ADUR DISTRICT COUNCIL

Communities Directorate

28 January 2019

Adur Executive

Date: **5 February 2019**

Time: **7.00pm**

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 the public addressed to Members of the Executive in accordance with Council Procedure Rule 11.

3. Items Raised Under Urgency Provisions

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

4. Housing Revenue Account - Budget 2019/20

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

5. **Adur District Council Budget Estimates 2019/20 and setting of the 2019/20 Council Tax**

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

Part B - Not for Publication – Exempt Information Reports

None.

Recording of this meeting

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

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The agenda and reports are available on the Councils website, please visit www.adur-worthing.gov.uk

Adur Executive
5 February 2019
Agenda Item 4

Key Decision [~~Yes~~/No]

Ward(s) Affected:

Housing Revenue Account: 2019/20 Budget

Report by the Director for Digital & Resources and the Director of 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 2019/20. 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 HRA's budget to become more sustainable in the future.

1.3 The following appendices have been attached to this report:

(i) **Appendix 1** Proposed budget for 2019/20

(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 2019/20;

(ii) note that the rents of Council Dwellings will decrease by 1.0% reducing the average council dwelling rent by £0.91 to £89.76 per week (average rent currently £90.72 per week) – (Paragraph 6.3);

(iii) determine the level of associated rents and charges with effect from week one of 2019/20:

(a) **Rents of Council garages** – agree an increase of 3.3% to £10.29. (currently £9.96 per week, plus VAT for non-Council tenants) (Paragraph 6.6)

(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 2019/20.

3.2 The Housing Revenue Account (HRA) represents the total costs and income of the Council in its provision of the Housing Landlord Service. This account is ring-fenced and 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 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 2019/20 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 rent levels would reduce by 1% for four years from 2016/17. We are now reaching the end of that four year period.

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 next year when a new direction from the Secretary of State will take effect allowing the Council to increase rents by up to CPI + 1% for a period of at least 5 years. Consequently, 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 support the delivery of the strategic objectives for Adur Homes. Members of the Board include the Executive Member for Customer Services and 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 has lost and continues to lose a substantial amount of rental income as follows:

	Budget 2016/17	**Budget 2017/18**	**Budget 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	-11,826	-12,181
Income with inflationary increase (CPI + 1%)	-12,519	-12,626	-13,132	-13,565	-13,972
Income lost due to rental limitation	273	443	1,140	1,739	1,791

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

4.2.3 The Government have recently undertaken a consultation on the rents for social housing from 2020-21. The key features of the new proposals are:

- Local authority registered providers will be able to increase rents by up to CPI + 1% each year for a period of at least five years.
- Local authorities to have the same rent standard as registered providers.
- Formula rent (with a 5% flexibility level) will be the limit on the initial rent that can be charged for a social rent property.
- The Council can let property at an affordable rent with the agreement of the Secretary of State or Homes England. Affordable rent is defined as a rent that must not exceed 80% of gross market rent.

- With the introduction of Universal Credit, not all local authority tenants will receive Housing Benefit. Consequently, limit rent (the maximum chargeable for which the HRA will be reimbursed via the Housing Benefit system) will be abolished.

4.2.4 The fall in income resulting from rent limitation to the HRA has limited the scope to address both the issues raised by the condition surveys and the ability to invest in new properties. The Council remains committed to the redevelopment of Albion Street, Cecil Norris House and small scale development using the land owned by the HRA. In addition, the council is seeking other opportunities to increase the number of homes within the HRA provided that there is a business case for such development.

4.2.5 However, the Council is faced with setting a deficit budget, and will 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 our council owned homes. Every opportunity will be taken to reduce costs in the interim to limit 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**	**2018/19 (Estimate)**	**2019/20 (Estimate)**
Stock at 1st April	2,631	2,617	2,609	2,599	2,591	2,583
Plus: Additions	2	1	0	0	0	2
Less: Right to Buy sales	16	9	10	8	8	8
Less: Disposals	0	0	0	0	0	0
Stock at 31st March	**2,617**	**2,609**	**2,599**	**2,591**	**2,583**	**2,577**

4.3.2 For 2018/19 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"

4.3.4 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 £80,900). 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;

(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 Sale of higher value properties

4.3.7.1 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.

4.3.7.2 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.

4.3.7.4 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.

4.3.8 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 could 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 4.3.3.

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. In 2018 Adur residents were included in the full roll out of Universal Credit for new claimants. Recent announcements from Government have paused the next phase of this programme to move existing claimants onto Universal Credit.

4.4.2 Experience from other areas suggests that the reforms can increase 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 Credit will be paid directly to claimants rather than the current arrangement of direct payment to the Local Authority as landlord. Consequently, 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 2017 to 86%.This compares with 39% of tenants in arrears who do not receive Universal Credit. The level of arrears for Adur Homes continues to be higher than benchmarked authorities, although it is not clear that this is a direct result of the impacts of welfare reform and universal credit. This will be a key focus of work for 2019.

4.4.6 The recent trend in Adur District Council shows that…

	2016/17	2017/18	2018/19
Current tenant arrears (as % of rent due)	3.36%	3.37%	3.57%

4.4.7 Approximately 1,440 or 57% of Adur Homes tenants are in receipt of Housing Benefit.

4.4.7 The benefit changes will continue to present a challenge for 2019/20. There is a continuing 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 2018 (to date) there have been 3 tenancies terminated for arrears. (Between 1 April 2017 and 31 March 2018 there were 6 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 the Tenancy Sustainment Officer. Additionally, the Introductory Tenancy Officer post was created to provide support to new households. A review of our arrears management processes is underway to ensure that the approach of arrears prevention is reinforced and to gauge the impact of both these posts.

4.5 Outcome of the condition survey

4.5.1 Stock condition surveys have revealed that the Council needs to invest at least £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 £5.5m in 2019/20 and beyond, and increase of £1.8m per year. However this will not be sufficient to meet the immediate investment needs of the housing stock.

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 £1.950m (£754.94 per property) on revenue responsive maintenance on occupied properties. Overall our spend on both responsive repairs and void works 2017/28 was £1,338.01 per property which is significantly higher than the 2017/18 benchmark figure of £762.63. The benchmark is based on housing providers in the South East and South West of England with less than 10,000 properties. 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.

4.5.4 The capital programme funding for property maintenance has been significantly increased over the last few years from £3.7m in 2016/17 to £5.5m in 2019/20 which is specifically to address the issues raised by the condition survey. Increasing the capital programme should reduce the level of spend on day-to-day 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 the capital investment begins to impact on demand for the responsive repair service as follows:

Proposed budgets	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Capital maintenance programme	5,200	5,500	5,500	5,600	5,700
Proposed increase		300	-	100	100
Total revenue maintenance	2,823	2,999	2,930	2,883	2,883
Estimated cash increase (+) / reduction (-) per year		+176	-69	-47	

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

4.5.6 Once the backlog maintenance issues have been addressed, the level of capital investment required each year will need to be reassessed.

4.5.7 The capital funding for 2019/20 will be used to fund the following improvements:

- Significant programme of fire safety works £1.5m
- External works programme to a number of blocks including Locks Court and Rocks Close
- A rolling programme of boiler replacements and kitchen and bathroom improvements.
- Works to support tenants with disabilities

5.0 **THE HOUSING REVENUE ACCOUNT FOR 2019/20**

5.1 The projected expenditure and income for the HRA in 2019/20 is as follows:-

	Estimate 2019/20	
	£'000	**£'000**
Expenditure		
Supervision and management	4,476	
Rent, rates, taxes and other charges	32	
Repairs and maintenance	2,999	
Depreciation	4,021	
Interest payments	2,290	
Movement in provision for bad debt	50	13,868
Income		-13,143
Net (Surplus)/Deficit for the year		725
Estimated balance brought forward 1st April, 2019		-1,604
Balance carried forward 31st March, 2020		**-879**

More detailed estimates for the Housing Revenue Account for 2018/19 and 2019/20 are shown in Appendix 1.

5.2 These projections take into account the budget from 2018/19, 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**
2018/19 budget	13,915
Impact of inflation	360
Decrease in depreciation following a fundamental review of asset lives	-579
Creation of new Heads of Operations post	74
Increase in maintenance budgets for provide for internal and external decorations	50
Additional charge from Legal Services due to volume of work undertaken	35
Other minor changes	13
2019/20 expenditure budget	**13,868**
Income:	
2018/19 budget	-13,180
Impact of 1% rent decrease	165
Review of service charges	-100
Inflationary increase on other rents	-28
2019/20 income budget	**-13,143**

5.3 The deficit in the 2019/20 budget of £725,000 has reduced marginally from 2020/21 due to a combination of factors including:

- A fundamental review of the depreciation charge £0.58m; offset by
- the rent reduction of 1% which is estimated to cost the Council £0.56m in real terms in 2019/20

Looking ahead to 2020/21, the overall position will gradually ease as rental level begin to increase due to the end of rent limitation. The financial position of the HRA is expected to gradually improve albeit over a period of 5 years. However, the annual increase to the HRA rents will still be constrained until 2025 at the earliest.

6.0 RENT SETTING FOR 2019/20

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 2018/19 most rents were reduced by 1% and the average council dwelling rent fell by £0.91, or to £90.41 per week.

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

6.3 The average rental decrease proposed for 2019/20 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 to £89.76 per week. 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 2019/20, the current limit for Adur is £93.67.

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 3.0% in 2018/19 to £9.96 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2019/20 by 3.30% to £10.29 per week which is in line with current inflation rate (CPI) of 2.3% plus 1%. These proposals will generate an extra £11,240 in net income after allowing for voids

7.0 DEBT FINANCING COSTS

7.1 The debt financing costs chargeable to HRA in 2019/20 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 £39,242m outstanding at 31st March 2019;

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

7.2 The budgeted costs are:

2019/20 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 will decrease in real over the next 3 - 5 years 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 fire safety works, replacement roofs and balconies, new central heating and double-glazing as well as new housing development schemes.

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

(i) revenue contributions to capital expenditure;

(ii) the Major Repairs Reserve. This will increase each year by an accounting adjustment for the amount of depreciation charged to the HRA (£4.0m). This contribution is ring-fenced for repayment of debt or for direct financing of capital expenditure;

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

(iv) prudential borrowing (subject to affordability).

8.3.3 The HRA capital renovation programme for 2019/20 was approved at £5.2m by the Joint Strategic Committee at its meeting of 4th December, 2018. This reflected the recent condition survey and concerns about affordability due to the impact of rent limitation.

8.3.4 The programme also included a development programme of £3.2m.

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 01/04/19	Increase	Decrease	Forecast balance at year end 2019/20
	£000's	**£000's**	**£000's**	**£000's**
HRA - working balance	1,604	-	-726	878
Discretionary Assistance Fund	116	-	-	116
New Development and Acquisition Fund	1,383	-	-	1,383
Business Dev. Fund	109	-	-109	0
Major Repairs Reserve	3,008	4,021	-3,164	3,865
TOTAL	**6,220**	**4,021**	**-3,999**	**6,242**

11.2 HRA general reserve balances are forecast to be £0. 878m at 1st April 2020 and 6.42% 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.

11.5 Any balance in the Major Repairs Reserve (MRR) is utilised to fund in-year capital expenditure. The final position at year end may fluctuate to reflect the spend on the capital programme. Altogether, the 2019/20 capital budget includes provision for £3.9m to be utilised for financing HRA capital expenditure, comprising the carried forward balances and in-year contributions.

12.0 IMPACT ON FUTURE YEARS

12.1 Attached at appendix 2 is the 30-year financial forecast. The focus for the 2019/20 budget has been to ensure that the HRA remains sustainable in the longer term whilst ensuring that the issues raised by the condition survey are addressed. The proposed budget 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 and need to invest in new affordable homes for local residents.

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 in 2017/18. However the HRA will become increasingly reliant on reserves since 2018/19 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**	**2021/22**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at the start of the year	2,074	1,939	1,604	878	492
Expected drawdown	-135	-335	-726	-386	-105
Balance at the end of the year	1,939	1,604	878	492	387

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 2019/20 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, the income to the HRA increases and the HRA becomes financially sustainable.

14.0 FINANCIAL IMPLICATIONS

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

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.

