200
New office block		-	-	55	55	55
Provision for future voids			(100)	(150)	(200)	(250)
Commercial activities and commissioning						
Commercial and Property Board		236	236	236	236	236
Efficiency Measures						
Digital strategy		72	72	72	72	72
Restructures and service plan savings not included above		564	525	525	525	525
Total future initiatives identified		**1,365**	**1,526**	**1,831**	**2,031**	**2,181**
Cumulative savings still to be found/ (surplus)		**(32)**	**450**	**1,371**	**1,386**	**1,656**
Annual savings still to be found		(32)	482	921	15	270
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Average annual increase (Band D property)		£5.65	£5.76	£5.88	£5.99	£6.11
Average weekly increase (Band D property)		£0.11	£0.11	£0.11	£0.12	£0.12
Savings required in each year		**1,333**	**643**	**1,226**	**215**	**420**

Bids for investment into services	2018/19 Joint (memo)	Adur	Worthing	Total	2019/20	2020/21	APPENDIX 2 Notes
	£	£	£	£	£	£	
Additional capacity for Major Projects Team	68,750	3,440	65,310	68,750	68,750	68,750	This links to Commitment 1.6 'Investment in and delivery of Major Projects and key infrastructure' in the Financial Economies Platform. The majority of the work is being undertaken on Worthing sites.
Creation of a new Head of Major Projects (Grade 10) to manage the existing team. This will also add to capacity to take major projects forward which form an important part of 'Platforms for our Places'.							
Additional capacity in the Communications	43,230	17,290	25,940	43,230	33,230	23,230	Net of additional income of £10k per year.
The Communications Team has significantly increased awareness of Councils' activities. It has increased internal awareness of the need for good story-telling and engagement across services. It has challenged all directorates to make communication a core of all strategic thinking. In addition it has begun to win contracts from internal and external bodies. There is considerable opportunity both enhance and improve Councils engagement and communications and bring in more revenue from other public bodies.							This links to commitment 4.7 in the 'Services and Solutions for our Places' platform: 'Develop a communications service that champions the places, people, councils and projects of Adur and Worthing creatively, professionally and cost effectively (4.7.3). The service has a specific commitment to 'Oversee the development of a sales and sponsorship package which will help the Councils create new revenue opportunities and open up affordable, attractive promotional packages for local businesses, with a target of £200,000 of revenue generated within 3 full years.

Bids for investment into services	2018/19 Joint (memo)	2018/19 Adur	2018/19 Worthing	2018/19 Total	2019/20	2020/21	Notes
	£	£	£	£	£	£	
Support for Cultural organisations	0	20,000	0	20,000	20,000	20,000	This will be used to fund the delivery of the 'Financial Economy ' Platform which includes support for the creative economy.
A new budget line to provide financial support to a small number of community cultural projects and events throughout the District (which have the widest possible reach across geographies and across generations) ... to be held as part of the Leaders portfolio							
Investment in Digital Team							
The Councils have successfully established platform technology that allows us to design and build our own applications. This is proving to be by far the best way to redesign and transform our services, providing better solutions than those from third party suppliers, and we continue to be viewed as a national leader. Following the success of work in waste management, where response times have been reduced from days to hours through process automation, the digital team delivered several time saving internal applications in 2017 alongside significant solutions in housing options and housing repairs that are delivering large efficiencies (in contact centre and service teams) and significantly improved customer experience. With this success, high demand has followed from teams, and we have a significant project pipeline.	48,623	19,450	29,170	48,620	64,830	64,830	This links to the delivery of specific commitments in both the 'Social Economies' and 'Services and Solutions for our Places' platforms (commitments 2.2.7, 4.1.1 and 4.3.7)

