



TITLE: ADUR OVERALL BUDGET ESTIMATES 2013/14 AND SETTING OF 2013/14 COUNCIL TAX

REPORT BY: SARAH GOBEY, EXECUTIVE HEAD (FINANCIAL SERVICES)

1.0 SUMMARY

1.1 This report represents the culmination of the annual budget exercise and asks members to consider the following:

- The final revenue estimates for 2013/14;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2013/14, prior to its submission to the Council for approval on the 21st February 2013. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget proposals by Cabinet.

These budgets reflect the decisions taken by Members to date in relation to agreed savings proposals. The report also updates members about the impact of the 2013/14 settlement.

1.2 The budget is analysed by Cabinet Member portfolio. In addition, the draft estimates for 2013/14 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities 2013/14 (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.3 The arrangements for setting the Sussex Police Authority precept have changed this year. The new Police and Crime Commissioner has indicated that the overall increase to the Council Tax will be 0% for 2013/14 and this has been approved by the Sussex Police and Crime Panel on 11th January 2013.

1.4 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 15th February 2013. Therefore the formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 21st February 2013 as an urgent item.

2.0 BACKGROUND

2.1 The outline forecast report to Joint Strategic Committee on 26th July 2012 identified an initial likely budget shortfall of £308,000 for 2013/14. The Council agreed a budget strategy to meet this challenge through three major work streams:

2.0 BACKGROUND

1. Major Service Reviews;
2. Efficiency Reviews;
3. Base Budget Review.

Together with a review of the new Council Tax Freedoms

In addition, the Executive Heads also reviewed their budgets and operations to identify further savings options.

2.2 The subsequent report to Joint Strategic Committee on 29th November 2012 outlined the options for savings and updated Members as to the latest budgetary information particularly with respect to the local government finance review. The Committee at its meeting agreed the proposed savings of £302,000.

2.3 Since this time the budget has been finalised and the last adjustments have been included. Overall, therefore, the current financial position of the Council for 2013/14 can be summarised as:

	£'000
Original shortfall	308
Changes identified in November 2012:	
Impact of changed level of grant	92
Changes in expected level of Council Tax	69
Potential additional council tax income	(85)
New Homes Bonus for 2013/14	(130)
Net committed growth items identified by Executive Heads	188
Changes in grounds maintenance saving	(62)
Removal of contingency budget	(50)
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Budget shortfall as at 29 th November 2012	330
Main changes to the revenue budget:	
Impact of Settlement:	
Adjustment to business rate retention scheme safety net following confirmation of the new scheme (see paragraph 3.9.4 below)	(60)
Final New Homes Bonus	(7)
Final Revenue Support Grant is marginally higher than expected	(35)
Improvement in Council Tax Support Grant	(8)
Improvement in Homelessness Grant	(6)
Impact of changes to arrangement for Parish Councils	(23)
Changes to Council Tax :	
Estimated deficit on the Collection Fund	9
Increase Council Tax income resulting from changes to the tax base	(42)
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Revised budget shortfall C/fwd	158

2.0 BACKGROUND

	£'000
Revised budget shortfall B/fwd	158
Other changes identified:	
Revised assessment for the cost of increments, inflation, and the capital programme.	56
Reduction in Housing Benefit Administration Grant	19
Improvement in land charge income	(15)
Other changes identified by the executive heads and strategic directors (see Appendix 2)	60
	278
Less: Agreed Savings	(302)
	(24)
BUDGET SURPLUS TO BE PLACED IN RESERVES (BEFORE ANY FURTHER ACTION AGREED)	

2.4 This is an extremely difficult time for Local Government. The last Comprehensive Spending Review in 2010 detailed an unparalleled reduction in support of 28% over the four years 2011/12 – 2014/15.

Local Government – Departmental Expenditure Limit (DEL)					
Departmental Expenditure Limit	£Billion				
	2010/ 11	2011/ 12	2012/ 13	2013/ 14	2014/ 15
Overall Total	28.5	26.1	24.4	24.2	22.9
Formula Grant Element	28.0	25.0	23.4	23.2	21.9
Council Tax Freeze	0	0.7	0.7	0.7	0.7
Other	0.5	0.5	0.4	0.4	0.4
Overall percentage reduction in Formula Grant		10.7%	6.4%	0.9%	5.6%
Overall reduction in Formula Grant					21.8%
Overall funding for Councils will fall by 28% over the 4 years					

This is the third year of the national deficit reduction plan which the Council is currently successfully managing. However, what has become clear over the past year is that the level of withdrawal of funding in 2013/14 is greater than expected. When the comprehensive settlement was first announced, the overall total indicated that the reduction would be front-loaded. However, it has become clear during the course of the year that the level of reduction of revenue support grant in the current year and 2014/15 will be nearly as great as that in previous years.

2.0 BACKGROUND

Adur District Council	2010/11 (adjusted)	2011/12	2012/13	2013/14	2014/15
	£m	£m	£m	£m	£m
Revenue Support Grant and 'baseline funding' *	4.132	3.470	3.094	2.803	2.318
Council Tax Freeze Grant		0.153	0.153	0.154	0.154
Homelessness grant				0.057	0.057
Council Tax Support Grant **				0.850	0.850
		3.623	3.247	3.864	3.379
Annual reduction		0.662	0.376	0.291	0.485
Annual percentage reduction		16.02%	10.84%	9.41%	17.30%
Cumulative total			1.038	1.329	1.814
			25.12%	32.16%	43.90%

* Excluding 2011/12 council tax freeze grant of £153k which was consolidated into the total in 2012/13; and Council Tax Support Grant of £850k and homelessness grant of £57k which will form part of government funding in 2013/14.

** The Council Tax Support Grant will form part of Revenue Support Grant and Baseline Funding from 2014/15 onwards. The overall reduction in grant in 2014/15 including Council Tax Support Grant will be 13.23%

2.5 The Chancellor of the Exchequer delivered the Autumn Statement on 5th December 2012. This contained a clear indication of the continuing difficult prospects for public sector finances.

'We start with the working assumption that departmental resource totals will continue on the same trajectory as over the current spending review. The detail of departmental spending plans for 2015-16 will be set at a spending review, which will be announced during the first half of next year. What we do today is to take steps now to help deliver these spending plans, and to go on reducing the deficit in a way that is fair.....'

So today, we are reducing departmental resource budgets by 1% next year (2013/14) and 2% in the year after.'

Chancellor of the Exchequer George Osborne,
The Autumn Statement 2012

2.0 BACKGROUND

Consequently, it is now clear that we cannot expect any easing of the financial pressure in the next 2 – 3 years.

- 2.6 The likely impact of the settlement for 2013/14 and 2014/15 is now known and this is discussed in detail in the next section of the report.

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

- 3.1 The settlement was announced 19th December 2012; this marks the start of a new system of funding for local government. The transition from the current funding regime to the new arrangements has been dogged by uncertainty. The Government has made several significant changes to the proposed scheme over the last year, all of which have changed the potential scale and impact of the new arrangements. These are discussed in detail below.
- 3.2 However, within his statement to the House of Parliament on the Local Government Finance Settlement, the message of difficult times to come was reinforced.

'In his autumn statement, the Chancellor recognised that local authorities have risen to the challenge. That is why local government, unlike most of central Government, will be exempted from the 1% top slice next year, which is worth approximately £240 million to councils. However, as it looks to 2014 and beyond, local government needs to continue finding better and more efficient ways of doing things. There remains scope for sensible savings. With the exception of a handful of authorities, nobody has got to grips with procurement. More can also be done to share offices and services, cut fraud and provide more for less.'

The Secretary of State for Communities and Local Government
Mr Eric Pickles

As a result of this announcement, the Council now knows the likely level of funding for the next two years

In addition, the preliminary allocations of the New Homes Bonus have been released and these are also broadly in line with expectations.

- 3.3 As expected, there is a further significant reduction in grant to all classes of Council, although there was some transitional assistance to those hardest hit by the reductions. Overall, the main categories of Council were affected as follows:

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

YEAR-ON-YEAR CHANGE FOR THE 2013-14 SETTLEMENT			
Class of Local Authority	2012-13 Adjusted Formula Grant	2013-14 Formula Grant After Floor Damping	Overall Reduction in Grant
	£million	£million	%
England	27,139.53	26,073.95	3.93%
London Area	6,153.40	5,989.71	2.66%
Metropolitan Areas	7,317.23	7,063.90	3.46%
Shire Areas	13,665.50	13,017.01	4.75%
Isles of Scilly	3.40	3.33	2.07%

YEAR-ON-YEAR CHANGE FOR THE 2013-14 SETTLEMENT			
Class of Local Authority	2012-13 Adjusted Formula Grant	2013-14 Formula Grant After Floor Damping	Overall Reduction in Grant
	£million	£million	%
London Area			
London Boroughs	4,984.13	4,834.66	3.00%
GLA – all functions	1,169.26	1,155.05	1.22%
Metropolitan Areas			
Metropolitan Districts	6,982.98	6,753.69	3.28%
Metropolitan Fire Authorities	334.24	310.20	7.19%
Shire Areas			
Shire unitaries with fire	489.70	467.57	4.52%
Shire unitaries without fire	5,179.83	4,974.99	3.95%
Shire counties with fire	2,480.83	2,362.37	4.78%
Shire counties without fire	3,655.99	3,468.67	5.12%
Shire districts	1,328.79	1,253.55	5.66%
Combined fire authorities	530.36	489.85	7.64%

District and Borough Councils were the second most heavily affected class of authority with an overall cut in funding of just over 5.6%.