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 2019/20 - 2021/22

Welfare Work and Reform Act 2016

2017/18 Housemark Benchmarking Survey

Autumn Budget 2018

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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 2018/19	ESTIMATE 2019/20
	£	£
EXPENDITURE		
General Management	3,891,890	4,217,600
Special Services	214,570	258,040
Rent, Rates, Taxes & Other Charges	26,300	31,690
Repairs and Maintenance	2,823,320	2,999,030
Depreciation	4,600,000	4,021,300
Bad/Doubtful Debt	50,000	50,000
Capital Financing Costs		
Interest charges	2,308,980	2,289,860
TOTAL EXPENDITURE	**13,915,060**	**13,867,520**
INCOME		
Dwelling Rents	(11,991,720)	(11,826,860)
Non-Dwelling Rents	(566,920)	(581,430)
Heating and Service Charges	(374,210)	(482,330)
Leaseholder Service Charges	(219,640)	(224,350)
Interest Received	(28,000)	(28,000)
TOTAL INCOME	**(13,180,490)**	**(13,142,570)**
NET (SURPLUS)/DEFICIENCY	**734,570**	**724,950**

APPENDIX 2

HRA - 30 year forecast

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
EXPENDITURE					
General Management	3,892	4,218	4,323	4,431	4,542
Special Services	215	258	264	271	278
Rents, Rates, Taxes & Other Charges	26	32	32	33	34
OVERALL RUNNING COSTS	4,133	4,508	4,619	4,735	4,854
Annual Revenue Maintenance Costs	2,823	2,999	2,966	2,930	2,883
Revenue Contribution to Capital	0	0	0	0	0
Depreciation	4,600	4,021	4,111	4,200	4,276
Interest payable					
Interest - on historic debt	974	974	974	974	974
Interest - on assumed debt	1,280	1,262	1,245	1,227	1,210
Interest - on capital programme	55	54	0	0	0
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**13,915**	**13,868**	**13,965**	**14,116**	**14,247**
INCOME					
Dwelling Rents	-11,992	-11,826	-12,210	-12,595	-12,948
Other Rents and Charges	-1,161	-1,289	-1,332	-1,378	-1,426
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-13,181**	**-13,143**	**-13,570**	**-14,001**	**-14,402**
NET COST OF SERVICES / SURPLUS (-)	**734**	**725**	**395**	**115**	**-155**

APPENDIX 2

HRA - 30 year forecast

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
EXPENDITURE					
General Management	4,655	4,772	4,891	5,013	5,139
Special Services	285	292	299	307	315
Rents, Rates, Taxes & Other Charges	35	36	37	38	39
OVERALL RUNNING COSTS	4,975	5,100	5,227	5,358	5,493
Annual Revenue Maintenance Costs	2,881	2,932	2,979	3,029	3,096
Revenue Contribution to Capital	200	400	600	700	900
Depreciation	4,348	4,421	4,495	4,571	4,671
Interest payable					
Interest - on historic debt	974	974	963	938	932
Interest - on assumed debt	1,193	1,175	1,158	1,140	1,123
Interest - on capital programme	0	1	7	14	43
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**14,621**	**15,053**	**15,479**	**15,800**	**16,308**
INCOME					
Dwelling Rents	-13,295	-13,652	-14,017	-14,393	-14,778
Other Rents and Charges	-1,475	-1,526	-1,579	-1,634	-1,690
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-14,798**	**-15,206**	**-15,624**	**-16,055**	**-16,496**
NET COST OF SERVICES / SURPLUS (-)	**-177**	**-153**	**-145**	**-255**	**-188**

APPENDIX 2

HRA - 30 year forecast

	2028/29 £'000	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000
EXPENDITURE					
General Management	5,267	5,399	5,534	5,672	5,814
Special Services	322	330	339	347	356
Rents, Rates, Taxes & Other Charges	40	41	42	43	44
OVERALL RUNNING COSTS	5,629	5,770	5,915	6,062	6,214
Annual Revenue Maintenance Costs	3,163	3,232	3,301	3,374	3,447
Revenue Contribution to Capital	1,000	1,200	1,300	1,400	1,600
Depreciation	4,773	4,877	4,983	5,091	5,202
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	1,089	1,037	985	933	882
Interest - on capital programme	95	146	197	247	294
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**16,731**	**17,244**	**17,663**	**18,089**	**18,621**
INCOME					
Dwelling Rents	-15,174	-15,580	-15,997	-16,424	-16,863
Other Rents and Charges	-1,749	-1,810	-1,873	-1,939	-2,007
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-16,951**	**-17,418**	**-17,898**	**-18,391**	**-18,898**
NET COST OF SERVICES / SURPLUS (-)	**-220**	**-174**	**-235**	**-302**	**-277**

APPENDIX 2

HRA - 30 year forecast

	2033/34 £'000	2034/35 £'000	2035/36 £'000	2036/37 £'000	2037/38 £'000
EXPENDITURE					
General Management	5,959	6,108	6,261	6,418	6,578
Special Services	365	374	383	394	402
Rents, Rates, Taxes & Other Charges	45	46	47	48	49
OVERALL RUNNING COSTS	6,369	6,528	6,691	6,860	7,029
Annual Revenue Maintenance Costs	3,522	3,598	3,676	3,757	3,838
Revenue Contribution to Capital	1,800	2,000	2,200	2,400	2,700
Depreciation	5,315	5,430	5,548	5,668	5,791
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	830	778	727	675	623
Interest - on capital programme	337	377	413	443	466
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**19,155**	**19,693**	**20,237**	**20,785**	**21,429**
INCOME					
Dwelling Rents	-17,314	-17,776	-18,250	-18,737	-19,237
Other Rents and Charges	-2,077	-2,150	-2,225	-2,304	-2,385
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-19,419**	**-19,954**	**-20,503**	**-21,069**	**-21,650**
NET COST OF SERVICES / SURPLUS (-)	**-264**	**-261**	**-266**	**-284**	**-221**

APPENDIX 2

HRA - 30 year forecast

	2038/39 £'000	2039/40 £'000	2040/41 £'000	2041/42 £'000	2042/43 £'000
EXPENDITURE					
General Management	6,743	6,911	7,084	7,261	7,442
Special Services	413	423	433	444	455
Rents, Rates, Taxes & Other Charges	51	52	53	55	56
OVERALL RUNNING COSTS	7,207	7,386	7,570	7,760	7,953
Annual Revenue Maintenance Costs	3,920	4,006	4,093	4,181	4,272
Revenue Contribution to Capital	3,000	3,300	3,600	3,900	4,200
Depreciation	5,917	6,045	6,176	6,310	6,447
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	572	520	468	416	378
Interest - on capital programme	480	484	478	471	442
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**22,078**	**22,723**	**23,367**	**24,020**	**24,674**
INCOME					
Dwelling Rents	-19,750	-20,276	-20,816	-21,371	-21,939
Other Rents and Charges	-2,469	-2,556	-2,646	-2,740	-2,837
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-22,247**	**-22,860**	**-23,490**	**-24,139**	**-24,804**
NET COST OF SERVICES / SURPLUS (-)	**-169**	**-137**	**-123**	**-119**	**-130**

APPENDIX 2

HRA - 30 year forecast

	2043/44 £'000	2044/45 £'000	2045/46 £'000	2046/47 £'000	2047/48 £'000
EXPENDITURE					
General Management	7,629	7,819	8,015	8,215	8,420
Special Services	467	478	490	503	515
Rents, Rates, Taxes & Other Charges	57	59	60	62	63
OVERALL RUNNING COSTS	8,153	8,356	8,565	8,780	8,998
Annual Revenue Maintenance Costs	4,364	4,460	4,555	4,654	4,754
Revenue Contribution to Capital	4,500	4,800	5,100	5,400	5,800
Depreciation	6,586	6,728	6,873	7,021	7,172
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	378	378	378	378	378
Interest - on capital programme	390	339	288	238	191
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	**25,353**	**26,043**	**26,741**	**27,453**	**28,275**
INCOME					
Dwelling Rents	-22,523	-23,122	-23,737	-24,367	-25,015
Other Rents and Charges	-2,938	-3,042	-3,151	-3,263	-3,379
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	**-25,489**	**-26,192**	**-26,916**	**-27,658**	**-28,422**
NET COST OF SERVICES / SURPLUS (-)	-136	-149	-175	-205	-147

APPENDIX 3

HRA TREASURY MANAGEMENT STRATEGY

1.0 INTRODUCTION

1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2019/20. 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 2019/20 are unchanged from 2018/19, 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 until 2028/29.

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;

(iii) 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.

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
- 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 2018/19 and unchanged for 2019/20 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.

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 current estimates, based on the capital investment programme for the next three years, are shown in the table below:

Adur District Council	2017/18 Actual £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	28.500	84.380	102.304	101.068	99.746
Housing Revenue Account	60.103	60.103	62.473	65.970	68.303
Total CFR	88.603	144.483	164.777	167.038	168.049
Actual Debt					
General Fund	(27.263)	(82.454)	(101.902)	(101.405)	(99.804)
Housing Revenue Account	(57.875)	(56.168)	(56.833)	(59.625)	(62.252)
Total Debt Amount	(85.138)	(138.622)	(158.735)	(161.030)	(162.056)
(Over)/Under Borrowing					
General Fund	1.237	1.926	0.402	(0.337)	(0.058)
Housing Revenue Account	2.228	3.935	5.640	6.345	6.051
Total	3.465	5.861	6.042	6.008	5.993
HRA Borrowing Headroom (N/A now)	11.037	12.744	12.079	9.287	7.660

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2019/20-2021/22 submitted to the meeting of the Joint Strategic Committee on 31st January 2019).

3.3 The comparison shows the HRA was under borrowed at the end of 2017/18 by £3.465m, 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 was previously constrained by the requirement to stay within the HRA Debt Limit of £68.912m imposed by Central Government. However this cap was removed in October 2018. For all years from 2019/20 to 2021/22 the HRA 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 31st January 2019.

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

4.1 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.

4.2 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".

4.3 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.

4.4 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

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

5.1 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.

5.2 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.

5.3 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.

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

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

6.2 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.

6.3 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.

6.4 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.

6.5 Accordingly, the Strategy adopts the approach whereby the relevant credit or debit shall be computed with reference to the difference between the HRA and General Fund CFR and the respective actual debt during the year. Where an over-borrowing position occurs interest shall be credited at the average rate of interest on all investments prevailing for the period during which the over borrowing was sustained. For an under-borrowed position, interest shall be charged to reflect the interest foregone through consumption of internal resources and at the average rate of all investments achieved during the period of under borrowing.

Adur Executive
5 February 2019
Agenda Item 5

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

BUDGET ESTIMATES 2019/20 AND SETTING OF 2019/20 COUNCIL TAX

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

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

- The final revenue estimates for 2019/20 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2019/20, prior to its submission to the Council for approval on the 28th February 2019. 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 2023/24, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic property investment. The current budget strategy is having a significant effect on how the Councils will be funded in the future with increasing income generated from commercial income and rents. However the challenge still remains significant for 2020/21, with the earlier identification of initiatives to bridge the emerging budget gap a priority.

1.3 These budgets reflect the Council's ambitions set out in *Platforms for our Places,* and agreed savings proposals contributing to the financial sustainability of the Councils. The report also updates members about the impact of the draft 2019/20 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 2020/21 and beyond (see section 4.2) ;

- Highlights the proposed funding for initiatives to support the Councils' ambitions set out in Platforms for our Places;

- The impact of recent County Council decisions upon the Council;

- The Executive needs to consider the proposals to invest in services outlined in Appendix 2; and, finally

- The Executive will need to consider whether to increase Council Tax by maximum level possible 3% or by a lower amount (paragraph 5.11).

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2019/20 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 has consulted on an increase to the Council Tax for 2019/20 of £12.00 or 7.23%. The proposed 2019/20 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 1st February 2019. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 18th February 2019 at which point the Commissioner will be in a position to confirm the Council Tax for 2019/20 just in time for Council on the 28th February 2019.

1.7 The draft Local Government Settlement allow Councils to increase core Council Tax by up to 3% which is in addition to the 2% Council Tax increase permitted specifically to support adult social care services (subject to a maximum increase for social care of 6% in the period 2017/18 to 2019/20). Therefore a maximum Council Tax increase of 5% for Councils with social care responsibilities is allowed.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 16th February 2019. The formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 28th February 2019.

1.9 The following appendices have been attached to this report:

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

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

(iii) **Appendix 3** Estimated Reserves

(iv) **Appendix 4** Council Tax base for 2019/20

(v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2019/20

(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 2019/20 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £8,598,470, subject to any amendments agreed above; and

(c) Consider which band D Council Tax to recommend to Council for Adur District Council's requirements in 2019/20 as set out in paragraph 5.11

(d) Recommend to Council that special expenses of £21.42 per Band D equivalent to be charged in all areas of the District except Lancing.