APPENDIX 2

Bids for investment into services	2018/19 Joint (memo)	2018/19 Adur	2018/19 Worthing	2018/19 Total	2019/20	2020/21	APPENDIX 2 Notes
	£	£	£	£	£	£	
The time is right to invest in resources to help the Councils do more, faster, now that we have a clearly proven approach. This bid for growth seeks revenue to fund one full time Project Manager and full time Senior Developer. The additional expertise in the team will assist in the delivery of the Service Redesign Programme and reduce reliance on external staff. In terms of Platforms for Our Places it will:							
i) Support our continued redesigning of services around individuals							
ii) Enable us to develop our digital capacity and capabilities and begin to support others in building the platforms on our digital foundations.							
Playing pitch and built facilities review							
Review of Council held land with the intention of identifying opportunities to improve built leisure facilities	0	20,000	50,000	70,000	0	0	This links to the 'Financial Economies' platform, specifically the review of Council owned property (Commitment 1.4.1) and commitment 2.5.6 in the Social Economies platform to 'develop a Sports strategy for Adur and Worthing that not only improves the quality and availability of sports facilities but which improves health and inequalities across Adur and Worthing'.
	160,603	80,180	170,420	250,600	186,810	176,810	

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.17	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.18	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.19
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 **CAPACITY ISSUES FUND** **Purpose:** To enable the Council to fund one-off initiatives. Now includes Carry Forward Reserve.	172	4	(106)	70	4	-	74
2 **INSURANCE FUND** **Purpose:** To offset the costs of insurance excesses and fund insurance risk management initiatives.	181	30	(53) *see below	158	30	(20)	168
3 **MAINTENANCE FUND** **Purpose:** To offset future maintenance costs of investment properties.	38	-	(26)	12	-	-	12
4. **SPECIAL & OTHER EMERGENCY RESERVE**	86	-	(26)	60	-	-	60
5. **ELECTION RESERVE** To offset future maintenance costs of investment properties.	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 01.04.17	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.18	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.19
	£’000	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**	**£’000**
6. GRANTS & CONTRIBUTIONS HELD IN RESERVES *	426	-	-	426	-	-	426
7. RESIDUAL PROJECTED UNDERSPEND	-	-	-	-	-	-	-
Reserves to be identified at outturn*		*see below					
8. GENERAL FUND WORKING BALANCE	408	-	-	408	-	-	408
TOTAL	**1,319**	**34**	**(211)**	**1,142**	**34**	**(20)**	**1,156**

***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	2,743.0	5,021.0	11,355.0	6,138.0	1,933.0	742.0	302.0	9.0	**28,243.0**
Less: Exemptions	0.0	-58.0	-66.0	-102.0	-59.0	-14.0	-9.0	-3.0	0.0	**-311.0**
	0.0	**2,685.0**	**4,955.0**	**11,253.0**	**6,079.0**	**1,919.0**	**733.0**	**299.0**	**9.0**	**27,932.0**
Disabled Relief Adjustment (net)	7.0	7.0	26.0	3.0	-26.0	-8.0	-2.0	-2.0	-5.0	**0.0**
Chargeable Dwellings	**7.0**	**2,692.0**	**4,981.0**	**11,256.0**	**6,053.0**	**1,911.0**	**731.0**	**297.0**	**4.0**	**27,932.0**
Broken down as follows:										
Full Charge	2.0	913.0	2,744.0	7,776.0	4,458.0	1,525.0	607.0	253.0	1.0	**18,279.0**
25% Discount (including adj for SP Dis)	5.0	1,766.0	2,226.0	3,454.0	1,583.0	381.0	118.0	37.0	1.0	**9,571.0**
50% Discount	0.0	21.0	30.0	58.0	40.0	16.0	12.0	10.0	1.0	**188.0**
0% Discount (Long Term Empty Homes)	0.0	57.0	74.0	122.0	59.0	13.0	5.0	2.0	1.0	**333.0**
Total Equivalent Number of Dwellings	5.8	2,242.5	4,418.0	10,381.0	5,652.3	1,814.8	698.0	284.3	3.8	**25,500.3**
Reduction in tax base due to Council Tax Support	3.3	699.9	958.0	1,137.6	276.8	46.2	5.6	1.4	0.0	**3,128.9**
Adjusted equivalent total dwellings	**2.4**	**1,542.6**	**3,460.0**	**9,243.4**	**5,375.4**	**1,768.5**	**692.4**	**282.8**	**3.8**	**22,371.3**
Band D Equivalents										
Revenue Support Settlement	1.4	1,017.2	2,675.8	8,196.1	5,369.9	2,160.5	999.9	471.4	7.5	**20,899.7**
Add: Forecast new homes	0.0	2.0	6.2	16.8	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	24.0	0.0	0.0	0.0	0.0	**24.0**
COUNCIL TAX BASE	**1.4**	**1,019.2**	**2,682.0**	**8,212.9**	**5,358.7**	**2,166.2**	**1,002.6**	**472.7**	**7.5**	**20,923.2**
										20,923.2