- 3.4 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 15th January 2013 with final settlement expected in early February 2013.
- 3.5 It is unlikely that there will be any significant change at this late stage. If there are any significant changes arising from the final information members will be briefed before Council.

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.6 Looking ahead the position becomes more uncertain. The Comprehensive Spending Review 2010 indicated that the Council should expect Government Funding to continue to fall.

3.7 The 2013/14 local government settlement has fundamentally altered Local Government Finance. There are four different issues which the Council needs to fully understand when setting the 2013/14 budget. These can be broken down into 4 topics which are dealt with in more detail below:

1. Overall Government Funding
2. Business Rate Retention Scheme
3. Council Tax Support Scheme
4. Council Tax referendum

3.8 Overall Government Funding

The total overall funding to the Council has reduced by 9.4% which is the maximum reduction in funding that the Council can receive under the new system. The total funding from Government is then split into two components:

1. Baseline Funding
2. Revenue Support Grant

This split is based on a national calculation which has determined that the Baseline Funding will be 39.95% of the total funding for all Councils. For Adur this means that the overall funding will be split as follows:

Adur District Council	£'000
Overall funding	3,864
Split as follows:	
Baseline Funding (39.95%)	1,544
Revenue Support Grant (60.05%)	2,320

The Baseline Funding then forms one of the components of the new business rate retention scheme discussed in further detail below.

3.9 Business Rate Retention Scheme

3.9.1 The proposed new business rate retention scheme has had several major revisions. The final version would appear to be much more favourable to the Council in several regards:

- The business rate target is now only based on the last two years of information rather than 5 years and contains generous allowances for appeals and write offs;

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.9 Business Rate Retention Scheme

- The safety net arrangements have been significantly improved. Initially, the scheme was to have a 'safety net' based on 10% of Baseline Funding. This was that maximum 'loss' that the Council would have to fund. The final version of the scheme will have a baseline of 7.5% of Baseline Funding which is an improvement of £38,600.
- The levy will now guarantee that the Council can keep at least 50p in every additional £1 generated over its share of the business rate target.

3.9.2 Under the new Business Rate Retention Scheme, the Council will be given a target income level for business rates. For 2013/14 this will be £16,275,675 of which 50% will be paid over to HM Treasury and 10% is paid to the County Council as follows:

	£
Business Rate target	16,275,675
Split as follows:	
HM Treasury	8,137,838
County Council	1,627,568
District Council	6,510,270

The monies paid over to the HM Treasury will be redistributed back to local government as Revenue Support Grant.

3.9.3 Those Councils whose share of business rate income exceeds their baseline funding are known as 'tariff' Councils and will have to pay over business rate income to the Government equivalent to the surplus. Those Councils whose business rate income is less than their baseline will receive additional funding from the Government and are known as 'top-up' Councils. Adur District Council is a 'tariff' Council as follows:

Tariff calculation	£
Business Rate Target income	6,510,270
Less: Baseline funding	1,543,810
Tariff payment to government	<u>4,966,460</u>

3.9.4 Actual business rate income collected throughout the year will be compared to the target set:

- If there is a shortfall, the difference will have to be paid over to government. However, there is a maximum 'loss' of income that the Council is expected to fund and this has been set at 7.5% of the 'Baseline Funding' of £1,544,000 which is £116,000. This is known as the 'safety net'. Overall, the changes to both the level of baseline funding and the percentage safety net have resulted in a reduction of the overall maximum loss of £60k as follows:

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.9 Business Rate Retention Scheme

Changes to the safety net:	£
<u>Impact of reduction in baseline funding:</u>	
Original assumption of baseline funding	1,755,000
Baseline funding as per settlement	1,543,810
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Overall reduction in baseline funding	211,190
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Reduction in safety net due to change in baseline funding (@10%)	21,119
<u>Impact of change in safety net percentage:</u>	
Safety net based on 10%	154,380
Safety net based on 7.5%	115,790
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Reduction in safety net due to percentage change	38,590
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Overall reduction in safety net which benefits the Council	59,709

- If there is a surplus, then the Council can keep part of the additional income. This is set at 50% of any additional income raised. Consequently, for each additional £100,000 raised the Council will keep the following amounts:

	Additional income	Levy paid to Treasury	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
District Council	40	20	20
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	100	25	25
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- 3.9.5 The Council expects to raise £15,704,810 overall in business rates which is below the target set. The losses will be split as follows:

	£
Target income level	16,275,675
Estimated income from business rates	15,704,810
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Shortfall in income	570,865
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Split as follows:	
HM Treasury	285,433
County Council	57,087
District Council	228,345

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

However, the loss to Adur District Council will be limited to £116,000 due to the safety net arrangements described above. This has been built into the revenue budget.

3.9.6 It should be appreciated that a 5% allowance for appeals has been built into the estimate of business rate income (£794,000) together with an assumed level of write-off of 0.8% (£159,000). Clearly if appeals are at a lower rate, then the Council will quite quickly financially benefit.

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

Assumed rateable value £1m

Estimated Rates income: £462,000

	Additional income	Levy paid to Treasury	Kept locally
Split as follows:	£'000	£'000	£'000
HM Treasury	231,000		
County Council	46,200	23,100	23,100
District Council	184,800	92,400	92,400
	462,000	115,500	115,500

3.10 Implications of Council Tax Support Scheme

3.10.1 The new Council Tax Support Scheme (Council Tax Benefits) will affect the income from Council Tax as the cost of any benefit awarded will be charged to the Collection Fund. The mechanism through which this is achieved is by reducing the tax base which in turn reduces the income to the council from the Council Tax set. This is illustrated below:

	Tax base (a)	District Council Income from Council Tax (a x b)
		£
Council Tax	23,061.00	6,324,940.47
Less: Estimated impact of benefits	(3,380.30)	(927,114.88)
New Council Tax	19,680.70	5,397,825.59
Average Band D council tax (b)	274.27	

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.10 Implications of Council Tax Support Scheme

However, this loss of income is reimbursed by an additional Council Tax Support Grant which has been confirmed as £850,000 although as expected the grant is 10% less than the cost of benefits.

3.10.2 It has now been confirmed that the reduced tax base will equally apply to the Parish Councils. The favoured option under the previous proposals was that the Parish Council would not have a reduced tax base but the cost of the benefits paid associated with the parish precepts would be shared between the major precepting authorities (District, Police and County). It was estimated that Adur District Council's share of this cost was £14,000.

3.10.3 There are quite significant implications for the Parish Councils with this change. The Parish Councils do not receive the Council Tax Support Grant which is paid directly to the District Council. Consequently, even if the precepts do not increase, the parish councils will be faced with a significant Council Tax increase as a result of this change. This is shown below:

	Lancing	Sompting
Current level of Council Tax:	£	£
2012/13 precept	220,000.00	82,693.00
2012/13 Tax base	6,806.60	3,062.70
Council Tax per Band D property	32.40	27.00

	Lancing	Sompting
If the precept remains unchanged:	£	£
2013/14 Precept (a)	220,000.00	82,693.00
2013/14 Tax base (before any reduction for Council Tax Benefit)	6,924.90	3,092.00
Deduction for Council Tax Benefit	(1,106.00)	(491.00)
New 2013/14 Tax Base (b)	5,818.90	2,601.00
Council Tax per Band D property (a)/(b)*	37.80	31.86
Percentage increase in Council Tax	16.67%	18.00%
Annual increase	£5.40	£4.86

* Note: Council Tax is always rounded to a number that is divisible by 9.

The final arrangements for the Council Tax Base has been notified to the Councils very late by the government and we have contacted the Parish Councils to discuss how best to manage the impact of this change.

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.10 Implications of Council Tax Support Scheme

However, the Council does have the option to passport through some of its Council Tax Support grant to remove any increase associated with the changes as follows:

	Lancing	Sompting
Impact of passporting some grant:	£	£
2013/14 Original Precept	220,000.00	82,693.00
Less: Share of Council Tax Support Grant	(31,700.00)	(12,500.00)
2013/14 Precept	188,300.00	70,193.00
2013/14 Tax base (before any reduction for Council Tax Benefit)	6,924.90	3,092.00
Deduction for Council Tax Benefit	(1,106.00)	(491.00)
New 2013/14 Tax Base	5,818.90	2,601.00
Council Tax per Band D property	32.40	27.00
Increase in Council Tax	0.00%	0.00%

There are factors that members need to be aware of when considering what course of action to take:

- The amount of Council Tax Support Grant received by the District Council is not equivalent to the cost of benefit;
- The amount of grant will reduce in 2014/15 and beyond as it will be consolidated into Revenue Support Grant which is expected to reduce.
- Parish Councils are not currently subject to the Council Tax Referendum provisions outlined below (see also paragraph 3.11).

There is a question of how much grant should be transferred. The grant received by the District Council is some 10% less than the costs of the benefits paid. Members may consider that it is not appropriate to fully reimburse the Parish Councils, as the District Council itself is not fully reimbursed. Under the original proposals, support for the District Councils was estimated to cost the Council £23,000 per annum. However, fully supporting the Parish Councils under the revised arrangements will cost the Council up to an additional £21,200 depending on the level of grant given.