3. INTRODUCTION

3.1 The Joint Strategic Committee considered the 'Achieving Financial Sustainability - Budget Strategy for 2019/20 and beyond' on 10th July 2018. This report outlined the financial context, the key budget pressures 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.

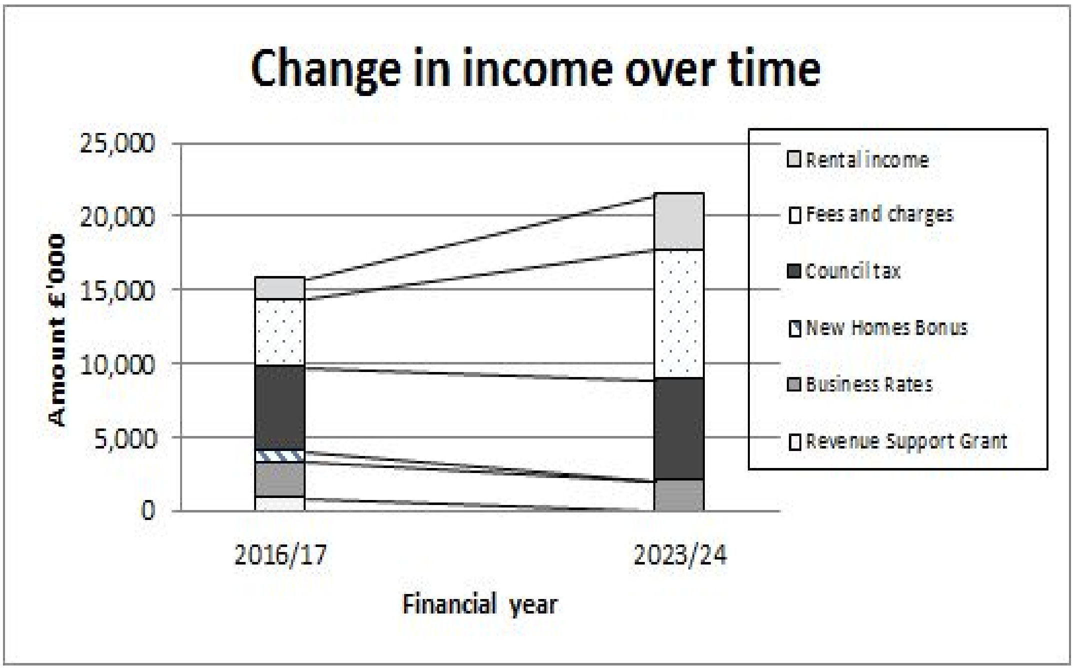
3.2 To address the known pressures, the Councils have set-up several strategic programmes which are responsible for taking forward key initiatives aimed at delivering new income and savings for the next 5 years as well as supporting key aims outlined in Platforms for our places:

- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;
- The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work.
- The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Investment Fund; and
- The Commercial programme develops initiatives to promote income growth from commercial services and seeks to improve the customer experience.

For 2019/20 the Service Redesign programme, the Commercial programme and the Strategic Asset Management Board were set explicit targets as part of the budget strategy.

3.3 The successful delivery of our strategy fundamentally changes how the Council is funded while pursuing transformational approaches to how we deliver services and work with our partners. 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	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support and other grants	887	271	0	0	0	0	0	0
New Homes Bonus	767	553	202	126	11	10	10	0
Business Rates	2,436	2,386	2,337	2,227	2,007	2,047	2,086	2,126
Council Tax	5,690	5,848	6,089	6,246	6,428	6,572	6,719	6,870
Income from taxation	9,780	9,058	8,628	8,599	8,446	8,629	8,815	8,996
Fees and charges	4,655	5,882	5,826	6,064	6,476	7,067	7,839	8,797
Commercial rent income	1,431	1,528	2,866	3,066	3,371	3,471	3,621	3,771
Income from commercial activity	6,086	7,410	8,692	9,130	9,847	10,538	11,460	12,568
Total income excluding specific grants	15,866	16,468	17,320	17,729	18,293	19,167	20,275	21,564



3.4 The subsequent report to the Joint Strategic Committee, on 4th December 2018 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

Adur District Council	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – July forecast	749	1,957	2,277	2,657	2,965
Overall shortfall – December forecast (including net approved growth)	812	2,072	2,390	2,769	3,075
Increase / (Decrease) in shortfall	63	115	113	112	110
Overall shortfall – December forecast	812	2,072	2,390	2,769	3,075
Savings identified in December 2018 report	-807	-1,064	-1,064	-1,064	-1,064
Revised budget shortfall/Surplus(-) as at December 2018	5	1,008	1,326	1,705	2,011

3.5 The 2019/20 savings proposals identified within the report amounted to £807,000.

3.6 Since the meeting in December, the Adur District 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 2019/20 can be summarised as:

		£'000
Original shortfall as identified in July 2018		749
Summary of changes identified in December 2018:		
(a)	Reduction to the income from Council Tax	16
(b)	Further increase to cost of the homelessness service	150
(c)	Improvement in Government Grants largely as a result of increased retained business rate income	-83
(d)	Contingency sum for further increases to the cost of temporary and emergency accommodation	75
(e)	Net committed growth items identified by budget holders and other adjustments	35
(f)	Removal of contingency budgets	-130
Budget shortfall as at 4th December 2018		812
Settlement		
	Impact of provisional New Homes Bonus allocation	-10
	Distribution of surplus business rates held nationally	-27
	Adjustment for increase to business rate multiplier	9
Adjustment for final items identified		
	Impact of County Council budget decisions	15
	Adjustment to tax base	-42
Revised budget shortfall		757
Less:	Net savings agreed in December	-807
Plus:	Reduction in savings since December	40
Budget surplus based on a 2% Council Tax increase (before any further action is agreed)		-10

4. THE BUDGET STATEMENT 2018 AND 2019/20 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 <u>Budget Statement 2018</u>

4.1.1 The Chancellor Philip Hammond delivered the 2018 Budget Statement on the 29th October 2018. Overall the public sector forecasts for the 2019 Spending Review are better than previously expected, and local government should gain from this improvement.

4.1.2 The budget contained a key political message which was that this Budget heralded “the end to austerity”. In future, the Government intends not to cut public spending just to balance the budget. There is an expectation across the sector that public spending will stop falling in real terms and start to increase in line with growth in the economy. This is, of course, predicated on the improved fiscal forecasts contained within the budget: a recession or unexpected external shock to the economy could derail these plans.

4.1.3 However, much of the increase to public sector spending will be allocated to the NHS. Earlier this year the Prime Minister announced an improved 5-year settlement for the NHS covering the period 2019/20 to 2023/24. By 2023/24 spending on the NHS will be £20.5bn higher in real terms.

4.1.4 Nevertheless Local Government is now emerging as one of the priorities. For the first time local Government was given a prominent role in the Budget. In his speech the Chancellor states that :

‘Local government has made a significant contribution to repairing the public finances and this Budget ensures local councils have more resources to deliver high quality public services.

We are giving councils greater control over the money they raise through the Adult Social Care precept, through our plans for increased business rate retention from 2020, and by removing the Housing Revenue Account cap so that councils can help to build the homes this country needs.’

4.1.5 New funding was announced for the following services:

- £650m additional grant funding for adult social care in 2019-20,
- £45m for Disabled Facilities Grant in 2018-19,
- £84m was made available to 20 authorities over 5 years to improve children’s social care programmes.
- £450m in 2018-19 for potholes that will be allocated to highways authorities.

Longer term decisions on overall local government funding will be made in the 2019 Spending Review. The amount of funding that the Council will eventually benefit from will also depend on the Fairer Funding Review.

4.1.6 In addition to the changes to Local Government Funding, the Chancellor also announced changes to the Business Rate Relief Scheme.

- Reduce business rates by one-third for retail properties with a rateable value below £51,000 for two years from April 2019 subject to state aid limits;
- The £1,500 local newspaper discount will continue for another year;
- Local authorities will be able to award mandatory relief to public lavatories whether publicly or privately owned from 2020/21 onwards, previously local authorities did not qualify for this benefit.

Whilst these will not have a direct financial impact on the Council as they will be fully funded by the government, they will benefit local businesses.

4.2 2019/20 Local Government Finance Settlement

4.2.1 The provisional Local Government Settlement was announced on 13th December 2018 by the Secretary of State. Consultation on the provisional settlement closed on the 10th January 2019.

4.2.2 Settlement confirmed much of what was contained in the Technical Consultation that was published in July 2018, namely:

- ***Four year settlement***

  The four year settlement remains unchanged. As expected the Council will receive no Revenue Support Grant in 2019/20. Since 2015/16 the Council has seen Revenue Support Grant fall by over £2m.

	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%		

- ***Council Tax referendum thresholds***

  The council Tax referendum threshold for District Councils was confirmed as the higher of 3% or £5.00 for a Band D property. For Adur District Council, the Council can increase council tax by up to 3%.

  The current 5-year forecast assumes an increase of 2%. The additional increase would enable the Council to balance the budget and reinvest a minor amount back into priority services.

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

- ***Negative Revenue Support Grant (RSG)***

  Negative RSG, which was an adjustment to reduce the amount of business rates income retained locally, has been removed with the cost funded by the Government. The Council had expected this to be the case following the Technical Consultation earlier in the year.

  For Adur District Council, the proposed adjustment to the Tariff would have been £366,500 Although due to the impact of the levy calculation the financial impact was reduced to £183,250 as follows:

	2019/20	
	Without negative RSG	Including negative RSG
Council share of business rates and S31 grants	8,095,850	8,095,850
Less: Tariff	-5,039,900	-5,406,400
	3,055,950	2,689,450
Less: Baseline Funding	-1,738,820	-1,738,820
Additional business rates	1,317,130	950,630
Less: 50% Levy	-658,565	-475,315
Additional retained rates	658,565	475,315
Reduction due to negative subsidy		183,250

- ***New Homes Bonus***

  The baseline for the payment of New Homes Bonus (NHB) remains at 0.4%. The threshold means that NHB payments will only be made on an increase in the council tax base that exceeds 0.4%. The Council receives largely the same amount of NHB as assumed in December, although the final number of affordable homes delivered is marginally higher than expected leading to a minor increase of £10,000 in the amount of grant to be paid.

  Overall the Council is expected to receive the following amounts in NHB over the next few years as the current scheme is phased out.

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Current assumption	202	126	11	10	10	0
Draft settlement						
Historic allocations	202	116	1	0	0	0
2018/19 allocation		10	10	10	10	0
Total New Homes Bonus	202	126	11	10	10	0
Increase / decrease (-) in grant from previous assumptions		10	10	10	10	0

The New Homes Bonus has been an important source of funding. However, the future of the scheme after next year remain very uncertain. The provisional 2019/20 allocation for this council is £125,988.

4.2.3 **Levy Account Adjustment**

In addition, to the changes trailered in the Summer, the Government announced that it would distribute surplus business rates held in the Levy Account in 2018-19. Adur District Council expects to receive £26,680.

4.2.4 **75% business rate pilots**

The number of pilots announced as part of settlement were higher than expected increasing from 10 to 15.

West Sussex has been successful in its bid to be one of the pilot areas. Whilst this does not benefit the council directly, the additional sums (circa £18m) held in the County area will be invested into initiatives to support the local economies.

4.2.5 **Changes to local government funding in 2020/21 and beyond:**

As part of settlement, two consultations were announced on details pertaining to the Fairer Funding Review and the new Business Rate Retention Scheme:

i) <u>Fair funding review consultation - Review of local authorities' relative needs and resources</u>

As members are aware, 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 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.

The consultation announced as part of settlement seeks views on the approach to measuring the relative needs and resources of local authorities, which will determine new baseline funding allocations for local authorities in England in 2020-21.

This consultation:

- proposes to simplify the assessment of local authorities' relative needs;
- considers the type of adjustment that will be made to an authority's relative needs assessment to take account of the relative resources available to them to fund local services;

- proposes a set of principles that will be used to design potential transitional arrangements and examines how the baseline for the purposes of transition should be established.

As part of settlement, the Government announced a further technical consultation on the Fair Funding Review (FFR).

ii) Reform of the Business Rate Retention Scheme

The Secretary of State has previously 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.

As part of settlement, a further consultation on the new Business Rate Retention Scheme was announced. This consultation seeks views on proposals for sharing risk and reward, managing volatility in income and setting up the reformed business rates retention system.

The reform of the business rates retention system sits alongside wider changes to the local government finance system which the government aims to introduce in 2020.