APPENDIX 5
CIVIC BUDGET TABLE 2018/19
Summary of Executive Member Requirements

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INDIVIDUAL MEMBER PORTFOLIOS
Summary and Variance Pages

ADUR BUDGET 2018/2019
Summary of Executive Member Portfolios

ADUR DISTRICT COUNCIL

APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
Environment	2,962,240	2,607,340
Health and Wellbeing	1,013,010	1,101,200
Customer Services	1,356,940	1,161,370
Leader	626,870	575,420
Regeneration	1,597,960	1,650,670
Resources	1,960,440	1,664,050
Support Services Depreciation Not Charged To Services	190,140	487,850
NET SERVICE EXPENDITURE	**9,707,600**	**9,247,900**
Credit Back Depreciation / Impairments	(1,378,220)	(1,821,540)
Minimum Revenue Provision	818,480	1,097,860
	9,147,860	**8,524,220**
Transfer to / from Reserves	14,000	14,000
Balance Available to Transfer To / (From) Reserves	4,000	32,590
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	**9,165,860**	**8,570,810**
Baseline Funding	(1,650,290)	(1,699,870)
Additional business rate income	(736,110)	(637,000)
Revenue Support Grant	(271,200)	-
Transition Grant	(72,710)	-
Council Tax Reduction Scheme Grant	-	-
Council Tax Freeze Grant	-	-
Other unfenced grants (New homes bonus)	(553,290)	(202,440)
Contribution to/ (from) Collection Fund	(34,100)	(4,190)
AMOUNT REQUIRED FROM COUNCIL TAX	**5,848,160**	**6,027,310**
COUNCIL TAX BASE	**20,707.3**	**20,923.2**
Average Band D Council Tax - Adur District	**282.42**	**288.07**
% increase		2.00%

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Bus Shelters, Street Lighting & Highways	121,860	98,690
Public Conveniences	214,200	222,190
Sustainable Development	28,080	39,610
	364,140	**360,490**
Customer & Digital Services		
Car Parking	(217,570)	(201,020)
	(217,570)	**(201,020)**
DIRECTOR FOR COMMUNITIES		
Leisure Centre	500,990	494,540
	500,990	**494,540**
Environmental		
Foreshores	(12,590)	(28,080)
Allotments	27,490	(25,880)
Cemeteries	111,070	129,900
Parks	902,120	882,380
Abandoned Vehicles	29,480	5,830
Clinical Waste	14,690	(3,130)
Graffiti	4,680	7,760
Recycling	(223,790)	(340,860)
Refuse	773,270	902,640
Street Cleansing	599,850	566,420
Trade Refuse	(171,890)	(213,240)
	2,054,380	**1,883,740**
Housing		
Public Health Burials	2,800	2,870
	2,800	**2,870**
Wellbeing		
Pollution Control & Dog Control	208,810	65,120
	208,810	**65,120**
DIRECTOR OF ECONOMY		
Growth		
Street Scene	48,690	1,600
	48,690	**1,600**
TOTAL ENVIRONMENT PORTFOLIO	**2,962,240**	**2,607,340**