However, of more significance are the prospects in future years. If the Council passports some grant to the Parish Councils, then this may have to be reduced in future years in line with the reduction in the District Council's own revenue support grant. Consequently, the Parish Councils will be faced with making savings in future years as the increase to Council Tax may be limited by the referendum provisions to, say, 2%. Below is an illustrative example of the issue:

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.10 Implications of Council Tax Support Scheme

	Lancing	Sompting
Impact in future years of reducing grant:	£	£
2014/15 Original Precept (2% increase)	224,400.00	84,350.00
Less: Council Tax Support Grant reduced in line with RSG at 13% per annum	(27,580.00)	(10,880.00)
2014/15 Precept	<u>196,820.00</u>	<u>73,470.00</u>
2013/14 Tax base (before any reduction for Council Tax Benefit)	6,924.90	3,092.00
Deduction for Council Tax Benefit	(1,106.00)	(491.00)
New 2013/14 Tax Base	<u>5,818.90</u>	<u>2,601.00</u>
Council Tax per Band D property	33.85	28.31
Increase in Council Tax unless Parish Council makes savings	4.48%	4.85%
Parish Council savings needed to reduce Council Tax increase to 2%	4,754.00	1,870.00

By not passporting any grant, there will be a one-off substantial percentage increase in the Parish Council Tax year on year for 2013/14. But it may avoid problems in future years when the Council Tax Support grant is reduced as part of revenue support grant, and the District Council passports this reduction onto the Parish Council. The Parish Councils would be faced with making savings to ensure that the Council Tax increase stays within the maximum set by Government. On balance this would seem to be the better option.

We have consulted with the Parish Councils who have responded as follows:

- Lancing Parish Council considered this issue at its meeting of the Finance & General Purposes Committee held on Wednesday 16th January 2013. The Committee resolved to respectfully request that Adur District Council do not transport any of the Support Grant direct to the Council but use that money towards the regeneration of Lancing.
- Sompting Parish Council has informally confirmed that they do not wish to be given the grant for the reasons outlined above, although this is yet to be formally considered by Parish Council members.

Members are asked to consider whether they wish to passport any Council Tax Support grant to the Parish Councils. If members wish to passport the grant onto the Parish Councils, then it is suggested that the impact of this change be fully reimbursed in this first year as the change in tax base arrangements has been notified so late. In future years, the grant should be reduced in line with any reduction in the District Council's own grant.

3.0 THE LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

3.11 Council Tax Referendum

Finally, as part of settlement, the Minister announced the new requirements with respect to Council Tax.

'The Secretary of State has today proposed that a two percent referendum principle will apply for all principal local authorities, Police and Crime Commissioners and fire and rescue authorities. This would mean that if an authority wished to raise their relevant basic amount of council tax in 2013-14 by more than two percent, their local electorate will have the opportunity to approve or veto the increase in a binding referendum.'

'The exception to this excessiveness principle will be Shire Districts, Police and Crime Commissioners and fire and rescue authorities whose 2013-14 council tax was in the lower quartile of their category of authority. In the case of these authorities, a referendum must only be held where the authority increases its relevant basic amount of Council Tax for 2013-14 by more than 2 percent and there is a cash increase that is more than £5 in the relevant basic amount'

Written Ministerial Statement on Local Government Finance
The Parliamentary Under-Secretary of State for Communities
and Local Government (Brandon Lewis)

Adur District Council can if it wishes raise its council tax by up to 2% without triggering a referendum. The level of increase in Council Tax for 2013/14 is discussed later in the report.

The referendum provisions do not apply to the parish councils this year; however within the statement there is the clear intention to revisit this in the future.

'The Secretary of State does not propose to determine principles for local precepting authorities for 2013-14. However he intends to revisit this issue next year, having considered the extent to which local precepting authorities have exercised restraint in relation to council tax this year'

4.0 2012/13 BUDGET – CURRENT POSITION

4.1 The revenue monitoring report to Joint Strategic Committee on 29th November 2012 showed a forecast underspend for the year of £734,000 due to the following major factors:

	Forecast Over/(Under) spend
Development and building control	£'000
Reduction in fee income	70
Trade Refuse Collection	
Reduced disposal costs due to new disposal arrangements and reduced tonnages	(64)

4.0 2012/13 BUDGET – CURRENT POSITION

	Forecast Over/(Under) spend
	£'000
Non-Distributed Costs	
Lower pension costs than expected	(82)
Treasury Management	
Reduction in borrowing costs	(381)
Corporate Management	
Reduction in audit fees	(47)
Unused contingency	(50)
Rent allowances	
Overpayments budget overstated	50
Cross-Cutting savings	
Vacancy saving overachieved	(167)
Saving expected in cross-cutting budgets within the joint services	(28)
Net other minor over/(under) spends	(35)
Underspend as at 29th November 2012	(734)

4.2 The anticipated underspend of £734,000 will give the Council the much needed opportunity to place some funds into reserves to meet future needs as discussed elsewhere within this report. The ongoing trends, which have been identified as part of this monitoring, have been built into the 2013/14 revenue budget.

4.3 On past evidence, spending patterns between the November monitoring and the end of the financial year have shown there is every reason to expect that the position may continue to improve as the year progresses, which will be reported when the outturn report come before the Joint Strategic Committee in June 2013. Consequently, any final recommendations regarding this underspend must be deferred until the outturn results are known.

5.0 DRAFT REVENUE ESTIMATES 2013/14

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,783,000. This includes the savings agreed at Joint Strategic Committee in November.

5.2 The final budget will be dependent on Members consideration of the final tranche of savings, and the Council Tax increase that Members are prepared to support.

5.0 DRAFT REVENUE ESTIMATES 2013/14

- 5.3 The key question of how the net budget requirement of £9.783m translates in to the Council Tax charge can now be determined as the final details of the Local Government Finance Settlement have been received.
- 5.4 Details of all of the main changes in the base budget from 2012/13 to 2013/14 are at Appendix 1. A breakdown of each Cabinet Member's summary budget is attached at Appendix 6. The changes can be summarised briefly as follows:

	£'000	£'000
2012/13 Original Estimate		9,622
Add: General Pay and Price Increases		207
Add: Committed and Unavoidable Growth:		
Increased Expenditure as per 3 year forecast (net of any proposed use of reserves)	381	
Reduced Income as per 3 year forecast	89	
Impact of Capital Investment Programme	(24)	
Impact of changes in local government finance	107	553
		10,382
Less: Compensatory savings/Additional Income:		
Compensatory savings	(157)	
Additional income	(127)	(284)
		10,098
Less: Savings agreed by members		
Approved in 2012/13	(162)	
Approved in November 2013	(302)	(464)
Cabinet member requirements		9,634
Potential contribution to reserves*		24
Total budget requirement before external support from government		9,658
Potential payment to government for underachievement of business rates		116
Collection fund deficit		9
2013/14 BUDGET REQUIREMENT		9,783
*The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the Council Tax increase and the Parish Council issue.		

- 5.5 The estimates reflect the Council's share of the Joint Strategic Committee budget which was considered on 24th January 2013. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year. The swing of costs between the two Councils has changed by 1.48% between the two Councils. Whilst no action has been taken about this potential swing at this time, this should be reviewed as part of the 2014/15 budget.

5.0 DRAFT REVENUE ESTIMATES 2013/14

5.6 The initial report to members about the creation of the partnership discussed at the Simultaneous Executive Meeting on 12th July 2007 emphasised the need for stability of costs between the Councils, and it is not proposed to take action until a firm trend has established. As reported to the Joint Strategic Committee on the 24th January 2013 this year, there are several reasons for this:

- Any of the allocations for the newly created joint services are based on broad estimates which will be confirmed as the services mature;
- Some of the joint services have only been in operation for a relatively short-time and so it is impossible to identify whether there is a long-term trend in the allocation of costs.
- Some of the swings in costs may be temporary in nature.

Consequently for the purposes the 2013/14 budget it is assumed that there is no overall impact on each Council as a result of the allocation of the costs of the joint services. This accords with the principle of 'no detriment' agreed when the partnership was first introduced.

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

Further details can be provided by request from Jo-Anne Chang-Rogers (Finance Manager) or Sarah Gobey {Executive Head (Financial Services)}.

5.8 The current net estimated 2013/14 spend is less than previously predicted and is mainly due to the following factors:

Impact of settlement (see paragraph 2.3 and section 3 above)	£'000
Increase in grant arising from settlement (including the Council Tax Freeze Grant and New Homes Bonus)	(116)
Impact of change to how the Parish Council tax base is treated (see paragraph 3.10)	(23)
Final adjustments in respect of inflation and salary increments	56
Reduction in Housing Benefit Administration Grant	19
Improvement to income from Land Charges	(15)
Other changes identified by the Executive Heads (see appendix 2)	60

5.0 DRAFT REVENUE ESTIMATES 2013/14

5.9 In addition to the above, the projected deficit on the Collection Fund is now estimated to be £47,710, of which £8,640 is the District Council share. This is a relatively minor deficit in light of the overall income due which exceeds £35.9m. These changes also ripple through to the estimated tax base for 2013/14. Therefore, if the Council wishes to set a Council Tax at a level of 0% in accordance with previous Council policy and central Government Policy, then the overall budget position would be:

Net budget requirement	£'000	£'000
		9,634
Add: Collection Fund deficit	9	
Potential payment to government for underachievement of business rates	116	125
		9,759
Less: Government grant	(2,320)	
Baseline Funding	(1,544)	
Council Tax (0% increase)	(5,398)	
Council Tax Freeze Grant	(62)	
New Homes Bonus	(459)	(9,783)
Estimated budget surplus		(24)
Planned contribution to reserves		24
		-

5.10 The budget is balanced with a very small contribution to the reserves based on a 0% Council Tax rise. However, budgets are extremely tight and there is little flexibility to fund new initiatives to take forward key priorities such as economic development projects, designed to stimulate the economy and create new jobs.

5.11 Members should also be aware that there are long term consequences to accepting the Council Tax Freeze Grant and setting a 0% Council Tax increase.