4.2.6 The consultations will close on the 21st February 2019 and the Council will consider and respond to the documents with a response being prepared in consultation with the Executive Member of Resources.

4.2.7 **Summary of 2019/20 Local Government Settlement**

In overall terms, the 2019/20 settlement revealed that District and Borough Councils received an overall cut in government funding of 12.09%. For districts, this is significantly more than last year's drop of 7.10%.

YEAR-ON-YEAR CHANGE FOR THE 2019/20 SETTLEMENT			
Class of Local Authority	2017-18 Adjusted Settlement Funding Assessment	2018-19 Settlement Funding Assessment	Overall Reduction in funding
	£million	£million	%
England	15,536.04	14,499.70	-6.67%
London Area			
London Boroughs	2,896.82	2,717.73	-6.18%
GLA	1,174.06	1,198.63	2.09%
Metropolitan Areas			
Metropolitan Districts	4,078.64	3,842.54	-5.79%
Metropolitan Fire Authorities	222.26	219.17	-1.39%
Shire Areas			
Shire unitaries with fire	261.59	241.24	-7.78%
Shire unitaries without fire	2,843.64	2,626.26	-7.64%
Shire counties with fire	1,285.88	1,157.38	-9.99%
Shire counties without fire	1,834.91	1,638.18	-10.72%
Shire districts	602.95	530.06	-12.09%
Shire fire authorities	332.00	325.23	-2.04%

4.2.8 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 10th January 2019 with final settlement expected in February.

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

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:

1) 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 £130,400.

2) 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 2019/20 is currently being finalised. The 2019/20 NNDR return which underpins this forecast is due to be submitted by the 31st January 2019 and any substantial changes resulting from the final assessment of the business rate income will be managed through the business rate smoothing reserve which has been set up for this purpose.

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 Monks Farm, Parcelforce and Civic Centre sites.

4.3.4 **75% Business Rate pilot:**

The Council is now participating in a new County based business rates pool as part of the national pilot of the proposed business rate retention scheme. Participating in the pilot will enable the participating Councils to retain any 'levy' paid which will be set aside to fund initiatives within the County area to support economic growth, principally through the delivery of enhanced digital infrastructure. The equates to an estimated additional business rate income of over £18m retained locally in 2019/20 to benefit the residents of West Sussex.

However, as a result of becoming part of the pilot, the safety net is now calculated on the entire pool. The safety net calculation is based on 5% of the overall pool baseline of £96.2m which means that the maximum loss of income before the safety net would be triggered is £4.8m. To manage this risk, the contingency available from the current pool (Adur, Arun, Chichester, Worthing and West Sussex County Council) of £2m will be transferred into the new pool and additional contingency sums from the £18m gain will be set aside.

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. However to date far fewer appeals have been received following the 2017 revaluation following the introduction of the new 'Check, Challenge, and Appeal' process by the VOA.

- The Councils have received mandatory rate relief claims from the local NHS trusts. Whilst the Council believes the trusts are not eligible for such financial support, until the legal position is clarified, there is a risk that the Council could lose 80% of its income from the NHS Trust sites. This is the subject of a national legal challenge. However the Council is fully providing for this additional relief within the accounts.

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

- Conversion of office blocks and retail space into accommodation will result in a permanent loss of income however, this will be mitigated to some extent by the additional Council Tax generated once the conversion is completed.

4.3.6 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year. The Council will fully provide for any known backdated business rates appeals at the 2018/19 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve.

4.4 **Long term implications of current government policy**

4.4.1 The financing of local government has continued to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on on the delivery of homes (Council Tax) and the creation of employment space (Business Rate Retention Scheme).

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 for both the current year and future years as well.

Breakdown of taxation income to the Council:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	6,089	6,246	6,428	6,572	6,719	6,870
Business Rates **	2,337	2,227	2,007	2,047	2,086	2,126
New Homes Bonus	202	126	11	10	10	0
	8,628	8,599	8,446	8,629	8,815	8.996

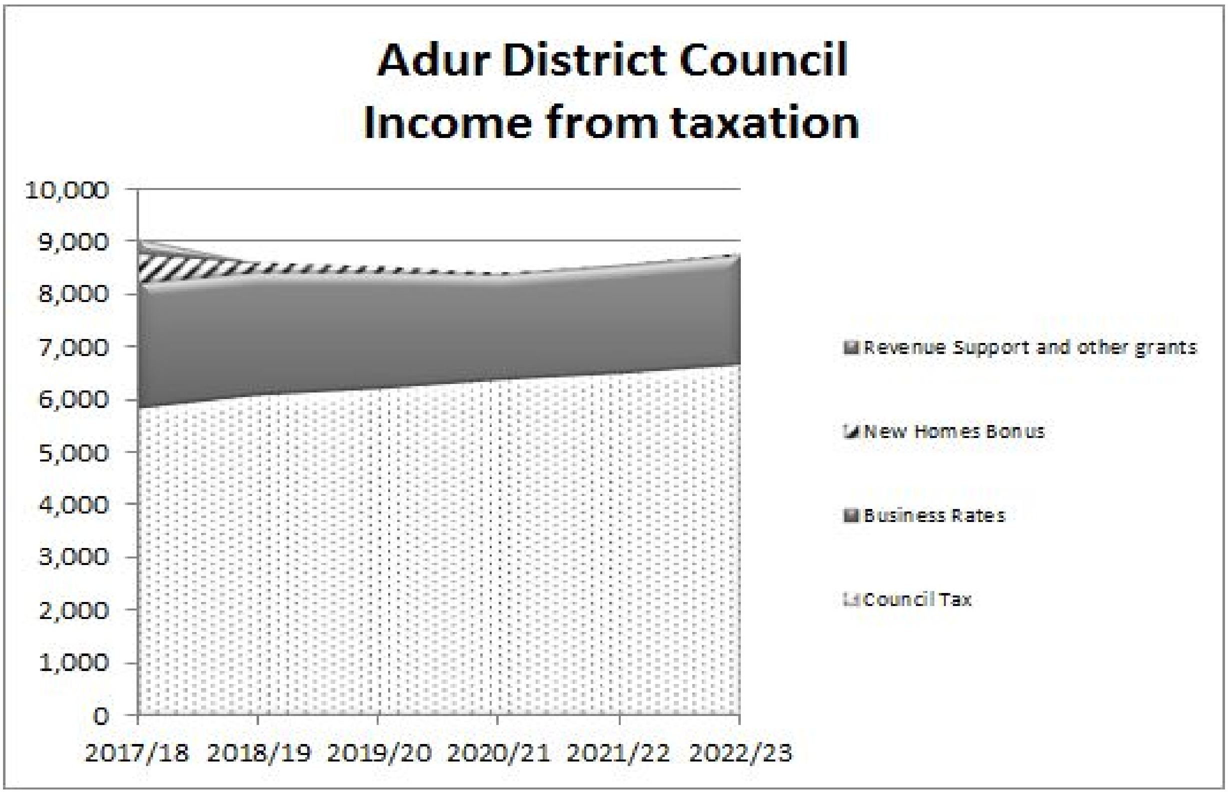
* Includes any surplus or deficit on the collection fund

** Includes the surplus or deficit on the collection fund and the levy account payment

Adur District Council receives no Revenue Support Grant from 2018/19 onwards.

Breakdown of taxation income to the Council:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Council Tax	70.57%	72.63%	76.11%	76.16%	76.23%	76.36%
Business Rates	27.09%	25.90%	23.76%	23.72%	23.66%	23.64%
New Homes Bonus	2.34%	1.47%	0.13%	0.12%	0.11%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



5.0 DRAFT REVENUE ESTIMATES 2019/20

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £8,598,470. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.

5.2 The budget is fundamental to realising the Councils' ambitions set out in *Platforms for our Places.* The budget enables the Councils's role to lead and work with partners to develop our communities and our economies.

Attached at Appendix 2 are some proposals for investment into services to deliver the outcomes committed to in Platforms for our Places for member consideration.

5.3 The budget includes specific funding for the commitments outlined in Platforms for our Places. Examples include:

5.3.1 **<u>Our Financial Economies</u>**

The Councils recognise the importance of ongoing investment in our places to ensure that they remain vibrant locations for social, economic and culture hubs for our communities. Budgets have been created to facilitate the delivery of major projects to enable the development of Adur's town centre and provide for additional employment land. This includes the construction of a new office buiilding on the land formerly the Civic Centre car park.

The delivery of other strategic projects for both Councils will be supported by further investment in a major projects team.

There is also investment through the capital programme, investing in facilities to improve the local economy.

5.3.2 **<u>Our Social Economies</u>**

The Councils continue to see a increase in demand for our Housing Service, in particular those who are experiencing homelessness. In response this budget proposes additional growth of £150,000 to respond to these service pressures. This is in addition to funding to make new investments to acquire Council-owned temporary and emergency accomodation to improve the accommodation offered to clients and reduce the costs for the Councils. The Councils are also proactively working with partners across West Sussex to respond to budget decisions being made by the West Sussex County Council. A contingency sum of £90,000 has been proposed in order for the Council to respond to the impact of these decisions.

The Councils are also aware of the importance of our communities to have active lives and enjoy our parks and open spaces. Funding is proposed for a new play area to the promote health and wellbeing of our communities. This investment will compliment the development the Adur and Worthing Activities Strategy, which is currently being developed.

5.3.3 **Stewarding our Natural Resources**

In 2018 the Councils have taken a number of decisions to reduce the Councils and our communities impact on our environment, and to enhance our natural assets. The adoption of the Adur & Worthing Sustainability Framework set an ambitions set of actions to respond to the pressing and complex environmental challenges that we face locally and globally.

Moving to Alternate Weekly Collection for waste services is a critical strategy to improve our communities recycling rates and reduce level of waste. The budget provides for the investment required to make this service change and provide additional information to our communities about recycling.

5.3.4 **Services and Solutions**

Much of the Medium-Term Financial Strategy is underpinned by new approaches to how we design and deliver our services, and develop our commercial activities and investment portfolios. These approaches are not only designed to improve the financial sustainability of the Councils, but also the services that our communities, clients and customers experience. We will continue to invest in new digital tools to improve how customers access Customer Services and the Revenues and Benefits service

5.4 The final budget will be dependent on Members consideration of the investment proposals, Appendix 2, and the Council Tax increase that Members are prepared to support.

5.5 The key question of how the net budget requirement of £8.599m 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.

5.6 Details of all of the main changes in the base budget from 2018/19 to 2019/20 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

	£'000	£'000
2018/19 Original Estimate		8,618
Add: General Pay and Price Increases		394
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	571	
Impact of Capital Investment and Development Programme	-106	465
Less: Compensatory savings and additional Income:		
Compensatory savings	-41	
Additional income	-80	-121
2019/20 budget prior to agreed savings		9,356
Less: Savings agreed by members		
Approved in December	-807	
Adjustments arising from estimated impact of single person discount review	40	
		-767
Executive Member requirements		8,589
Potential contribution to reserves*		10
Potential budget requirement before external support		8,599
Collection fund deficit		40
2019/20 BUDGET REQUIREMENT		**8,639**

* 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.

5.7 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 for any significant changes.

Further details can be provided by request from Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

5.8 **Impact of County Council budget proposals:**

5.8.1 The current net estimated 2019/20 spend is greater than previously predicted in December which is attributable to the spending decisions of the County Council. Members will be aware that the County Council have decided to reduce the budgets for supported housing by 2/3rds from £6.4m to £2.4m per annum from 1st October 2019 (£2m reduction in 2019/20 and a further £2m in 2020/21). Of the remaining budget, the remaining proposals put forward by WSCC suggest at this stage:

- £1.4m is ring-fenced for accommodation for young people//care leavers
- £1m is for supporting preventing homelessness projects across the whole of WSCC

At present, there is no clear indication of how the £1m allocated to preventing homelessness will be used.

5.8.2 Of the current total spend, £1.8m is spent within Adur and Worthing and approximately 70% of the caseload relates to Worthing residents. Consequently, the supported housing providers will see a reduction of approximately £1.2m in funding, with potentially severe consequences for the tenants and with inevitable knock-on consequences for the Council.

5.8.3 The most critical issue for the Council will be to retain the capacity of bed spaces available to those in need, otherwise there will be a significant shift of cost to more expensive Emergency and Temporary Accommodation (EA/ TA) and potentially an increase to rough sleeping.

5.8.4 The preliminary financial analysis suggests some level of support for commissioned services will be more cost effective than dealing with the potential levels of homelessness and associated EA / TA costs. However this needs further exploration and assessment of sustainability.