ADUR - ENVIRONMENT PORTFOLIO - 2018/2019 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	Depreciation/Impairment	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£	£	£		£
Business and Technical Services											
Bus Shelters, Street Lighting &	-	39,940	-	15,940	-	(7,890)	47,990	24,210	26,490	26,490	98,690
Public Conveniences	-	159,790	-	120	-	(350)	159,560	7,980	54,650	54,650	222,190
Sustainable Development	-	-	-	-	-	-	0	39,610	-	-	39,610
Customer & Digital Services											
Car Parking	-	108,940	-	131,160	57,800	(610,230)	(312,330)	104,130	7,180	7,180	(201,020)
DIRECTOR FOR COMMUNITIES											
Leisure Centres	-	50,940	-	4,520	145,000	(9,530)	190,930	14,640	288,970	288,970	494,540
Environment											
Foreshores	-	11,550	-	8,910	-	(102,870)	(82,410)	31,480	22,850	22,850	(28,080)
Allotments	-	20,960	-	-	-	(49,230)	(28,270)	-	2,390	2,390	(25,880)
Cemeteries	97,130	79,500	-	-	-	(191,770)	(15,140)	140,990	4,050	4,050	129,900
Parks	(42,880)	658,280	-	51,660	-	(183,220)	483,840	280,190	118,350	118,350	882,380
Abandoned Vehicles	-	-	1,140	-	4,690	-	5,830	-	-	-	5,830
Clinical Waste	(3,130)	-	-	-	-	-	(3,130)	-	-	-	(3,130)
Graffiti	3,010	-	-	-	-	-	3,010	3,000	1,750	1,750	7,760
Recycling	(498,010)	-	-	-	-	-	(498,010)	52,190	104,960	104,960	(340,860)
Refuse	607,450	-	-	-	-	-	607,450	192,990	102,200	102,200	902,640
Street Cleansing	561,640	-	-	-	-	(131,070)	430,570	90,980	44,870	44,870	566,420
Trade Refuse	131,710	-	-	251,030	-	(628,950)	(246,210)	13,270	19,700	19,700	(213,240)
Housing											
Public Health Burials	-	-	-	2,870	-	-	2,870	-	-	-	2,870
Wellbeing											
Commercial Environmental Health	-	-	-	-	-	-	0	-	-	-	0
Pollution Control & Dog Control	790	-	-	9,340	4,820	(620)	14,330	47,990	2,800	2,800	65,120
DIRECTOR OF ECONOMY											
Growth											
Street Scene	-	-	530	41,100	-	(40,030)	1,600	-	-	-	1,600
	857,710	**1,129,900**	**1,670**	**516,650**	**212,310**	**(1,955,760)**	**762,480**	**1,043,650**	**801,210**		**2,607,340**
Percentage Direct Cost	32%	42%	0%	19%	8%						

ENVIRONMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2018/2019

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	Inflation	One off - items	Committed Growth	Compensa-tory 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											
Bus Shelters, Street Lighting & Highways	121,860	1,370	-	-	-	-	-	-	(2,000)	(22,540)	98,690
Public Conveniences	214,200	3,540	-	11,000	-	-	-	-	-	(6,550)	222,190
Sustainable Development	28,080	-	-	-	-	-	-	-	-	11,530	39,610
Customer & Digital Services											
Car Parking	(217,570)	(10,640)	-	65,000	-	-	-	-	-	(37,810)	(201,020)
DIRECTOR FOR COMMUNITIES											
Leisure Centre	500,990	570	-	-	-	-	-	-	(10,000)	2,980	494,540
Environment											
Forshores	(12,590)	480	-	-	-	-	-	-	(8,000)	(7,970)	(28,080)
Allotments	27,490	520	-	-	-	-	-	-	-	(53,890)	(25,880)
Cemeteries	111,070	(2,440)	-	-	-	-	-	-	-	21,270	129,900
Parks	902,120	15,850	-	-	-	-	-	-	(52,600)	17,010	882,380
Abandoned Vehicles	29,480	30	-	-	-	-	-	-	-	(23,680)	5,830
Clinical Waste	14,690	-	-	-	-	-	-	-	-	(17,820)	(3,130)
Graffiti	4,680	-	-	-	-	-	-	-	-	3,080	7,760
Recycling	(223,790)	-	-	-	-	-	-	-	-	(117,070)	(340,860)
Refuse	773,270	-	-	-	-	-	-	-	-	129,370	902,640
Street Cleansing	599,850	(3,200)	-	-	-	-	-	-	-	(30,230)	566,420
Trade Refuse	(171,890)	(9,270)	-	36,000	-	-	-	-	(31,650)	(36,430)	(213,240)
Housing											
Public Health Burials	2,800	70	-	-	-	-	-	-	-	-	2,870
Wellbeing											
Commercial Environmental Health	69,750	-	-	-	-	-	-	-	-	(69,750)	0
Pollution Control & Dog Control	139,060	320	-	-	-	-	-	-	-	(74,260)	65,120
DIRECTOR OF ECONOMY											
Growth											
Street Scene	48,690	20	-	-	-	-	-	-	-	(47,110)	1,600
DIRECTOR OF CUSTOMER SERVICES											
TOTAL COST	**2,962,240**	**(2,780)**	**0**	**112,000**	**0**	**0**	**0**	**0**	**(104,250)**	**(359,870)**	**2,607,340**