Adur District Council	2013/14	2014/15	2015/16	2016/17	2017/18
If Council tax is frozen in 2013/14	£'000	£'000	£'000	£'000	£'000
Net Council tax income	5,398	5,605	5,758	5,914	6,075
Grant from government	62	62	0	0	0
Total income	5,460	5,667	5,758	5,914	6,075
If council tax is increased by 1.9% in 2013/14					
Council tax income	6,445	6,675	6,855	7,039	7,228
Less: Council Tax Benefit	(927)	(946)	(969)	(994)	(1,019)
Net Council tax income	5,518	5,729	5,886	6,045	6,209
Increase/decrease (-) in income per annum	58	62	128	131	134

5.0 DRAFT REVENUE ESTIMATES 2013/14

- 5.12 There was marginal support for a Council Tax rise in the recent budget consultation and a 1.9% increase would be a modest increase in the district council share of the bill for 2013/14 as follows:

Adur District Council	£
Average Band D Council Tax	274.27
Annual impact of 1.9% increase	5.21
Amount per week	0.10

- 5.13 Members should also be aware that the Police and Crime Commissioner has already decided to set the increase at 0% for their share of the overall bill. There are also indications that the County Council will also set a 0% increase. Consequently, the total increase in the Council Tax bill for a band D property is likely to be just over 0.3%, although the final increase will depend on the decisions of the parish councils:

	2012/13	2013/14	
	£	£	Increase
<u>Shoreham, Southwick and Coombes</u>			
Adur District Council	279.45	284.76	1.90%
West Sussex District Council	1,161.99	1,161.99	0.00%
Sussex Police Authority	138.42	138.42	0.00%
	1,579.86	1,585.17	0.34%
<u>Lancing Parish Council</u>			
Adur District Council	262.08	267.03	1.90%
Lancing Parish Council	32.31	32.31	0.00%
West Sussex District Council	1,161.99	1,161.99	0.00%
Sussex Police Authority	138.42	138.42	0.00%
	1,594.80	1,599.78	0.31%
<u>Sompting Parish Council</u>			
Adur District Council	279.45	284.76	1.90%
Sompting Parish Council	27.00	27.00	0.00%
West Sussex District Council	1,161.99	1,161.99	0.00%
Police Authority	138.42	138.42	0.00%
	1,606.86	1,612.17	0.33%

- 5.14 Members are asked to consider which level of council tax increase that they support. Increasing Council Tax by 1.9% will protect the longer term financial interests of the Council and build some much need capacity in the next financial year to invest in priority initiatives. However, given the current economic climate, members may want to freeze Council Tax to protect the local community.

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 at Appendix 1 (which includes an assumed nil council tax increase for 2013/14, which is to be considered as part of this report). The difficult settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

	Expected shortfall (Cumulative)				
	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Cumulative budget shortfall	278	757	1,198	1,731	2,161
Less: Savings agreed in November	(302)	(302)	(302)	(302)	(302)
Potential contribution to reserves to be agreed	24	-	-	-	-
Adjusted cumulative budget shortfall	-	455	896	1,429	1,859
Savings required each year	-	455	441	533	430

6.2 The continuation of the national 'austerity measures' have significant consequences for the Council. Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Council's services. There are potentially four benefits which will directly improve the Council's financial position:

- Increased income from Business Rates which is discussed fully in section 3 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;
- New Homes bonus of £1,150 per band D home

However, these measures are unlikely to be enough. There will need to be a continuing emphasis on efficiency and value for money in the annual savings exercise. In addition, the Council will need to focus its scarce resources on key priorities.

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

7.0 RESERVES

- 7.1 Section 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 the best practice as advised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in LAAP 77 'Local Authority Reserves and Balances'.
- 7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The **General Fund Working Balance** which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. supplementary estimates); and **Earmarked Reserves** which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.
- 7.3 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. This is even more important in the current economic climate when there are so many uncertainties. The balance as at 31st March 2012 was £857,000 which is 8.67% of net revenue expenditure.

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

		£'000	%
31.03.2012	Balance carried forward – per Final Accounts	857	8.67
31.03.2013	No planned drawdown or contribution expected	857	8.78
31.03.2014	No planned drawdown or contribution expected	857	8.88
31.03.2015	No planned drawdown or contribution expected	857	9.10

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

- 7.4 On the basis of the year-end figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, I believe the working balance is adequate for its purpose. In forming this view I have considered the following potential impacts upon the Council's finances:
1. A further fall in interest rates of 1% would cost the Council in a region of £120,000 in 2013/14.

7.0 RESERVES

2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £99,000.
3. Further adverse falls in income from such sources as development control income, car parks and land charges against a background of the recession which could result in falling income of over £100,000.
4. Demand is increasing for services such as homelessness and housing benefit which may well lead to increased (and unbudgeted) costs.
5. Other unforeseen circumstances such as the failure of a major contract.
6. Any use of the working balance would be difficult to recoup in the short term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate, it is important that the Council has minimum reserves in 2013/14 of £586,000 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 £977,000 in the working balance which is roughly equivalent to 10% of net revenue spend. Consequently, the current policy of holding balances of between 6% and 10% is valid and the forecast level falls within these parameters.

- 7.5 The estimated balance of earmarked reserves as at 31st March, 2013 is £2,408,000. This excludes any Section 106 sums held for future environmental improvements and any specific capital resources. A detailed schedule of the earmarked reserves is attached at Appendix 3. The key risks to the overall budget and the Council's reserves are detailed below.
- 7.6 In all probability, the Council will continue to have occasional opportunities to put money into earmarked reserves rather than solely to drawdown on a planned basis. Even without this, I believe the earmarked revenue reserves are adequate for their particular purposes but the size and nature of the risks to the overall budget leaves the Council with little room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of only spending its scarce earmarked reserves on:
 - supporting one-off rather than recurring revenue expenditure;
 - dealing with short-term pressures in the revenue budget; and
 - managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

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

(i) **Income**

The Council receives income from a number of services which will be affected by demand. These include land charges and development control. Whilst known reductions in income have been built into the proposed budgets for 2013/14, income may fall further than expected.

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

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

(iii) **Inflation**

A provision for 2.0% inflation has been built into non-pay budgets together with an allowance for additional inflation on fuel. Pay budgets have a 1% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation to drop throughout 2013/14, 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	99
Non-pay	75

8.2 To help manage these risks, the council has a working balance of £857,000 and other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 This report represents the culmination of the budget process which has involved consultation with Members, staff, members of the public and the business community.

9.2 The Council undertook a major budget consultation exercise with all residents and a large number of local businesses earlier in the year, the outcome of which was discussed the Joint Strategic Committee in November. In summary, these were as follows:

9.0 CONSULTATION

	Supportive %	Not supportive %
Changes to Council Tax		
1. Removal of second homes discount	94%	6%
2. Introduce a Long Term Empty Property Premium	92%	8%
3. Reduce the exemption period for properties undergoing structural alteration or repair to 3 months	79%	21%
4. Introduce a maximum one month discount for empty and unfurnished properties.	75%	25%
Changes to the benefit systems		
1. Protect the benefit paid to war widows / widowers	82%	18%
Council Tax for next year		
1. Support a small increase in council tax	53%	47% (prefer a freeze)

On the basis of these results, the changes to Council Tax and the Local Council Tax Support Scheme were approved in November.

10.0 UPDATE TO PRUDENTIAL INDICATORS, THE ANNUAL INVESTMENT STRATEGY STATEMENT, AND POLICY STATEMENT FOR MINIMUM REVENUE PROVISIONS (MRP)

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 including the financial impact of the acquisition of the refuse and recycling fleet and equipment which has been funded from prudential borrowing.
- 10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake. The Council has considered the revenue consequences of any proposed capital programme in agreeing the budget strategy for 2013/14. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2013/14 and future years.

10.0 UPDATE TO PRUDENTIAL INDICATORS, THE ANNUAL INVESTMENT STRATEGY STATEMENT, AND POLICY STATEMENT FOR MINIMUM REVENUE PROVISIONS (MRP)

- 10.3 The Prudential Code of Practice requires the Council to set a series of indicators to show that the programme has due regard to affordability, sustainability and prudence.
- 10.4 The full set of Prudential Indicators and Treasury Management Limits is at Appendix 4. They have been updated for any changes to the Capital Programme since it was approved at the Joint Strategic Committee on 29th November 2012.
- 10.5 Members should note that the indicator for the authorised borrowing limit is a statutory indicator requiring approval by full Council under Section 3(i) of the Local Government Act 2003.

Annual Investment Strategy (AIS) & MRP Policy

- 10.6 The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the 2011 revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").
- 10.7 In keeping with the guidance, it is also a statutory requirement that each year the Council produce an Annual Investment Strategy, including a Statement for its Policy on Minimum Revenue Provisions for repayment of debt. It is a statutory duty that these be approved by full Council before the start of the financial year to which they relate.
- 10.8 The proposals are usually reported within the submission of the Annual Treasury Management Strategy Statement & Annual Investment Strategy Report. As there is no Council meeting in March 2013, and there is a need to obtain Council approval for the statutory elements of the Strategy before the start of 2013/14 financial year, the AIS and MRP policy is included in Appendix 7 of this report. It is requested that these be approved by this meeting and recommended for approval at the next full Council Meeting to be held on 21st February 2013.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

- 11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Finance Officer - the Executive Head (Financial Services) - 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.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

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.
- (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 2013/14.