5.8.5 The Councils had provided a £250,000 contingency for 2019/20 of which £75,000 related to Adur District Council for dealing with the impact of the County budget decisions. Given the scale of the reduction in 2019/20, the Council should look to provide at least a further £15,000 more to mitigate against the significant risk of increasing costs arising from higher demand for EA/TA resulting from the decision of the County Council. Looking ahead, the cost impact is likely to escalate in 2020/21 when the full impact of the reductions is experienced locally.

5.8.6 At this stage, there is a degree of uncertainty about the full financial impact of the County's decisions, over the coming months the Council will work with others in the County area to fully understand the impact of this change.

5.9 Overall the current net estimated budget is less than the predicted in December due to the following factors:

	£'000
Increase in New Homes Bonus	-10
Distribution of nationally held business rates	-27
Latest forecast of business rate income (including any adjustments arising from settlement)	9
Increase to contingency for the impact of County Council budget decision	15
Increase in the Council Tax Base	-42

5.10 The projected deficit on the Collection Fund is estimated to be £242k, of which £40k is the District Council share. This is a minor deficit in light of the overall income due which exceeds £37.4m and is due to a lower increase in housing growth than expected..

5.11 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.

5.12 **The Council Tax increase:**

5.12.1 The Council Tax has only been raised in 3 out of the last 9 years. This, together with a 1% reduction applied in the same period, has generated an overall increase in the tax of 6.02% (in 2010/11 Band D tax was £274.27, in 2018/19 it was £290.79) . Over the same period inflation (CPI) has been 19.36%.

5.12.2 The budget forecast currently assumes that average Council Tax will increase by just over 2.0% in 2019/20. However the referendum criteria announced in December 2018 gives the Council the flexibility to raise the Council Tax by up to 3%. A higher increase will give the council the opportunity to reinvest back into priority services. Members are reminded that the Consumer Price Index is currently 2.3%.

5.12.3 Even a 3% uplift would only be a modest increase in the District council share of the bill for 2019/20. The table below details how the average Council Tax will change as a result of a 2%, 2.5%, 2.8% and just under 3% increase.

	2018/19	Average annual increase for 2019/20			
		2.0%	2.5%	2.8%	3.0%
	£	£			£
Council Tax Band D	290.79	296.64	298.08	298.89	299.43
Annual increase		5.85	7.29	8.10	8.64
Weekly increase		0.11	0.14	0.16	0.17
Council Tax Band C	258.48	263.68	264.96	265.68	266.16
Average annual increase		5.20	6.48	7.2	7.68
Average weekly increase		0.10	0.12	0.14	0.15
Total additional Council Tax raised		123,991	154,512	171,679	183,125
Additional Council Tax raised over a 2% increase			**30,521**	**47,689**	**59,134**

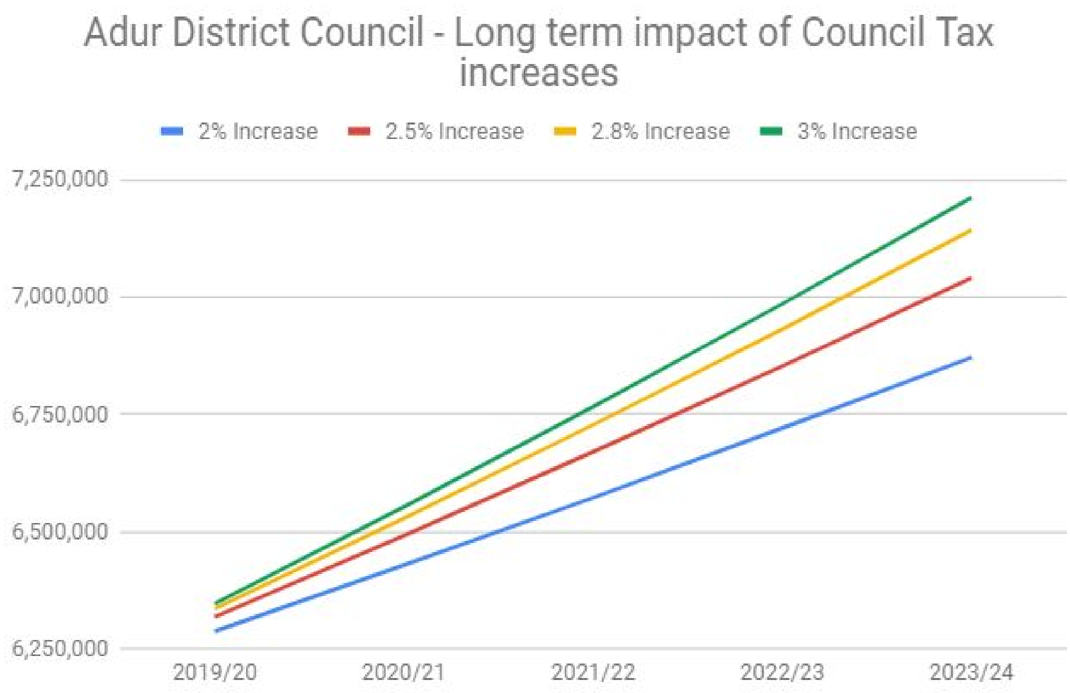
5.12.4 Members should also be aware that the Police and Crime Commissioner has been consulting on a £12.00 (7.23%) increase for their share of the overall bill. Whilst the level of increase to be set by the County Council is unknown at this stage, given the financial pressures that the County is under, there are indications that the increase will be close to the maximum permitted (5%). 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 could be just over 5%:

	2018/19	2019/20 (Indicative only)	%
	£	£	
Adur District Council average	290.79	299.43	2.97%
West Sussex County Council	1,317.78	1,383.66	5.00%
Sussex Police and Crime Commissioner	165.91	177.91	7.23%
	1,774.48	1,861.00	4.88%

5.12.5 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 and the impact of the County Council budget decisions. The impact of changing the Council Tax by 2%, 2.5%, 2.8% and 3% annually would be as follows:

Total income	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
2% annual increase	6,287,280	6,428,580	6,572,440	6,720,780	6,871,710
2.5% annual increase	6,317,810	6,491,680	6,670,190	6,853,350	7,041,190
2.8% annual increase	6,334,970	6,528,020	6,727,690	6,932.120	7,143,270
3% annual increase	6,346,420	6,552,870	6,766,030	6,985,920	7,212,600

Over the longer term, a higher increase will give the Council significant additional income:



5.12.6 Members are asked to consider which level of Council Tax increase that they support. An average increase of just under 2.00% would enable the Council to set a balanced budget. An increase of 3.00% will give the Council the opportunity to reinvest back into priority services

5.13 **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 (based on a 2% increase):

	£'000	£'000
Net budget requirement		8,589
Less:		
Baseline Funding (including Levy surplus payment)	1,765	
Share of additional Business Rate income	462	
Council Tax (2.0% increase)	6,287	
New Homes Bonus	126	
Collection Fund Deficit	-41	-8,599
Budget surplus based on 2.00% Council Tax increase		-10
Maximum impact of accepting the growth items (Appendix 2)		70
		60
Maximum contribution from reserves if Council Tax increase remains at 2% or additional amount to be raised from Council Tax with a 3% increase		60
		-

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 2019/20 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)				
	2019/20	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cumulative budget shortfall as per appendix 1	757	2,308	2,626	3,005	3,319
Less:					
Net savings identified in 2019/20 budget round	-767	-1,576	-1,576	-1576	-1,576
Impact of accepting the investment items in paragraph 5.10.5	70	70	70	70	70
Potential contribution to reserves / or additional amount to be raised from Council tax if all growth approved	-60	-60	-60	-60	-60
Adjusted cumulative budget shortfall	-	742	1,060	1,439	1,753
Savings required each year	-	742	318	379	314

6.2 The continuation of the withdrawal of government fund together with the added pressures from County Council budget decisions has 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:

	Expected shortfall (Cumulative)			
	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Annual budget shortfall	732	318	379	314
Future savings from budget strategy:				
Investment in commercial property	-200	-200	-200	-200
Commercial activities	-170	-170	-170	-170
Service and digital redesign	-80	-80	-80	-80
New savings initiatives to be identified	282	-132	-71	-136

6.4 Nevertheless 2020/21 remains an extremely challenging year and the early development of a three year savings plan will be essential.

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 2018 was £518,000 which was 6.0% of net 2018/19 revenue expenditure – just within the range of 6% -10% set by the Council. 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	%
31.03.2018	Balance carried forward – per Final Accounts	518	6.0
31.03.2019	No planned drawdown or contribution expected	518	6.0
31.03.2020	No planned drawdown or contribution expected	518	6.1
31.03.2021	No planned drawdown or contribution expected	518	6.0
31.03.2022	No planned drawdown or contribution expected	518	5.9

The reduction in government funding 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 £42,000 in 2018/19.

2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £101,400.

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 term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate, it is important that the Council has minimum reserves in 2018/19 of £516,000 or 6% of net revenue spend as laid out in the current policy. However, it is unlikely that the Council will need in excess of £860,000 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 fall within these parameters.

7.5 However, with the planned expansion of commercial activity, especially the investment in commercial property, the council is taking two measures to further manage risk and bolster the reserves:

i) As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund investment needs. The annual contribution to this provision will be gradually built up over the next 5 years to a level of £350,000 per year by 2023/24.

ii) As part of the development of the 2019/20 budget and at the suggestion of the LGA peers, general inflation (excluding inflation on items such as salaries, rates, utilities, and contractual commitments) has not been allocated out this year but held centrally in the Corporate Management budget. This budget will be allocated out where the inflationary pressure can be demonstrated. Any unutilised budget at the year end will be transferred to the reserves and the budget offered up as a budget saving. This has been implemented following a suggestion from the LGA Finance Peers.

7.6 In the medium term, once the challenges of 2020/21 have been addressed, the council should review the position and take proactive steps to further bolster the reserve to around £4.5m by 2023/24.

7.7 In addition, the estimated balance of general fund earmarked reserves as at 31st March, 2020 is £1,559,000, although this reduces to £1,006,000 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.

7.8 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, utilising the ability to use capital receipts to fund initiatives to generate budget savings where possible.

7.9 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.

7.10 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 since the introduction of the Homelessness Reduction Act. Whilst substantial growth has been built into the budget, the degree to which this will be adequate depends on two factors:

1. The extent to which caseload continues to grow

2. The supply of cost effective accommodation

Whilst the Council is now sourcing more cost effective accommodation for our clients, there remains a risk that demand for such accommodation will outstrip our ability to find additional cost effective units. However, to better manage this a contingency budget has been created for further increases to the cost of this service

(ii) **Withdrawal of funding by partners**

All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

This is particularly pertinent this year when the budget decisions of the County Council has had a significant impact on the finances of the Council. Overall the Council has seen a significant increase in costs this year as a result of County Council decisions:

	2019/20 Adur	2019/20 Worthing	2019/20 Total	Full year impact
	£'000	£'000	£'000	£'000
Impact of changes to recycling credits	120	180	300	300
Contingency for the County budget reduction to supported housing services	90	210	300	1,200 (up to)
Total impact	210	390	600	1,500

Looking ahead, it is clear that given the financial pressure that the county council is under that there may be further reductions in items such as recycling payments from 2020/21 onwards.

(iii) ***Income*** - The Council receives income from a number of services which will be affected by demand. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known reductions in income have been built into the proposed budgets for 2019/20, income may fall further than expected or new targets for commercial income may not be met.

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 has introduced an annual provision for void rents which will be £100,000 in 2019/20. This will be increased annually in line with the level of investment in the property portfolio and the associated risk.

(iv) ***Inflation*** - A provision for 2% inflation has been built into non-pay budgets. Pay budgets have a 3% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2019/20, 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	101
Non-pay	41

8.2 To help manage these risks, the council has a working balance of £518,000 and £1.0m of 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 which supported the proposed five year budget strategy. In light of this, no consultation exercise was undertaken this year.

9.2 Officers and members have been consulted on the development of the budget.

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 2019/20 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.

10.4 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 31st January 2019 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.
- 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 2019/20.

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 allowing for any government grant and business rates, 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 2019/20 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 2019/20 prior to the consideration of the budget proposals. This is based on 2.01% Council Tax increase:

	£	£
Net 2019/20 Budget *		8,598,470
Less: Aggregate External Finance:		
Baseline Funding	-1,738,820	
Additional Retained Business Rate income	-461,370	
New Homes Bonus	-125,990	
Contribution to the Collection Fund deficit (as per para. 5.9)	40,950	
Levy payment	-26,680	
		-2,311,910
Amount to be raised from Council Tax (2.00% Council Tax)		6,286,560
Additional impact of proposals identified in Appendix 2 if all approved.		60,390
Amount to be raised from Council Tax based on 3.0% Council Tax		6,346,950

* 2019/20 budget requirement after any contribution to or from reserves required to balance the budget or any further increase to Council Tax.