HEALTH AND WELLBEING PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
DIRECTOR OF COMMUNITIES		
Wellbeing		
Community Development, Fishersgate & Grants	429,950	344,940
Community Safety	233,990	260,210
Food Safety	111,050	157,590
Licensing	89,310	123,620
Public Health and Regulation	105,410	131,290
	969,710	**1,017,650**
Business and Technical Services		
Emergency Planning	43,300	51,560
	43,300	**51,560**
TOTAL FOR HEALTH AND WELLBEING	**1,013,010**	**1,101,200**

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2018/2019 - 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											
Wellbeing											
Community Development, Fishersgate & Grants	-	82,090	1,010	-	207,860	-	(15,300)	275,660	69,280	-	344,940
Community Safety	-	136,780	1,340	-	8,820	-	-	146,940	111,510	1,760	260,210
Food Safety	-	1,580	-	-	8,950	-	-	10,530	147,060	-	157,590
Licensing	8,160	104,930	-	-	13,410	-	(119,400)	7,100	116,520	-	123,620
Public Health and Regulation	-	35,310	-	-	6,090	-	(12,190)	29,210	99,840	2,240	131,290
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Emergency Planning	-	27,800	-	-	-	-	-	27,800	23,760	-	51,560
TOTAL COST	**8,160**	**388,490**	**2,350**	**0**	**245,130**	**0**	**(146,890)**	**497,240**	**599,960**	**4,000**	**1,101,200**
Percentage Direct Cost	1%	60%	0%	0%	38%	0%					

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2018/2019

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	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											
Wellbeing											
Community Wellbeing	429,950	6,030	-	-	-	-	-	-	(54,240)	(36,800)	344,940
Community Safety	233,990	250	-	-	-	-	-	-	-	25,970	260,210
Environment Health - Commercial	111,050	220	-	-	-	-	-	-	-	46,320	157,590
Environment Health - Licensing	89,310	(2,420)	-	-	-	-	-	-	-	36,730	123,620
Environment Health - Licensing	105,410	(80)	-	-	-	-	-	-	(2,480)	28,440	131,290
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Emergency Planning	43,300	-	-	-	-	-	-	-	-	8,260	51,560
TOTAL COST	**1,013,010**	**4,000**	**0**	**0**	**0**	**0**	**0**	**0**	**(56,720)**	**140,910**	**1,101,200**

CUSTOMER SERVICES PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
DIRECTOR OF COMMUNITIES		
Housing		
Community Alarm	33,900	8,420
Housing including Homelessness	697,600	784,390
Housing Strategy	17,190	60,070
	748,690	**852,880**
DIRECTOR OF DIGITAL AND RESOURCES		
Revenues and Benefits		
Revenues	383,560	216,340
Benefits	224,690	92,150
	608,250	**308,490**
TOTAL FOR CUSTOMER SERVICES	**1,356,940**	**1,161,370**

ADUR - CUSTOMER SERVICES PORTFOLIO - 2018/2019 - 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											
Housing											
Community Alarm	108,950	15,290	-	5,340	42,100	41,050	(282,150)	(69,420)	60,210	17,630	8,420
Housing including Homelessness	-	259,820	577,680	440	671,360	15,000	(1,017,340)	506,960	277,430	-	784,390
Housing Strategy	-	58,060	-	-	2,010	-	-	60,070	-	-	60,070
DIRECTOR OF CUSTOMER & DIGITAL SERVICES											
Revenues and Benefits											
Revenues	-	296,610	-	1,910	95,080	-	(256,830)	136,770	79,570	-	216,340
Benefits	-	395,920	-	150	73,120	20,887,820	(21,340,750)	16,260	68,640	7,250	92,150
TOTAL COST	**108,950**	**1,025,700**	**577,680**	**7,840**	**883,670**	**20,943,870**	**(22,897,070)**	**650,640**	**485,850**	**24,880**	**1,161,370**
Percentage Direct Cost	0%	4%	2%	0%	4%	89%					