11.4 The Executive Head (Financial Services) and Section 151 Officer's overall view of the robustness of the estimates is, therefore, as follows:

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

12.0 COUNCIL TAX SETTING

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

12.0 COUNCIL TAX SETTING

12.2 Once the Cabinet has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2013/14 Budget, the resulting Council Tax for the Borough 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 2013/14 prior to the consideration of the budget proposals. This is based on 0% Council Tax increase:

Net 2013/14 Budget		£	9,658,420
Plus:			
Contribution to the Collection Fund Deficit (as per paragraph 5.9)			8,640
Payment for underachievement of business rates			115,790
Net Budget requirement (see Appendix 6)			9,782,850
Less:			
Aggregate External Finance:			
Revenue Support Grant	(2,320,560)		
Baseline Funding	(1,543,810)		
New Homes Bonus	(456,670)		
Council Tax Freeze Grant	(61,980)		
			(4,385,020)
Balance to be raised from Council Tax			5,397,830

However, within the section of the report, members are given the option of increasing the Council Tax by 1.9% as outlined above. Any additional income could be set aside for one-off initiatives in 2013/14 and the net budget adjusted accordingly.

(b) Council Tax Base

The Council's Tax base for 2013/14 is 19,680.70 Band D equivalent properties. There is an increase over the current year base of 22,546.2 due to an increasing number of homes, however the impact of the new Council Tax Support scheme is to reduce the base by over 3,380. The full calculation of the tax base is shown in Appendix 5.

12.0 COUNCIL TAX SETTING

12.3 Adur District Council

(b) Council Tax Base

Area	2012/13 Tax Base	2013/14 Tax Base (Unadjusted)	Impact of Council Tax Benefits	2013/14 Tax Base
Lancing	6,802.6	6,924.90	(1,106.00)	5,818.90
Sompting	3,062.7	3,092.00	(491.00)	2,601.00
Unparished	12,680.9	13,044.10	(1,783.30)	11,260.80
TOTAL	22,546.2	23,061.00	(3,380.30)	19,680.70

(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 2013/14 expenditure of £239,040 (£274,140 in 2012/13) falls under the resolution and will need to be financed by a Band D council tax of £17.28, to be charged in all areas of the District except Lancing, which is marginally lower than the previous year's charge of £17.37.

(d) Adur District Council Band D Council Tax

In order to raise the required sum, and after allowing for special expenses, it is recommended that the Council Tax at Band D be set either:

- £262.08 (excluding special expenses) which is the same as that charged in 2012/13; or
- £267.03 which is an increase of 1.9%.

Members are reminded that the amount of Council tax paid in each part of the District will depend on the Parish Council precept, and the impact of special expenses referred to above

- (e) This Council Tax projection will change if changes to the budget are made following consideration of the comments by the Cabinet. Overall the Adur District Council element of the council Tax will have changed as follows:

12.0 COUNCIL TAX SETTING

Area	2012/13	2013/14 (0% increase)	2013/14 (1.9% increase)
Lancing	£ 262.08	£ 262.08	£ 267.03
Shoreham, Southwick, Sompting and Coombes			
Basic Council Tax	262.08	262.08	267.03
Special Expenses	17.37	17.28	17.28
TOTAL in Shoreham, Southwick, Sompting and Coombes	279.54	279.45	284.31

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council's requirements are expected to be confirmed on 15th February, 2013, with the Police and Crime Commissioner confirmed that the Police Authority's increase would be 0% on the 11th January, 2013.

	2012/13 £	2013/14 £
West Sussex County Council	1,161.99	t.b.a.
Sussex Police Authority	138.42	138.42
TOTAL	1,300.41	t.b.a.

12.5 Lancing and Sompting Parish Precepts

- (a) Lancing Parish Council precept will be set on 2nd February 2013. In 2012/13 it was £220,000.
- (b) Sompting Parish Council is due to set its precept on 14th February 2013. In 2012/13 it was £82,693.

12.6 Overall Council Tax

The final figures for all authorities will be incorporated into the formal Council Tax setting resolution to be presented to the District Council meeting on 21st February 2013.

13.0 CONCLUSION

- 13.1 The past few years have been very difficult for the Council. The withdrawal of a significant amount of government grant has been challenging to address. Overall the Council has successfully identified further savings of over £0.464m to meet the current year's financial challenges. However, this has not been without pain. The council has reduced it's workforce, with the inevitable pressure of additional work falling on the shoulders of the remaining staff. But we have to date largely protected the Council's front-line services.
- 13.2 Looking further ahead, 2014-15 and 2015-16 are likely to be equally as challenging as the Government deals with the national deficit. Whilst developing both the local economy to increase employment space and local jobs together with the provision of new homes will be one of the strategic measures that the Council can take to protect it's longer term financial interests, there will be inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.
- 13.3 But we must not forget that the Council is in good financial health with strong reserves which will help us deal with this whilst the Council revisits its priorities and strives for further efficiencies.
- 13.4 In preparing the strategy and forecast for 2013/14 an assessment was carried out of the significant risks and factors which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.
- 13.5 The annual preparation of the budget is a huge exercise involving the co-operation and support of countless officers in all departments of the Council. Most of the work, of course, falls on the Financial Services team and has to be completed within tight time constraints at a difficult time of year.

14.0 RECOMMENDATIONS

- 14.1 **The Joint Overview and Scrutiny Committee is asked if it wishes to refer any comments or recommendations onto Cabinet at its meeting on 5th February 2013 regarding:**
- (a) The draft budget;**
 - (b) Whether to passport grant onto the Parish Councils discussed at paragraph 3.10**
 - (c) The level of Council Tax increase supported;**

14.0 RECOMMENDATIONS

14.2 The Cabinet is recommended to:

- (a) Consider whether part of the Council Tax Support Grant should be passported to the Parish Councils;**
- (b) Consider the level of Council Tax that they wish to support, and, if members support an increase, what the additional resources should be used for. Members should note that the actual council tax per band D is dealt with in recommendation (d) below;;**
- (c) Agree the changes to the prudential indicators as set out in Appendix 4 and recommend these indicators to Council for approval;**
- (d) Agree to recommend to Council the draft budgets for 2013/14 at Appendix 6 as submitted in Cabinet Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,658,510, subject to any amendments above; and**
- (e) Agree to recommend to Council the special expenses of £17.28 per band D equivalent charged in all areas of the District except Lancing; and**
- (f) Consider which band D council tax to recommend to Council for Adur District Council's requirements in 2013/14 as set out in paragraph 12.3;**
- (g) Agree the Annual Investment Strategy and Policy for Minimum Revenue Provisions contained in Appendix 7, and recommend that they be submitted to full Council for approval at the meeting of 21 February 2013.**

SARAH GOBEY
Executive Head

(Financial Services) & Section 151 Officer

ANDREW GARDINER
Strategic Director

Local Government Act 1972

Background Papers :

Report to the Joint Strategic Committee 26th July, 2012 Medium Term Financial Plan 2012/17 and Budget Strategy 2013/14.

Report to the Joint Strategic Committee 29th November 2012 Outline 5 year forecast and savings proposals.

Local Authority Finance (England) Settlement Revenue Support Grant for 2013/14 and Related Matters: DCLG Letters and associated papers of 19th December 2012.

Local Government Act 1972

Background Papers :

Statement on Local Government Finance Settlement by The Secretary of State for Communities and Local Government (Mr Eric Pickles)

The Autumn Statement 2012. HM Treasury

Local Government Act 2003 and Explanatory Note

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

Statement of Accounts 2011/12

Report to Joint Strategic Committee 29th November 2012 - 2nd Revenue and Capital Monitoring report .

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

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

2.0 SPECIFIC ACTION PLANS

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

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

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

5.0 COMMUNITY SAFETY ISSUES (SECTION 17)

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7. REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Consultations are detailed in Section 9 of the main report

9.0 RISK ASSESSMENT

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

10.0 HEALTH AND SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

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

ADUR DISTRICT COUNCIL						
Revenue Budget Summary Statement 2012/2013-2017/18						
	2012/13 Base	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	9,622	9,622	9,622	9,622	9,622	9,622
Annual Inflation						
Estimated inflation		207	361	616	872	1,141
One -off / non-recurring items						
Local Elections (held every other year)		(32)		(33)		(34)
Committed Growth						
Impact of 2010 pension valuation						
Increase in backfunding contribution		148	148	148	148	148
Growth items identified by Executive Heads						
- Identified in the November report		188	188	188	188	188
- Itemised at Appendix 2		60	60	60	60	60
Compensatory savings						
Fall out of early retirement costs		(75)	(115)	(140)	(140)	(140)
Removal of contingency		(50)	(50)	(50)	(50)	(50)
Reductions in income						
Reduction in income from housing benefit overpayments		70	70	70	70	70
Reduction in housing benefit administration grant		19	19	19	19	19
Impact of capital programme						
Financing costs		110	247	381	516	650
Revenue contribution to capital programme to fund agreed increase to the programme		(134)	-	-	-	-
Additional income						
Investment income		(105)	(106)	(224)	(266)	(269)
Improvement in Land Charge income		(15)	(15)	(15)	(15)	(15)
Council Tax Support Transition Grant		(22)	(22)	(22)	(22)	(22)
Agreed Savings						
Accommodation strategy (tbc)		(52)	(104)	(104)	(104)	(104)
Grounds Maintenance		(63)	(63)	(63)	(63)	(63)
Other savings identified in 2012/13		(47)	(47)	(47)	(47)	(47)
Impact of changes in Local Government						
Homelessness prevention grant		57	57	57	57	57
Potential payment for underachievement of business rate target		116	116	116	116	116
Loss of Council Tax Benefit Overpayments		50	50	50	50	50
Total Cabinet Member Requirements	9,622	10,052	10,416	10,629	11,011	11,377