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 2019/20 is 21,195.00 Band D equivalent properties. There is an increase to the current year base of 20,923.20 which is due to an increasing number of homes, the falling cost of Council Tax benefits, and the anticipated benefit of a review of Single Person Discounts. The full calculation of the tax base is shown in Appendix 4.

	2018/19 Tax Base	2019/20 Tax Base
Lancing	6,166.80	6,234.40
Sompting	2,741.20	2,759.40
Unparished	12,015.20	12,201.30
TOTAL	20,923.20	21,195.00

(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 2019/20 expenditure of £321,551 (£273,870 in 2018/19) falls under the resolution and will need to be financed by a Band D tax of £21.42, to be charged in all areas of the District except Lancing.

There has been an increase of nearly 16% year on year due to a net increase in the budget for recreation grounds; a result of the reduction in income from participation sports.

(d) Adur District Council Band D Council Tax

Members are now asked to consider which level of Council Tax to set for 2019/20. A Council Tax increase of 2.00% will ensure that the Council has a balanced budget, an increase of 3.0% will lever in sufficient additional resources to fund the growth proposed at Appendix 2.

Area	2018/19	2019/20 (Average 2% increase)	2019/20 (Average 2.5% increase)	2019/20 (Average 2.8% increase)	2019/20 (Average 3.0% increase)
	£	£			£
Lancing - Basic Council Tax	277.65	281.43	282.87	283.77	284.31
Percentage increase		1.4%	1.9%	2.2%	2.4%
Annual increase (Band D)		3.78	5.22	6.12	6.66
Weekly increase (Band D)		0.07	0.10	0.12	0.13
Shoreham, Southwick, Sompting and Coombes					
Basic Council Tax	277.65	281.43	282.87	283.77	284.31
Special Expenses	18.54	21.42	21.42	21.42	21.42
TOTAL in Shoreham, Southwick, Sompting and Coombes	**296.19**	**302.85**	**304.29**	**305.19**	**305.73**
Percentage increase		2.2%	2.7%	3.0%	3.2%
Annual increase (Band D)		6.66	8.10	9.00	9.54
Weekly increase (Band D)		0.13	0.16	0.17	0.18

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 has consulted on an increase to the Council Tax for 2019/20 of £12.00 or 7.23%. The proposed 2019/20 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 1st February 2019.

	2018/19 £	2019/20 £
West Sussex County Council	1,317.78	tbc
Sussex Police Authority	165.91	177.91
TOTAL	1,483.69	tbc

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 28th February 2019.

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 2019/20.

14.0 **CONCLUSION**

14.1 This has been another challenging year. The Council has seen the government grants fall, a substantial increase in housing need numbers, and addressed the consequences of the County Council's budget decisions. However, to meet this challenge the Council has identified £767,000 of savings and is now in the position to set a balanced budget.

14.2 Looking further ahead, 2020/21 will be particularly challenging as the Council grapples with the impact of the fairer funding review, and the continuing consequences of the withdrawal of funding by the County Council for supported housing. 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 diminishes and we become largely funded by our community through Council Tax and Business Rates and income from our commercial services.

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 2019/20 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 10th July 2018 'Achieving Financial Sustainability – Budget strategy for the 2019/20 budget and beyond'

Report to the Joint Strategic Committee 4th December 2018 'Financially Sustainable Councils: 5 year forecast 2019/20 – 2023/24 and savings proposals'

Report to the Joint Strategic Committee 4th December 2018 'Investing for the future: Capital Investment Programme 2019/20 to 2021/22'

Local Authority Finance (England) Settlement Revenue Support Grant for 2019/20 and Related Matters: DCLG Letters and associated papers of 13th December 2018.

Autumn Budget 2018 - HM Treasury

Autumn Budget 2018 – On-the-day Briefing by Pixel Financial Consulting

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 2017/18

Report to Joint Strategic Committee 6th November 2018 – 2nd Revenue Budget Monitoring 2018/19

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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 2018/19 - 2023/24						
Net Spending to be Financed from Taxation	**2018/19 Base**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Base budget	**8,618**	8,618	8,618	8,618	8,618	8,618
Annual Inflation						
Estimated inflation		394	728	1,056	1,372	1,691
One -off / non-recurring items						
Local Elections (held every other year)		-18	-	-19	-	-20
Committed investment into services						
Impact of Pension contribution changes		4	4	4	4	4
Impact of new arrangements for funding homelessness		-	184	184	184	184
New 2020 recycling targets		120	400	400	400	400
Deletion of one-off savings in 2018/19		39	39	39	39	39
Increased homelessness caseload		150	150	150	150	150
Impact of committed investment items identified by heads of service		170	170	170	170	170
Contingency for the impact of the County budget proposals and further investment in housing services		90	360	360	360	360
Impact of members allowance increase		-2	-2	-2	-2	-2
Contingency for future committed investment in services		-	70	140	210	280
Impact of capital programme						
Financing costs		-106	78	158	302	412
Additional Income						
Investment Income		-60	-62	-80	-124	-168
Re-opening of Riverside Car Park		-20	-20	-20	-20	-20

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2018/19 - 2023/24						
		2019/20 **£'000**	**2020/21** **£'000**	**2021/22** **£'000**	**2022/23** **£'000**	**2023/24** **£'000**
Approved Investment Items						
Provision for new investment in services		-	60	120	180	240
Fall out of investment items		-23	-23	-23	-23	-23
Total Cabinet Member Requirements	**8,618**	**9,356**	**10,754**	**11,255**	**11,820**	**12,315**
Total Cabinet Member Requirements B/fwd	**8,618**	**9,356**	**10,754**	**11,255**	**11,820**	**12,315**
Baseline funding	1,700	1,738	1,773	1,808	1,844	1,881
Add: Retained additional business rates	591	712	234	239	242	245
Add: Share of previous year's surplus / (deficit)	46	-250				
Add: Levy surplus		27				
Business rate income	2,337	2,227	2,007	2,047	2,086	2,126
Revenue Support Grant	-	-	-	-	-	-
Council Tax						
Adjusted Council Tax income	6,084	6,287	6,428	6,572	6,719	6,870
Other grants						
New homes bonus (2015/16 - 2020/21)	86	-	-	-	-	-
New homes bonus (2016/17 -2019/20)	115	115	-	-	-	-
New homes bonus (2017/18 - 2020/21)	1	1	1	-	-	-
New homes bonus (2019/20 - 2022/23)	0	10	10	10	10	0
Total NHB	202	126	11	10	10	0
Collection Fund surplus/deficit(-)	5	-41	-	-	-	-
Total other grants and contributions	207	86	11	10	10	-
Total Income from Grants and Taxation	**8,628**	**8,599**	**8,446**	**8,629**	**8,815**	**8,996**
Surplus/Shortfall in Resources	**-10**	**757**	**2,308**	**2,626**	**3,005**	**3,319**

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2018/19 - 2023/24						
		2019/20 **£'000**	**2020/21** **£'000**	**2021/22** **£'000**	**2022/23** **£'000**	**2023/24** **£'000**
Contribution to (-) / Use of Reserves to Balance Budget						
Capacity issues reserve	-10	-	-	-	-	-
Total Income from Reserves	-10	0	0	0	0	0
AMOUNT REQUIRED TO BALANCE BUDGET	**-**	**757**	**2,308**	**2,626**	**3,005**	**3,319**
Savings strategy to date:						
Strategic Property Investment Fund						
Future property purchases		250	550	750	950	1,150
New office block		50	105	105	105	105
Provision for future voids		-100	-150	-250	-300	-350
Commercial activities and commissioning						
Commercial and Customer Activities		121	291	461	631	801
Efficiency Measures						
Digital strategy		46	126	206	286	366
Other savings identified by Heads of Service		400	654	654	654	654
Total future initiatives identified		**767**	**1,576**	**1,926**	**2,326**	**2,726**
Cumulative savings still to be found/ (surplus)		**-10**	**732**	**700**	**679**	**593**
Annual savings still to be found		-10	742	-31	-22	-85
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Annual increase (Band D property)		£5.85	£5.93	£6.05	£6.17	£6.30
Weekly increase (Band D property)		£0.11	£0.11	£0.12	£0.12	£0.12
Average annual increase (Band C property)		£5.20	£5.27	£5.38	£5.48	£5.60
Average weekly increase (Band C property)		£0.10	£0.10	£0.10	£0.11	£0.11
Savings required each year		**757**	**1,551**	**318**	**379**	**314**

Appendix 2

Bids for investment into services	**2019/20** Joint (memo)	Adur	Worthing	Total	**2020/21**	**2021/22**
	£	**£**	**£**	**£**	**£**	**£**
Additional capacity for Estates Team - 1 FTE	36,750	14,700	22,050	36,750	49,000	49,000
The purchase of commercial property and temporary accommodation are critical components of the budget strategy. This investment enables the Councils to deliver on future savings targets. The post is expected to filled from July 2019.						
Additional Senior Planning Officer	49,000	19,600	29,400	49,000	49,000	49,000
Reinvestment back into the service following the 20% increase in fees which the Government required Councils to allocate to the Planning Service. The additional post will support the delivery of key strategic development sites as outlined in Platforms. The increase will also help address current demands on the service as planning applications are increasing and support the maintenance Government performance targets.						
Junior Developer (Apprentice roles)	24,380	9,750	14,630	24,380	32,500	32,500
Our in-house software development strategy is saving us money and delivering significant benefits to our residents through well designed online services. Our strategy of in-house development is very popular and the service is in high demand. We need to expand the team to deliver benefits faster and would like to develop an opportunity for an apprentice position. The post is expected to filled from July 2019.						
Support to the cultural economy						
Funding to support culture and arts development in our communities; delivered in partnership with cultural groups and to assist in unlocking Arts Council grant funding and other partnership funding.		20,000	0	20,000	20,000	20,000

Bids for investment into services	2019/20 Joint (memo)	2019/20 Adur	2019/20 Worthing	2019/20 Total	2020/21	2021/22
	£	£	£	£	£	£
Strategic Sustainability Officer (increased hours)	15,840	6,340	9,500	15,840	15,840	15,840
We have made strong progress with the Stewarding our Natural Resources Platform commitments and are scaling up our ambition. Our progress is currently being driven by a single 0.6 FTE resource which does not currently match the ambitions of the programme. This request is to increase this post to 0.8 FTE to help deliver the strategy.						
	125,970	70,390	75,580	145,970	166,340	166,340
Additional funds available at a 3% Council Tax		69,140	95,100	150,170	150,170	150,170
Excess cost of investment in services		1,250	-19,520	-18,270	2,100	2,100
Proposals not recommended for approval:						
Additional testing of IT security arrangements	15,000	6,000	9,000	15,000	15,000	15,000
Security Testing: Currently independent security testing is carried out once per annum (for PSN compliance). Given the ongoing risk of cyber attacks, potential fines as a result of data breaches under GDPR, and a change in scope (with services in the cloud), there is a need to change the scope of security testing and increase the frequency to provide greater assurance that systems, services, and data are protected adequately on an ongoing basis.						
Maintenance of grass verges						
Following reduction in WSCC budgets, the proposal is for the Councils to assume responsibility for maintaining grass verges and pavements.		85,000	85,000	170,000	170,000	170,000

<u>Bids for investment into services</u>	**2019/20**					
	Joint (memo)	**Adur**	**Worthing**	**Total**	**2020/21**	**2021/22**
	£	**£**	**£**	**£**	**£**	**£**
Proposals not recommended for approval:						
Service Redesign lead	54,000	21,600	32,400	54,000	54,000	54,000
There is a growing need for expertise and support for services undertaking significant change initiatives, including the multi-agency change work set out in Platforms for our Places (e.g. homelessness and loneliness). Projects are delivering clear results, such as significant reductions in evictions as a result of the preventing homelessness project, reducing costs to the councils. We need additional capacity to service more projects, such as revenues and benefits transformation, prevention services and others. The Service Design Lead will help manage and drive change initiatives, ensure they are approached in a user centred way, and deliver results. The role would sit within the customer insight team, and work very closely with digital.						
Grafton redevelopment support costs			50,000	50,000	50,000	0
The redevelopment of the Grafton Site is a significant commitment within Platforms for our Places. Specialist support is required to ensure that the project progresses effectively over the next two years. This will be funded from existing budgets.						
Total value of proposals not recommended for approval	**69,000**	**112,600**	**176,400**	**289,000**	**289,000**	**239,000**