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

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	Inflation	One off - items	Committed Growth	Compensatory savings	Reduction in Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	Virements	Payroll Changes	Recharges	Joint Transfers	Asset Hire/Impairment	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES																
Housing																
Community Alarm	33,900	(4,720)	-	-	-		-	-	-	(20,760)	(4,210)	22,170	(56,350)	-	17,630	8,420
Housing including Homelessness	697,600	21,150	-	-	-		-	-	-	65,640	(1,650)	-	106,750	(39,460)	-	784,390
Housing Strategy	17,190	50	-	-	-	-	-	-	-	42,830	-	-	42,830	-	-	60,070
DIRECTOR OF DIGITAL & RESOURCES																
Revenues and Benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Revenues	383,560	8,020	-	-	-	-	-	-	(18,870)	(156,370)	117,730	-	216,680	(490,780)	-	216,340
Benefits	224,690	(1,130)	-	53,000	-	-	-	-	(29,130)	(155,280)	(117,720)	-	211,370	(256,180)	7,250	92,150
TOTAL COST	**1,356,940**	**23,370**	**0**	**53,000**	**0**	**0**	**0**	**0**	**(48,000)**	**(223,940)**	**(5,850)**	**22,170**	**521,280**	**(786,420)**	**24,880**	**1,161,370**

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
CHIEF EXECUTIVE		
Communications		
Strategic Planning	32,160	880
	32,160	**880**
DIRECTOR OF COMMUNITIES		
Wellbeing		
Members	441,130	370,780
	441,130	**370,780**
DIRECTOR OF DIGITAL AND RESOURCES		
Customer & Digital Services		
Elections	153,580	203,760
	153,580	**203,760**
TOTAL for LEADER	**626,870**	**575,420**

ADUR - THE LEADER PORTFOLIO - 2018/2019 - 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
	£	£	£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE											
Communications											
Strategic Planning	-	-	-	-	-	-	-	0	880	-	880
DIRECTOR OF COMMUNITIES											
Wellbeing											
Members	212,690	63,790	-	-	13,760	-	(15,600)	274,640	96,140	-	370,780
DIRECTOR OF DIGITAL & RESOURCES											
Customer & Digital Services											
Elections	25,000	62,040	2,000	-	59,380	-	(3,250)	145,170	55,800	2,790	203,760
TOTAL COST	**237,690**	**125,830**	**2,000**	**0**	**73,140**	**0**	**(18,850)**	**419,810**	**152,820**	**2,790**	**575,420**
Percentage Direct Cost	54%	29%	0%	0%	17%	0%					

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2018/2019

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE										
Communications										
Strategic Planning	32,160	-	-	-	-	-	-	-	(31,280)	880
DIRECTOR OF COMMUNITIES										
Wellbeing										
Members	441,130	4,550	-	-	-	-	-	-	(74,900)	370,780
DIRECTOR OF DIGITAL & RESOURCES										
Customer & Digital Services										
Elections	153,580	1,020	43,000	-	-	-	-	-	6,160	203,760
TOTAL COST	**626,870**	**5,570**	**43,000**	**0**	**0**	**0**	**0**	**0**	**(100,020)**	**575,420**

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
DIRECTOR OF ECONOMY		
Grants		
Shoreham Harbour	87,220	37,200
	87,220	**37,200**
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Coast Protection & Ditch Clearing	165,190	114,950
	165,190	**114,950**
Growth		
Planning Policy	245,570	166,240
Development Control & Major Projects	491,790	651,360
Building Control	110,910	165,360
Regeneration	268,120	377,490
	1,116,390	**1,360,450**
TOTAL FOR REGENERATION	**1,597,960**	**1,650,670**

ADUR - REGENERATION PORTFOLIO - 2018/2019 - 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 ECONOMY											
Grants											
Shoreham Harbour	137,720	-	-	-	-	-	(143,100)	(5,380)	42,580	-	37,200
DIRECTOR FOR DIGITAL AND RESOURCES											
Business and Technical Services											
Coast Protection & Ditch Clearing	-	-	4,240	-	5,820	-	-	10,060	24,660	80,230	114,950
Growth											
Planning Policy	-	6,020	-	-	17,790	-	-	23,810	142,430	-	166,240
Building Control	-	222,500	-	-	-	-	(219,210)	3,290	162,070	-	165,360
Development Control & Major Projects	-	395,910	-	-	8,620	5,380	(246,420)	163,490	487,870	-	651,360
Regeneration	-	122,380	-	-	55,260	-	-	177,640	162,700	37,150	377,490
TOTAL COST	**137,720**	**869,900**	**4,240**	**0**	**87,490**	**102,440**	**(739,340)**	**462,450**	**1,070,840**	**117,380**	**1,650,670**
Percentage Direct Cost	11%	72%	0%	0%	7%	9%					