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2012/2013-2017/18

	2012/13 Base	2013/14	2014/15	2015/16	2016/17	2017/18
Total Cabinet Member Requirements B/fwd	9,622	10,052	10,416	10,629	11,011	11,377
Baseline funding						
Government Grant +business rates	3,247	2,957				
Council tax support grant		850				
Homelessness prevention grant		57				
Less: Revenue Support Grant		(2,320)				
Total baseline funding (a)	3,247	1,544	1,592	1,632	1,673	1,714
Revenue Support Grant (b)		2,320	1,787	1,430	1,144	1,030
Council tax income	6,184	6,240	6,466	6,642	6,822	7,008
Add: Potential benefit from Council Tax changes		85	85	85	85	85
Less: Cost of Council Tax Benefits		(927)	(946)	(969)	(993)	(1,018)
Adjusted Council Tax income (c)	6,184	5,398	5,605	5,758	5,914	6,075
Council Tax Freeze grant 2012/13	153	-	-	-	-	-
Council Tax Freeze grant 2013/14	-	62	62	-	-	-
New homes bonus (2011/12 - 2015/16)	62	62	62	62	-	-
New homes bonus (2012/13 - 2016/17)	153	153	153	153	153	-
New homes bonus (2013/14 - 2018/19)	-	244	244	244	244	244
New homes bonus (2014/15 - 2019/20)	-	-	153	153	153	153
Collection fund surplus/deficit (-)	90	(9)	-	-	-	-
Total other grants and contributions (d)	458	512	674	612	550	397
Total Income from Grants and Taxation (a+b+c+d)	9,889	9,774	9,659	9,431	9,280	9,216
(Surplus) / Shortfall in Resources	(267)	278	757	1,198	1,731	2,161
Contribution to (-) / Use of Reserves to Balance Budget						
Capacity issues reserve	(267)	-	-	-	-	-
Total Income from Reserves	(267)	-	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	-	278	757	1,198	1,731	2,161
Savings agreed in November		302	302	302	302	302
Total savings identified		302	302	302	302	302
Savings still to be found/ (surplus)		(24)	455	896	1,429	1,859
Council Tax increase		0.00%	2.00%	2.50%	2.50%	2.50%
Savings required in each year		278	479	441	533	430

Net items identified by the Executive Heads	When / Value?			2013/14			
	2013/14	2014/15	Beyond	Adur	Adur - HRA	Worthing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing, Health and Community Safety Adjustment to Homelessness Prevention Grant	(7)	(7)	(7)	(6)		(1)	(7)
Legal Services Additional salary costs due to new requirements for publishing decisions	14	14	14	6		8	14
Technical Services Allotments - budget for Grounds maintenance removed in error in 2012/13.	29	29	29	29			29
Larkfield Close and Sompting Rec - budget for Grounds maintenance fee removed in error in 2012/13.	19	19	19	19			19
Grounds maintenance contract fee budgets - inflation understated.	5	5	5	5			5
Customer Services Net reduction in concessionary fare income. Concessionary Fares are now administered by West Sussex County Council.	22	22	22	8		14	22
Planning, Regeneration and Wellbeing Base budget review - unused printing budget.	(3)	(3)	(3)	(1)		(2)	(3)
	79	79	79	60	-	19	79

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.12	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.13	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.14
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. CAPACITY ISSUES FUND Purpose: To enable the Council to fund one-off initiatives	1,315	207 *see below	(576)	946	24 **see below	(46)	924
2. PARTNERSHIP DEVELOPMENT FUND Purpose: To fund the initial set up costs of the partnership.	122	- *see below	(39)	83	-	-	83
3. INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives.	190	-	-	190	-	-	190

* To be confirmed at year end

** Includes £24k surplus from revenue budget to be considered as part of this report.

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

SCHEDULE OF EARMARKED RESERVES

Reserve	Balance as at 01.04.12	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.13	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.14
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
8. NEW TECHNOLOGY FUND Purpose: To fund additional IT equipment.	37	-	-	37	-	-	37
9. HEALTH AND SAFETY FUND Purpose: To offset unexpected costs arising from health and safety issues.	33	-	-	33	-	-	33
10. LOCAL PLAN RESERVE To fund consultation and preparation of Adur Local Plan	186	-	(149)	37	-	(37)	-
11. VEHICLE REPAIR AND RENEWAL To fund future maintenance	29	-	-	29	-	-	29
12. OTHER SMALL RESERVES (UNDER £20,000) All other reserves held with a balance under £20,000	37	-	-	37	-	-	37

* Contribution to be confirmed at the year end

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

SCHEDULE OF EARMARKED RESERVES							
Reserve	Balance as at 01.04.12	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.13	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.14
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
13. RESIDUAL PROJECTED UNDERSPEND	-	734	-	734	-	-	734
Reserves to be identified at outturn.		*see below					
14. GENERAL FUND WORKING BALANCE	857	-	-	857	-	-	857
TOTAL	3,331	1,089	(1,155)	3,265	38	(97)	3,206
* Contribution to be confirmed at the year end C – Withdrawal to support the Capital Programme, R – Withdrawal to support the Revenue Budget							

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

1 BACKGROUND

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Under the prudential system, individual authorities are responsible for deciding their own level of borrowing, having regard to CIPFA's Code. The essence of the code is that borrowing for capital investment purposes should be affordable, sustainable and prudent.

2. NET BORROWING AND THE CAPITAL FINANCING REQUIREMENT

This is a key indicator of prudence. Net external borrowing is the difference between gross investments and borrowing. The capital financing requirement (CFR) is a separate estimate of the underlying need to borrow, and is shown at Paragraph 5 below.

In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of the capital financing requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and next two financial years.

The Executive Head (Financial Services) reports that the Council had no difficulty meeting this requirement in 2011/12, nor are there any difficulties envisaged for the current or future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. ESTIMATES OF CAPITAL EXPENDITURE

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the Housing Revenue Account (HRA), housing rent levels.

No. 1	Capital Expenditure	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
	Non-HRA	2.748	2.634	3.524	1.260	1.260
	HRA	3.990	2.609	4.450	3,126	3.205
	TOTAL	6.738	5.243	7.974	4.386	4.465

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

3. ESTIMATES OF CAPITAL EXPENDITURE (continued)

3.2 Capital expenditure will be financed as follows:

Capital Financing	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
Capital receipts	0.129	0.402	0.435	0.106	0.106
Government Grants	0.343	0.336	0.704	0.258	0.238
Revenue contributions	0.936	1.940	1.962	1.925	2.079
Revenue reserves	1.491	0.787	1.650	0.527	0.646
Unsupported borrowing	3.338	1.605	2.529	1.570	1.396
Other Contributions	0.501	0.173	0.694	-	-
TOTAL	6.738	5.243	7.974	4.386	4.465

Note: the element to be financed from borrowing impacts on the movement in the Capital Financing Requirement (CFR).

4. RATIO OF FINANCING COSTS TO NET REVENUE STREAM

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the Council's net revenue streams required to meet borrowing costs. The definition of financing costs is set out at paragraph 69 of the Prudential Code (2011) and mainly comprises interest payable and revenue provisions for repayment of debt.

No. 2	Ratio of Financing Costs to Net Revenue Stream	2012/13 Approved %	2012/13 Revised %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
	Non-HRA	15.85	12.82	13.71	14.37	13.36
	HRA	39.42	43.98	41.99	40.03	39.12
	TOTAL	55.27	56.80	55.70	54.40	52.48

4.2 The HRA ratio increases from 2012/13 reflecting the impact of additional Minimum Revenue Provisions and Interest relating to the HRA Debt Settlement amount of £51.185m, but reduces in the following years as debt is repaid and interest costs diminish. The movement in the Non HRA is a reflection of changes to the capital programme.

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

5. CAPITAL FINANCING REQUIREMENT

- 5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing. It is an aggregation of the amounts shown for Non-Current Assets, Long-term debtors for capital transactions, the Revaluation Reserve, the Capital Adjustment Account, Donated Assets Reserve, and any other balances treated as capital expenditure.

No. 3	Capital Financing Requirement	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m%
	Non-HRA	12.619	12.029	12.892	13.026	12.828
	HRA	69.167	66.959	66.078	64.808	63.599
	TOTAL	81.786	78.988	78.970	77.834	76.427

- 5.2 The year-on-year change in the CFR is due to the following

Capital Financing Requirement	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
BALANCE B/F	80.847	79.836	78.988	78.968	77.834
Capital expenditure financed from unsupported borrowing (per 3.2)	3.338	1.605	2.529	1.570	1.396
Revenue provision for debt Redemption.	(2.399)	(2.453)	(2.547)	(2.704)	(2.803)
BALANCE C/F	81.786	78.988	78.970	77.834	76.427

6. ACTUAL EXTERNAL DEBT

- 6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (see Para. 8)

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

6. ACTUAL EXTERNAL DEBT

No. 4	Actual Adur External Debt as at 31/03/2012	£m
	BORROWING	
	HRA	68.676
	General Fund	13.430
	Total Borrowing	82.106
	Other Long-term Liabilities	-
	TOTAL DEBT	82.106

7. INCREMENTAL IMPACT OF CAPITAL INVESTMENT DECISIONS

- 7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

No. 5	Incremental Impact of Capital Investment Decisions	2012/13 Estimate £	2012/13 Revised £	2013/14 Estimate £	2014/15 Estimate £	2015/16 Estimate £
	Increase in Band D Council Tax	10.64	11.50	5.98	3.20	2.39
	Increase in Average Weekly Housing Rents	21.37	11.34	-0.02	0.37	0.46

- 7.2 The 2012/13 HRA revised amount is lower than the original estimate due to slippage in capital expenditure during the year, but still relatively high due to the transitional impact of the first year of the Self-Financing Debt Settlement.

8. AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

8. AUTHORISED LIMIT AND OPERATIONAL BOUNDARY FOR EXTERNAL DEBT

- 8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved treasury management policy statement and practices.
- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

No. 6	Authorised Limit for External Debt	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
	Borrowing	99.0	99.0	99.0	99.0	99.0
	Other Long-term Liabilities	1.0	1.0	1.0	1.0	1.0
	TOTAL	100.0	100.0	100.0	100.0	100.0

- 8.5 The **Operational Boundary** links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario, but without the additional headroom included within the Authorised Limit.
- 8.6 The Executive Head (Financial Services) has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet at the earliest opportunity.

No. 7	Operational Boundary for External Debt	2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
	Borrowing	93.0	93.0	93.0	93.0	93.0
	Other Long-term Liabilities	1.0	1.0	1.0	1.0	1.0
	TOTAL	94.0	94.0	94.0	94.0	94.0

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

9. ADOPTION OF THE CIPFA TREASURY MANAGEMENT CODE

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

No. 8	Adoption of the CIPFA Code of Practice in Treasury Management
	Adur Council approved the adoption of the CIPFA Treasury Management Code at its meeting on 21 March 2002.

10. UPPER LIMITS FOR FIXED INTEREST RATE EXPOSURE AND VARIABLE INTEREST RATE EXPOSURE

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums, (i.e. total debt net of total investments).

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt up to a maximum level that mitigates exposure to changes in short-term rates on investments

		2012/13 Approved %	2012/13 Revised %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
No. 9	Upper Limit for Fixed Interest Rate Exposure:					
	Investment	-100	-100	-100	-100	-100
	Borrowing	100	100	100	100	100

		2012/13 Approved £m	2012/13 Revised £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
No. 10	Upper Limit for Variable Interest Rate Exposure :					
	Investment	-100	-100	-100	-100	-100
	Borrowing	50	50	50	50	50

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's treasury management strategy.

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

11. MATURITY STRUCTURE OF FIXED RATE BORROWING

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 11	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %
	under 12 months	2	25
	12 months and within 24 months	3	27
	24 months and within 5 years	6	34
	5 years and within 10 years	11	44
	10 years and within 20 years	24	68
	20 years and within 30 years	19	87
	30 years and within 40 years	1	88
	40 years and within 50 years	12	100
	50 years and above	22	100

12. UPPER LIMIT FOR TOTAL PRINCIPAL SUMS INVESTED OVER 364 DAYS

- 12.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

No. 12	Upper Limit for total principal sums invested over 364 days	2012/13 Approved %	2012/13 Revised %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
	ADUR DC	50.0	50.0	50.0	50.0	50.0

13. GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT(CFR)

- 13.1 This is a new indicator for 2013/14 introduced by CIPFA in December 2012. It requires the comparison of actual Gross Debt with CFR (the underlying need to borrow), as it is a requirement to keep Gross Debt below CFR, except for short term variations. For this purpose CFR is taken as the amount in the preceding year, plus estimates of any additional CFR for the current and next two financial years.

PRUDENTIAL INDICATORS – ESTIMATES 2013/14 TO 2015/ 2016

13. GROSS DEBT AND THE CAPITAL FINANCING REQUIREMENT(CFR)

No. 13		2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000
	Actual Gross Debt	(81.496)	(82.310)	(81.670)	(81.357)
	CFR	78.988	78.970	77.834	76.427
	Under / (over) Borrowing	(2.508)	(3.340)	(3.836)	(4.930)

- 13.2 This comparison is a key indicator of prudence, and is aimed to ensure that debt is only entered into for capital expenditure. Where the comparison highlights variations, the reasons are to be explained. Adur is expected to be over borrowed in each year. This reflects historic debt borrowed in advance of capital spending, as is permitted in the Prudential Code, but also the impact of MRP that reduces the CFR by a greater amount than the value of debt repaid – as most debt is to be repaid on maturity in future years.

14. HRA SELF-FINANCING SETTLEMENT

- 14.1 This is a new indicator from 2012/13 arising from the revision to the CIPFA Treasury Management Code of Practice in November 2011. It requires the Housing Authority to report the limit imposed on indebtedness by the Department for Communities and Local Government (DCLG) in regard to the HRA Self-financing arrangements, and to compare this limit with the HRA Capital Financing Requirement.

No. 14	Debt Limit Compared to the Capital Financing Requirement	2012/13 Estimate £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m
	HRA Debt Limit	69.242	68.912	68.912	68.912
	HRA CFR	69.168	66.078	64.808	63.599
	CFR Below Debt Limit by :	0.074	2.834	4.104	5.313

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE										
Properties	Band A -	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Dwellings	0.00	2,676.00	4,923.00	11,276.00	6,067.00	1,877.00	698.00	304.00	10.00	27,831.00
Less: Exemptions	0.00	-71.30	-68.30	-126.00	-65.60	-21.00	-6.60	-7.30	0.00	-366.10
	0.00	2,604.70	4,854.70	11,150.00	6,001.40	1,856.00	691.40	296.70	10.00	27,464.90
Disabled Relief Adjustment (net)	8.00	12.00	27.00	-2.00	-24.00	-12.00	0.00	-2.00	-7.00	0.00
Chargeable Dwellings	8.00	2,616.70	4,881.70	11,148.00	5,977.40	1,844.00	691.40	294.70	3.00	27,464.90
Broken down as follows:										
Full Charge	3.25	928.80	2,714.50	7,708.80	4,422.05	1,505.80	579.75	247.50	1.05	18,111.50
25% Discount (including adj for SP Dis)	4.75	1,667.90	2,144.20	3,413.20	1,524.35	332.20	103.65	36.20	0.95	9,227.40
50% Discount	0.00	1.00	2.00	6.00	2.00	2.00	6.00	9.00	0.00	28.00
0% Discount (Long Term Empty Homes)	0.00	19.00	21.00	20.00	29.00	4.00	2.00	2.00	1.00	98.00
Total Equivalent Number of Dwellings	6.81	2,199.23	4,344.65	10,291.70	5,595.31	1,759.95	662.49	281.15	2.76	25,144.05
Add: Forecast new homes	0.00	6.20	14.20	33.20	23.20	7.00	2.20	0.80	0.00	86.80
Adjusted equivalent total dwellings	6.81	2,205.43	4,358.85	10,324.90	5,618.51	1,766.95	664.69	281.95	2.76	25,230.85
<u>Band D Equivalents</u>										
Revenue Support Settlement	3.80	1,470.30	3,390.30	9,177.70	5,618.60	2,159.60	960.10	469.90	5.50	23,255.80
Less: Adjustments for Losses on Collection, and Void Properties	0.00	-10.30	-26.70	-73.40	-49.80	-20.40	-9.40	-4.70	-0.10	-194.80
COUNCIL TAX BASE	3.80	1,460.00	3,363.60	9,104.30	5,568.80	2,139.20	950.70	465.20	5.40	23,061.00
Less: Adjustment for Council Tax Benefits										-3,380.30
										19,680.70

APPENDIX 6
CIVIC BUDGET TABLE 2013/2014
Summary of Cabinet Member Requirements

INDIVIDUAL MEMBER PORTFOLIOS
Summary and Variance Pages

ADUR BUDGET 2013/14

Summary of Cabinet Member Portfolios



CABINET PORTFOLIO	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
Environment	3,307,590	3,377,650
Health and Wellbeing	1,006,790	989,420
Customer Services	1,146,560	1,059,200
Leader	519,270	556,480
Regeneration	1,713,570	1,803,590
Resources	2,056,750	2,116,660
Support Services Depreciation Not Charged To Services	216,760	389,890
NET SERVICE EXPENDITURE	9,967,290	10,292,890
Credit Back Depreciation / Impairments	(1,220,690)	(1,499,980)
Minimum Revenue Provision	847,280	847,280
	9,593,880	9,640,190
Transfer to / from Reserves	88,340	(5,940)
Potential contribution to Reserves	206,700	24,170
Total budget requirement before external support from government	9,888,920	9,658,420
Potential under achievement of business rate target		115,790
Baseline Funding	(3,185,580)	(1,543,810)
Revenue Support Grant	(61,750)	(2,320,560)
Council Tax Freeze Grant	(152,600)	(61,980)
New Homes Bonus 2011/12	(62,000)	(62,000)
New Homes Bonus 2012/13	(153,000)	(153,000)
New Homes Bonus 2013/14		(243,670)
Contribution to/(from) Collection Fund	(90,340)	8,640
Amount required from Council Tax - Adur District	6,183,650	5,397,830
Council Tax Base (See paragraph 12.3)	22546.2	19680.7
Average Band D Council Tax - Adur District	274.27	274.27
% increase	0%	0%

**LEADER
PORTFOLIO**



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
CORPORATE AND CULTURAL SERVICES		
Elections	177,860	159,440
Members' Expenses and Allowances	311,140	362,090
	489,000	521,530
CHIEF EXECUTIVE		
Corporate Management - Executive Office	30,270	34,950
TOTAL LEADER PORTFOLIO	519,270	556,480