SCHEDULE OF EARMARKED RESERVES

ADUR DISTRICT COUNCIL	Balance as at 01.04.18	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.19	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.20
	£'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.	384	10	(259)	135	10	-	145
2 **INSURANCE FUND** **Purpose:** To offset the costs of insurance excesses and fund insurance risk management initiatives.	175	30	(63) *see below	142	30	(30)	142
3 **INVESTMENT PROPERTY MAINTENANCE FUND** **Purpose:** To offset future maintenance costs of investment properties.	38	-	-	38	-	-	38
4. **SPECIAL & OTHER EMERGENCY RESERVE**	81	-	-	81	-	-	81
5. **ELECTION RESERVE** To offset future maintenance costs of investment properties.	8	-	-	8	-	-	8

*** contributions to be confirmed at year end**

SCHEDULE OF EARMARKED RESERVES							
ADUR DISTRICT COUNCIL	Balance as at 01.04.18	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.19	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.20
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6. BUSINESS RATES SMOOTHING RESERVE	74	-	-	74	-	-	74
7. GRANTS & CONTRIBUTIONS HELD IN RESERVES *	553	-	-	553	-	-	553
8. RESIDUAL PROJECTED UNDERSPEND	-	-	-	-	-	-	-
Reserves to be identified at outturn*		*see below					
9. GENERAL FUND WORKING BALANCE	518	-	-	518	-	-	518
TOTAL	1,831	40	(322)	1,549	40	(30)	1,559

*contributions to be confirmed at year end

Appendix 4

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE - Budget year 2019/20										
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	2,746.0	5,039.0	11,354.0	6,150.0	1,936.0	744.0	302.0	9.0	**28,280.0**
Less: Exemptions	0.0	-62.0	-68.0	-116.0	-64.0	-15.0	-9.0	-4.0	0.0	**-338.0**
	0.0	**2,684.0**	**4,971.0**	**11,238.0**	**6,086.0**	**1,921.0**	**735.0**	**298.0**	**9.0**	**27,942.0**
Disabled Relief Adjustment (net)	7.0	7.0	31.0	0.0	-29.0	-8.0	-1.0	-1.0	-6.0	**0.0**
Chargeable Dwellings	**7.0**	**2,691.0**	**5,002.0**	**11,238.0**	**6,057.0**	**1,913.0**	**734.0**	**297.0**	**3.0**	**27,942.0**
Broken down as follows:										
Full Charge	4.0	900.0	2,750.0	7,678.0	4,435.0	1,500.0	604.0	253.0	2.0	**18,126.0**
25% Discount (including adj for SP Dis)	3.0	1,772.0	2,233.0	3,530.0	1,608.0	407.0	125.0	36.0	0.0	**9,714.0**
50% Discount	0.0	22.0	35.0	58.0	43.0	14.0	10.0	10.0	0.0	**192.0**
0% Discount (Long Term Empty Homes)	0.0	81.0	97.0	135.0	67.0	17.0	7.0	5.0	2.0	**411.0**
Total Equivalent Number of Dwellings	6.3	2,239.0	4,432.8	10,343.0	5,650.5	1,810.8	700.3	284.0	3.5	**25,470.0**
Reduction in tax base due to Council Tax Support	3.2	667.1	913.0	1,084.2	263.8	44.1	5.3	1.3	0.0	**2,981.9**
Adjusted equivalent total dwellings	**3.1**	**1,571.9**	**3,519.8**	**9,258.8**	**5,386.7**	**1,766.7**	**694.9**	**282.7**	**3.5**	**22,488.1**
Band D Equivalents										
Revenue Support Settlement	1.6	1,027.8	2,708.2	8,191.4	5,376.1	2,157.1	1,003.4	471.0	7.0	**20,943.6**
Add: Forecast new homes	0.0	26.7	50.6	148.4	29.5	1.8	0.7	0.0	0.0	**257.7**
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	153.0	0.0	0.0	0.0	0.0	**153.0**
Impact of Single Person Discount review	0.0	23.8	30.5	54.7	26.4	7.6	2.6	0.9	0.0	**146.7**
COUNCIL TAX BASE	**1.6**	**1,078.3**	**2,789.3**	**8,394.6**	**5,279.0**	**2,166.6**	**1,006.8**	**471.9**	**7.0**	**21,195.0**
										21,195.0

ADUR BUDGET 2019/2020
Summary of Executive Member Portfolios

ADUR DISTRICT COUNCIL

APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
Environment	2,525,430	2,266,260
Health and Wellbeing	1,208,510	1,269,140
Customer Services	1,354,650	1,507,950
Leader	598,120	604,800
Regeneration	1,522,330	1,745,460
Resources	1,912,180	1,087,230
Support Services Depreciation Not Charged To Services	205,720	249,790
NET SERVICE EXPENDITURE	**9,326,940**	**8,730,630**
Credit Back Depreciation / Impairments	(1,821,540)	(1,385,100)
Minimum Revenue Provision	1,097,860	1,242,940
	8,603,260	**8,588,470**
Transfer to / from Reserves	14,000	-
Balance Available to Transfer To / (From) Reserves	10,500	10,000
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	**8,627,760**	**8,598,470**
Baseline Funding	(1,699,870)	(1,738,820)
Additional business rate income	(637,000)	(461,370)
Levy Surplus	-	(26,680)
Other unfenced grants (New homes bonus)	(202,440)	(125,990)
Contribution to/ (from) Collection Fund	(4,190)	40,950
AMOUNT REQUIRED FROM COUNCIL TAX	**6,084,260**	**6,286,560**
COUNCIL TAX BASE	**20,932.2**	**21,195.0**
Average Band D Council Tax - Adur District	**290.79**	**296.64**
% increase		2.01%

ENVIRONMENT PORTFOLIO

ADC ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Bus Shelters, Street Lighting & Highways	56,350	54,600
Public Conveniences	222,250	230,370
Sustainable Development	39,610	23,020
	318,210	**307,990**
Customer & Digital Services		
Car Parking	(200,500)	(238,550)
	(200,500)	**(238,550)**
DIRECTOR FOR COMMUNITIES		
Leisure Client	514,640	490,820
	514,640	**490,820**
Environmental		
Foreshores	(27,960)	(35,490)
Allotments	(25,880)	(23,470)
Cemeteries	130,690	151,990
Parks	883,420	833,290
Abandoned Vehicles	5,830	5,850
Clinical Waste	(3,130)	1,430
Graffiti	7,760	4,480
Recycling	(340,860)	(433,020)
Refuse	903,710	828,980
Street Cleansing including Pest Control	566,820	570,620
Trade Refuse	(213,240)	(207,530)
	1,887,160	**1,697,130**
Housing		
Public Health Burials	2,870	2,870
	2,870	**2,870**
Wellbeing		
Pollution Control & Dog Control	1,450	35,150
	1,450	**35,150**
DIRECTOR OF ECONOMY		
Place & Economy		
Street Scene	1,600	(29,150)
	1,600	**(29,150)**
TOTAL ENVIRONMENT PORTFOLIO	**2,525,430**	**2,266,260**

ADUR - ENVIRONMENT PORTFOLIO - 2019/2020 - SUBJECTIVE ANALYSIS

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£	£	£	£
Business and Technical Services										
Bus Shelters, Street Lighting & Highways	-	27,390	-	7,170	-	(7,910)	26,650	13,210	14,740	54,600
Public Conveniences	-	162,820	-	120	-	(360)	162,580	13,400	54,390	230,370
Sustainable Development	-	-	-	-	-	-	0	23,020	-	23,020
Customer & Digital Services										
Car Parking	-	111,290	-	131,160	57,800	(643,650)	(343,400)	97,300	7,550	(238,550)
DIRECTOR FOR COMMUNITIES										
Leisure Client	-	51,490	-	4,150	135,000	(9,740)	180,900	13,210	296,710	490,820
Environment										
Foreshores	-	11,620	-	8,910	-	(116,390)	(95,860)	29,150	31,220	(35,490)
Allotments	-	21,080	-	-	-	(47,390)	(26,310)	-	2,840	(23,470)
Cemeteries	119,670	79,750	-	-	-	(179,080)	20,340	125,410	6,240	151,990
Parks	(7,230)	660,690	-	47,660	-	(152,790)	548,330	243,770	41,190	833,290
Abandoned Vehicles	-	-	-	5,850	-	-	5,850	-	-	5,850
Clinical Waste	1,430	-	-	-	-	-	1,430	-	-	1,430
Graffiti	3,070	-	-	-	-	-	3,070	1,410	-	4,480
Recycling	(587,920)	-	-	-	-	-	(587,920)	55,010	99,890	(433,020)
Refuse	556,490	-	-	-	-	-	556,490	175,370	97,120	828,980
Street Cleansing including Pest Control	572,330	-	-	-	-	(133,950)	438,380	87,790	44,450	570,620
Trade Refuse	138,660	-	-	250,990	-	(652,530)	(262,880)	22,520	32,830	(207,530)
Housing										
Public Health Burials	-	-	-	2,870	-	-	2,870	-	-	2,870
Wellbeing										
Pollution Control & Dog Control	-	-	-	-	-	-	0	33,690	1,460	35,150
DIRECTOR OF ECONOMY										
Place & Economy										
Street Scene	-	-	660	41,100	-	(70,910)	(29,150)	-	-	(29,150)
	796,500	**1,126,130**	**660**	**499,980**	**192,800**	**(2,014,700)**	**601,370**	**934,260**	**730,630**	**2,266,260**
Percentage Direct Cost	30%	43%	0%	19%	7%					

ENVIRONMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2018/2019	Inflation	Committed Growth	Non Committed Growth	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£	£
Business and Technical Services								
Bus Shelters, Street Lighting & Highways	56,350	340	-	-	-	-	(2,090)	54,600
Public Conveniences	222,250	3,460	-	-	-	-	4,660	230,370
Sustainable Development	39,610	-	-	-	-	-	(16,590)	23,020
Customer & Digital Services								
Car Parking	(200,500)	(11,070)	-	-	(20,000)	-	(6,980)	(238,550)
DIRECTOR FOR COMMUNITIES								
Leisure Client	514,640	520	(20,000)	-	-	(10,000)	5,660	490,820
Environment								
Foreshores	(27,960)	170	-	-	-	(13,520)	5,820	(35,490)
Allotments	(25,880)	120	1,840	-	-	-	450	(23,470)
Cemeteries	130,690	(3,610)	16,650	-	-	-	8,260	151,990
Parks	883,420	840	36,410	-	-	(8,000)	(79,380)	833,290
Abandoned Vehicles	5,830	20	-	-	-	-	-	5,850
Clinical Waste	(3,130)	-	-	-	-	-	4,560	1,430
Graffiti	7,760	-	-	-	-	-	(3,280)	4,480
Recycling	(340,860)	-	-	-	-	-	(92,160)	(433,020)
Refuse	903,710	-	-	-	-	-	(74,730)	828,980
Street Cleansing including Pest Control	566,820	(2,880)	-	-	-	-	6,680	570,620
Trade Refuse	(213,240)	(8,430)	-	-	-	(15,190)	29,330	(207,530)
Housing								
Public Health Burials	2,870	-	-	-	-	-	-	2,870
Wellbeing								
Pollution Control & Dog Control	1,450	-	-	-	-	-	33,700	35,150
DIRECTOR OF ECONOMY								
Place & Economy								
Street Scene	1,600	(880)	-	-	-	(30,000)	130	(29,150)
TOTAL COST	**2,525,430**	**(21,400)**	**34,900**	**0**	**(20,000)**	**(76,710)**	**(175,960)**	**2,266,260**

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
DIRECTOR OF COMMUNITIES		
Wellbeing		
Community Development, Fishersgate & Grants	345,440	350,570
Community Safety	261,020	237,060
Food Safety	189,950	157,520
Licensing	124,290	148,140
Public Health and Regulation	193,580	308,420
	1,114,280	**1,201,710**
DIRECTOR OF DIGITAL AND RESOURCES		
Business and Technical Services		
Emergency Planning	51,710	27,180
Street Lighting	42,520	40,250
	94,230	**67,430**
TOTAL FOR HEALTH AND WELLBEING	**1,208,510**	**1,269,140**