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2018/2019

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF ECONOMY										
Grants										
Shoreham Harbour	87,220	-	-	-	-	-	-	-	(50,020)	37,200
DIRECTOR FOR DIGITAL AND RESOURCES										
Business and Technical Services										
Coast Protection & Ditch Clearing	165,190	240	-	-	-	-	-	-	(50,480)	114,950
Growth										
Planning Policy	245,570	430	-	-	-	-	-	-	(79,760)	166,240
Building Control	110,910	(5,350)	-	-	-	-	-	-	59,800	165,360
Development Control & Major Projects	491,790	(5,480)	-	-	-	-	-	(8,000)	173,050	651,360
Regeneration	268,120	1,340	-	-	-	-	-	-	108,030	377,490
TOTAL COST	**1,597,960**	**(9,660)**	**0**	**0**	**0**	**0**	**0**	**(8,000)**	**70,370**	**1,650,670**

SERVICE	ESTIMATE 2017/2018	ESTIMATE 2018/2019
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Community Centres	135,940	129,710
	135,940	**129,710**
Finance		
Corporate Management & Pension costs	1,274,910	1,477,400
Treasury Management	757,450	889,130
	2,032,360	**2,366,530**
DIRECTOR OF ECONOMY		
Place & Investment		
Estates	(194,530)	(817,740)
	(194,530)	**(817,740)**
Growth		
Land Charges	(13,330)	(14,450)
	(13,330)	**(14,450)**
TOTAL FOR RESOURCES	**1,960,440**	**1,664,050**

ADUR - RESOURCES PORTFOLIO - 2018/2019 - SUBJECTIVE ANALYSIS

ADC ADUR DISTRICT COUNCIL

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												
Community Centres	-	34,390	34,500	-	4,230	-	-	73,120	38,830	-	17,760	129,710
Finance												
Corporate Management & Pension costs	1,315,130	(19,650)	125,890	-	209,840	15,450	(628,770)	1,017,890	539,470	(62,520)	(17,440)	1,477,400
Treasury Management	-	-	-	-	-	-	(147,710)	(147,710)	880	-	1,035,960	889,130
DIRECTOR OF ECONOMY												
Place & Investment												
Estates	-	-	152,600	-	15,240	-	(1,593,510)	(1,425,670)	100,430	-	507,500	(817,740)
Growth												
Land Charges	-	33,620	-	-	20,200	-	(101,000)	(47,180)	32,730	-	-	(14,450)
TOTAL COST	**1,315,130**	**48,360**	**312,990**	**0**	**249,510**	**15,450**	**(2,470,990)**	**(529,550)**	**712,340**	**(62,520)**	**1,543,780**	**1,664,050**
Percentage Direct Cost	68%	2%	16%	0%	13%	1%						

RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2018/2019

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2017/2018	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											
Community Centres	135,940	760	-	-	-	-	-	-	-	(6,990)	129,710
Finance											
Corporate Management & Pension costs	1,274,910	8,990	-	20,840	-	-	-	-	(46,060)	218,720	1,477,400
Treasury Management	757,450	-	-	-	-	35,180	-	(34,000)	-	130,500	889,130
DIRECTOR OF ECONOMY											
Place & Investment											
Estates	(194,530)	3,210	-	-	-	-	-	-	(498,000)	(128,420)	(817,740)
Growth											
Land Charges	(13,330)	(1,970)	-	-	-	-	-	-	-	850	(14,450)
TOTAL COST	**1,960,440**	**10,990**	**0**	**20,840**	**0**	**35,180**	**0**	**(34,000)**	**(544,060)**	**214,660**	**1,664,050**

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.

APPENDIX 6

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	8.9%	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.

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%.

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

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.

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

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

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.