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2019/2020 - 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	-	80,260	850	-	217,920	-	(15,300)	283,730	62,400	4,440	350,570
Community Safety	-	126,150	1,370	-	8,820	-	-	136,340	100,720	-	237,060
Food Safety	-	1,910	-	-	950	-	-	2,860	154,660	-	157,520
Licensing	8,160	126,330	-	-	13,410	-	(122,030)	25,870	122,270	-	148,140
Public Health and Regulation	-	5,720	-	-	15,400	4,820	(13,090)	12,850	292,730	2,840	308,420
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Emergency Planning	-	5,580	-	-	-	-	-	5,580	21,600	-	27,180
Street Lighting	-	-	13,190	-	8,770	-	-	21,960	8,260	10,030	40,250
TOTAL COST	**8,160**	**345,950**	**15,410**	**0**	**265,270**	**4,820**	**(150,420)**	**489,190**	**762,640**	**17,310**	**1,269,140**
Percentage Direct Cost	1%	54%	2%	0%	41%	1%					

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2018/2019	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 Development, Fishersgate & Grants	345,440	-	-	-	-	-	-	-	(610)	5,740	350,570
Community Safety	261,020	30	-	-	-	-	-	-	-	(23,990)	237,060
Food Safety	189,950	-	-	-	-	-	-	-	(8,000)	(24,430)	157,520
Licensing	124,290	(2,630)	-	-	-	-	-	-	-	26,480	148,140
Public Health and Regulation	193,580	(280)	-	-	-	-	-	-	-	115,120	308,420
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Emergency Planning	51,710	-	-	-	-	-	-	-	-	(24,530)	27,180
Street Lighting	42,520	280	-	-	-	-	-	-	-	(2,550)	40,250
TOTAL COST	**1,208,510**	**(2,600)**	**0**	**0**	**0**	**0**	**0**	**0**	**(8,610)**	**71,840**	**1,269,140**

CUSTOMER SERVICES PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
DIRECTOR OF COMMUNITIES		
Housing		
Housing including Homelessness	822,110	957,460
Community Alarm	171,450	162,380
	993,560	**1,119,840**
DIRECTOR OF DIGITAL AND RESOURCES		
Revenues and Benefits		
Revenues	268,480	303,130
Benefits	92,610	84,980
	361,090	**388,110**
TOTAL FOR CUSTOMER SERVICES	**1,354,650**	**1,507,950**

ADUR - CUSTOMER SERVICES PORTFOLIO - 2019/2020 - 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											
Housing including Homelessness	-	279,050	263,090	440	943,210	112,060	(905,630)	692,220	265,240	-	957,460
Community Alarm	118,400	170,530	-	5,340	44,430	41,050	(323,730)	56,020	89,070	17,290	162,380
DIRECTOR OF CUSTOMER & DIGITAL SERVICES											
Revenues and Benefits											
Revenues	53,000	252,000	-	1,910	77,610	-	(153,220)	231,300	71,830	-	303,130
Benefits	-	405,260	-	150	73,120	20,887,820	(21,352,590)	13,760	62,660	8,560	84,980
TOTAL COST	**171,400**	**1,106,840**	**263,090**	**7,840**	**1,138,370**	**21,040,930**	**(22,735,170)**	**993,300**	**488,800**	**25,850**	**1,507,950**
Percentage Direct Cost	1%	5%	1%	0%	5%	89%					

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

SERVICE / ACTIVITY	Original Estimate 2018/2019	Inflation	One off - items	Committed Growth	Reduction in Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES										
Housing										
Housing including Homelessness	822,110	14,970	-	150,000		-	-	-	(29,620)	957,460
Community Alarm	171,450	(6,650)	-	-	-	-	-	-	(2,420)	162,380
DIRECTOR OF DIGITAL & RESOURCES										
Revenues and Benefits										
Revenues	268,480	(3,300)	-	-	-	-	-	-	37,950	303,130
Benefits	92,610	(11,840)	-	-	-	-	-	-	4,210	84,980
TOTAL COST	**1,354,650**	**(6,820)**	**0**	**150,000**	**0**	**0**	**0**	**0**	**10,120**	**1,507,950**

LEADER PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
CHIEF EXECUTIVE		
Communications		
Strategic Planning	880	880
	880	**880**
DIRECTOR OF COMMUNITIES		
Wellbeing		
Members	373,070	388,850
Leaders Support for Cultural Projects	20,000	20,000
	393,070	**408,850**
DIRECTOR OF DIGITAL AND RESOURCES		
Customer & Digital Services		
Elections	204,170	195,070
	204,170	**195,070**
TOTAL for LEADER	**598,120**	**604,800**

ADUR - THE LEADER PORTFOLIO - 2019/2020 - 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	214,880	85,260	-	-	12,280	-	(15,600)	296,820	92,030	-	388,850
Leaders Support for Cultural Projects	-	-	-	-	20,000	-	-	20,000	-	-	20,000
DIRECTOR OF DIGITAL & RESOURCES											
Customer & Digital Services											
Elections	7,000	76,520	2,000	-	59,380	-	(3,280)	141,620	50,650	2,800	195,070
TOTAL COST	**221,880**	**161,780**	**2,000**	**0**	**91,660**	**0**	**(18,880)**	**458,440**	**143,560**	**2,800**	**604,800**
Percentage Direct Cost	46%	34%	0%	0%	19%	0%					

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020

SERVICE / ACTIVITY	Original Estimate 2018/2019	Inflation	One off - items	Committed Growth	Compensatory savings	Non Committed Growth	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE										
Communications										
Strategic Planning	880	-	-	-	-	-	-	-	-	880
DIRECTOR OF COMMUNITIES										
Wellbeing										
Members	373,070	4,180	-	(2,000)	-	-	-	(1,470)	15,070	388,850
Leaders Support for Cultural Projects	20,000	-	-	-	-	-	-	-	-	20,000
DIRECTOR OF DIGITAL & RESOURCES										
Customer & Digital Services										
Elections	204,170	(30)	(18,000)	-	-	-	-	-	8,930	195,070
TOTAL COST	**598,120**	**4,150**	**(18,000)**	**(2,000)**	**0**	**0**	**0**	**(1,470)**	**24,000**	**604,800**

REGENERATION PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
DIRECTOR FOR COMMUNITIES		
Wellbeing		
Land Drainage	1,380	1,320
	1,380	**1,320**
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Coast Protection & Ditch Clearing	115,120	115,520
	115,120	**115,520**
DIRECTOR OF ECONOMY		
Grants		
Shoreham Harbour	37,510	33,630
	37,510	**33,630**
Planning & Development		
Planning Policy	166,240	319,140
Development Control & Major Projects	657,080	640,530
Building Control	166,550	202,660
	989,870	**1,162,330**
Place & Economy		
Regeneration	378,450	432,660
	378,450	**432,660**
TOTAL FOR REGENERATION	**1,522,330**	**1,745,460**

ADUR - REGENERATION PORTFOLIO - 2019/2020 - 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 FOR COMMUNITIES											
Wellbeing											
Land Drainage	-	-	-	-	30	-	-	30	-	1,290	1,320
DIRECTOR FOR DIGITAL AND RESOURCES											
Business and Technical Services											
Coast Protection & Ditch Clearing	-	-	4,240	-	5,820	-	-	10,060	25,220	80,240	115,520
DIRECTOR OF ECONOMY											
Grants											
Shoreham Harbour	138,340	-	-	-	-	-	(143,100)	(4,760)	38,390	-	33,630
Planning & Development											
Planning Policy	-	6,140	-	-	17,790	-	-	23,930	295,210	-	319,140
Development Control & Major Projects	-	419,870	-	-	8,620	5,380	(261,850)	172,020	468,510	-	640,530
Building Control	-	235,570	-	-	-	-	(179,040)	56,530	146,130	-	202,660
Place & Economy											
Regeneration	-	122,600	-	-	55,260	-	-	177,860	140,260	114,540	432,660
TOTAL COST	**138,340**	**784,180**	**4,240**	**0**	**87,520**	**5,380**	**(583,990)**	**435,670**	**1,113,720**	**196,070**	**1,745,460**
Percentage Direct Cost	14%	77%	0%	0%	9%	1%					

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2018/2019	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR COMMUNITIES										
Wellbeing										
Land Drainage	1,380	-	-	-	-	-	-	-	(60)	1,320
DIRECTOR FOR DIGITAL AND RESOURCES										
Business and Technical Services										
Coast Protection & Ditch Clearing	115,120	-	-	-	-	-	-	-	400	115,520
DIRECTOR OF ECONOMY										
Grants										
Shoreham Harbour	37,510	-	-	-	-	-	-	-	(3,880)	33,630
Planning & Development										
Planning Policy	166,240	-	-	-	-	-	-	-	152,900	319,140
Development Control & Major Projects	657,080	(5,430)	-	-	-	-	-	(10,000)	(1,120)	640,530
Building Control	166,550	(4,830)	-	45,000	-	-	-	(2,640)	(1,420)	202,660
Place & Economy										
Regeneration	378,450	-	-	-	-	-	-	-	54,210	432,660
TOTAL COST	**1,522,330**	**(10,260)**	**0**	**45,000**	**0**	**0**	**0**	**(12,640)**	**201,030**	**1,745,460**

RESOURCES PORTFOLIO

ADUR DISTRICT COUNCIL

SERVICE	ESTIMATE 2018/2019	ESTIMATE 2019/2020
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Community Centres	129,970	124,760
	129,970	**124,760**
Finance		
Corporate Management & Pension costs	1,775,910	1,920,750
Treasury Management	889,130	1,052,820
	2,665,040	**2,973,570**
Revenues & Benefits		
Non Domestic Rates	(51,560)	(32,650)
	(51,560)	**(32,650)**
DIRECTOR OF ECONOMY		
Major Projects and Investment		
Estates	(817,060)	(1,958,380)
	(817,060)	**(1,958,380)**
Planning & Development		
Land Charges	(14,210)	(20,070)
	(14,210)	**(20,070)**
TOTAL FOR RESOURCES	**1,912,180**	**1,087,230**

ADUR - RESOURCES PORTFOLIO - 2019/2020 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Transfer to/from Reserves	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL & RESOURCES												
Business and Technical Services												
Community Centres	-	35,550	34,290	-	4,230	-	-	74,070	35,490	-	15,200	124,760
Finance												
Corporate Management & Pension costs	1,321,730	62,200	125,890	-	308,370	15,450	(612,200)	1,221,440	761,830	(62,520)	-	1,920,750
Treasury Management	-	-	-	-	-	-	(267,710)	(267,710)	880	-	1,319,650	1,052,820
Revenues & Benefits												
Non Domestic Rates	-	57,020	-	-	17,470	-	(107,140)	(32,650)	-	-	-	(32,650)
DIRECTOR OF ECONOMY												
Major Projects and Investment												
Estates	-	15,360	148,720	-	15,240	-	(2,359,330)	(2,180,010)	108,580	-	113,050	(1,958,380)
Planning & Development												
Land Charges	-	33,230	-	-	20,200	-	(103,220)	(49,790)	29,720	-	-	(20,070)
TOTAL COST	**1,321,730**	**203,360**	**308,900**	**0**	**365,510**	**15,450**	**(3,449,600)**	**(1,234,650)**	**936,500**	**(62,520)**	**1,447,900**	**1,087,230**
Percentage Direct Cost	60%	9%	14%	0%	17%	1%						

RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020

ADUR DISTRICT COUNCIL

SERVICE / ACTIVITY	Original Estimate 2018/2019	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	129,970	580	-	-	-	-	-	-	-	(5,790)	124,760
Finance											
Corporate Management & Pension costs	1,775,910	17,620	-	101,600	-	-	-	-	(15,720)	41,340	1,920,750
Treasury Management	889,130	(380)	-	-	-	3,000	-	(60,000)	(60,000)	281,070	1,052,820
Revenues & Benefits											
Non Domestic Rates	(51,560)	(230)	-	-	-	-	-	-	-	19,140	(32,650)
DIRECTOR OF ECONOMY											
Major Projects and Investment											
Estates	(817,060)	1,450	-	-	-	-	-	-	(200,000)	(942,770)	(1,958,380)
Planning & Development											
Land Charges	(14,210)	(2,220)	-	-	-	-	-	-	-	(3,640)	(20,070)
TOTAL COST	**1,912,180**	**16,820**	**0**	**101,600**	**0**	**3,000**	**0**	**(60,000)**	**(275,720)**	**(610,650)**	**1,087,230**

APPENDIX 6

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.

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%.

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 Consumer 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.

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

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

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

- Council Tax income
- 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.

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

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.