LEADER SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Corporate & Cultural Services											
Elections	243,870	1,310	(32,000)	1,500	-	-	-	-	-	(55,240)	159,440
Members Expenses & Allowances	245,130	3,600	-	14,000	-	-	-	-	(10,000)	109,360	362,090
	489,000	4,910	(32,000)	15,500	-	-	-	-	(10,000)	54,120	521,530
Chief Executive											
Corporate Management - Executive Office	30,270	100	-	-	-	-	-	-	-	4,580	34,950
APPROVED ESTIMATE 2013/2014	519,270	5,010	(32,000)	15,500	-	-	-	-	(10,000)	58,700	556,480

ADUR LEADER PORTFOLIO 2013/14 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
Corporate & Cultural Services											
Elections	320	72,570	80	-	52,370	32,010	(3,140)	154,210	5,230	-	159,440
Members Expenses & Allowances	162,980	115,540	-	-	23,710	-	(28,990)	273,240	88,850	-	362,090
Chief Executive											
Corporate Management - Executive Office	-	-	-	-	3,510	5,100	-	8,610	26,340	-	34,950
	163,300	188,110	80	-	79,590	37,110	(32,130)	436,060	120,420	-	556,480
Percentage of Direct Cost	35%	40%	0%	0%	17%						

ENVIRONMENT PORTFOLIO



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
CUSTOMER SERVICES & WASTE MANAGEMENT	£	£
Abandoned Vehicles	19,390	19,470
Refuse Collection	934,520	940,560
Recycling	42,820	38,530
Street Sweeping & Cleansing	516,880	560,480
Trade Refuse Collection	1,900	(53,190)
Clinical Waste Collection	14,520	12,440
Visual Quality Initiative	71,590	67,880
	1,601,620	1,586,170
HOUSING, HEALTH & COMMUNITY SAFETY		
Environmental Health - Domestic	308,690	320,460
Environmental Health - Commercial	92,550	85,700
Dog Warden	42,260	45,120
Pest Control	45,630	54,100
	489,130	505,380
PLANNING, REGENERATION AND WELLBEING SERVICES		
Streetscene	51,000	64,750
TECHNICAL SERVICES		
Allotments	16,100	55,630
Countryside & Open spaces	177,430	(620)
Cemeteries & Churchyards	160,000	218,790
Parks	450,990	732,790
Recreation Grounds	183,230	(660)
Car Parks	(121,910)	(111,630)
Highways	12,780	21,160
Street Lighting	37,040	39,320
Transportation	46,890	63,590
Public Toilets	203,290	202,980
	1,165,840	1,221,350
TOTAL CABINET MEMBER FOR ENVIRONMENT	3,307,590	3,377,650

ENVIRONMENT SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Technical Services											
Car Parks	(121,910)	(8,320)	-	100	-	-	-	-	-	18,500	(111,630)
Highways	12,780	180	-	-	-	-	-	-	-	8,200	21,160
Street Lighting	37,040	420	-	-	-	-	-	-	-	1,860	39,320
Transportation	46,890	510	-	12,000	-	-	-	-	-	4,190	63,590
Public Toilets	203,290	1,530	-	-	-	-	-	-	-	(1,840)	202,980
Allotments	16,100	(390)	-	28,940	-	-	-	-	(10,000)	20,980	55,630
Countryside and Open Spaces	177,430	40	-	-	-	-	-	-	-	(178,090)	(620)
Cemeteries and Churchyards	160,000	(2,870)	-	20,480	-	-	-	-	-	41,180	218,790
Parks	450,990	9,570	-	18,500	-	-	-	-	(63,000)	316,730	732,790
Recreation Grounds	183,230	(290)	-	-	-	-	-	-	-	(183,600)	(660)
	1,165,840	380	-	80,020	-	-	-	-	(73,000)	48,110	1,221,350
Planning Regeneration & Wellbeing											
Streetscene	51,000	20	-	-	-	-	-	-	-	13,730	64,750
Recycling and Waste Management											
Abandoned Vehicles	19,390	40	-	-	-	-	-	-	(1,190)	1,230	19,470
Refuse Collection	934,520	-	-	-	-	-	-	-	-	6,040	940,560
Recycling	42,820	-	-	-	-	-	-	-	-	(4,290)	38,530
Street Sweeping & Cleansing	516,880	(2,320)	-	-	-	-	-	-	-	45,920	560,480
Trade Refuse Collection	1,900	(4,320)	-	-	-	-	-	-	(59,000)	8,230	(53,190)
Clinical Waste Collection	14,520	-	-	-	-	-	-	-	-	(2,080)	12,440
Visual Quality Initiative	71,590	-	-	-	-	-	-	-	-	(3,710)	67,880
	1,601,620	(6,600)	-	-	-	-	-	-	(60,190)	51,340	1,586,170

ENVIRONMENT SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Efficiency savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Housing Health & Community Safety											
Environmental Health - Domestic	308,690	560	-	-	-	-	-	-	-	11,210	320,460
Environmental Health - Commercial	92,550	20	-	-	-	-	-	-	-	(6,870)	85,700
Dog Warden	42,260	-	-	-	-	-	-	-	-	2,860	45,120
Pest Control	45,630	-	-	-	-	-	-	-	-	8,470	54,100
	489,130	580	-	-	-	-	-	-	-	15,670	505,380
APPROVED ESTIMATE 2013/2014	3,307,590	(5,620)	-	80,020	-	-	-	-	(133,190)	128,850	3,377,650

ADUR ENVIRONMENT PORTFOLIO 2013/14 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
	£	£	£	£	£	£	£	£	£	£	£
Technical Services											
Car Parks	-	57,670	98,390	176,980	-	-	(504,960)	(171,920)	33,440	26,850	(111,630)
Highways	-	-	2,800	-	12,820	-	(6,430)	9,190	11,970	-	21,160
Street Lighting	-	-	11,740	-	9,860	-	-	21,600	8,250	9,470	39,320
Transportation	-	-	38,720	-	-	-	(960)	37,760	11,330	14,500	63,590
Public Toilets	-	-	78,510	-	3,220	63,480	(300)	144,910	37,460	20,610	202,980
Allotments	-	-	36,850	-	-	-	(37,460)	(610)	55,530	710	55,630
Countryside and Open Spaces	-	-	(620)	-	-	-	-	(620)	-	-	(620)
Cemeteries and Churchyards	-	-	255,720	-	-	-	(155,330)	100,390	102,730	15,670	218,790
Parks	-	1,920	476,590	-	76,850	-	(119,410)	435,950	238,020	58,820	732,790
Recreation Grounds	-	-	(660)	-	-	-	-	(660)	-	-	(660)
Planning Reg'ation & Wellbeing											
Streetscene	-	8,350	60	440	37,400	-	(36,450)	9,800	7,550	47,400	64,750
Recycling & Waste Management											
Abandoned Vehicles	-	12,310	-	1,040	-	4,690	-	18,040	1,430	-	19,470
Refuse Collection	-	720,330	-	-	-	-	176,580	896,910	43,650	-	940,560
Recycling	-	(119,860)	-	-	45,410	112,980	-	38,530	-	-	38,530
Street Sweeping & Cleansing	-	592,410	-	-	-	-	(118,130)	474,280	42,780	43,420	560,480
Trade Refuse Collection	-	172,110	-	-	197,840	-	(477,440)	(107,490)	23,100	31,200	(53,190)
Clinical Waste Collection	-	9,790	-	-	-	-	-	9,790	2,650	-	12,440
Visual Quality Initiative	-	62,540	-	-	-	-	-	62,540	3,090	2,250	67,880
Housing Health & Community Safety											
Environmental Health - Domestic	-	-	-	-	35,520	4,380	(10,710)	29,190	291,270	-	320,460
Environmental Health - Commercial	-	43,400	-	-	1,510	-	(640)	44,270	40,780	650	85,700
Dog Warden	-	44,120	-	-	-	-	-	44,120	1,000	-	45,120
Pest Control	-	37,740	-	-	-	-	-	37,740	16,360	-	54,100
	-	1,642,830	998,100	178,460	420,430	185,530	(1,291,640)	2,133,710	972,390	271,550	3,377,650
Percentage of Direct Cost	0%	48%	29%	5%	12%	5%					

HEALTH AND WELLBEING PORTFOLIO



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
ADUR HOMES		
Community Alarm	(103,700)	(112,430)
HOUSING, HEALTH & COMMUNITY SAFETY		
Environmental Health - Commercial	122,090	127,400
Community Safety	131,330	132,230
CCTV	13,820	16,140
Licensing	67,430	62,680
	334,670	338,450
PLANNING, REGENERATION AND WELLBEING SERVICES		
Community Planning	87,580	75,600
Community & Welfare Grants	318,400	318,730
Community & Health Development	83,660	105,750
Leisure Development	121,730	90,710
	611,370	590,790
TECHNICAL SERVICES		
Land Drainage & Coastal Protection	102,760	18,670
Sustainable Development	21,460	121,260
Beaches & Amenities	7,300	(7,860)
Emergency Planning	32,930	40,540
	164,450	172,610
TOTAL HEALTH AND WELLBEING PORTFOLIO	1,006,790	989,420

HEALTH & WELLBEING SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Adur Homes											
Community Alarm	(103,700)	(3,060)	-	-	-	-	-	-	-	(5,670)	(112,430)
Housing Health & Community Safety											
Environmental Health - Commercial	122,090	210	-	-	-	-	-	-	-	5,100	127,400
Community Safety	131,330	320	-	-	-	-	-	-	-	580	132,230
CCTV	13,820	170	-	-	-	-	-	-	-	2,150	16,140
Licensing	67,430	(1,740)	-	-	-	-	-	-	-	(3,010)	62,680
	334,670	(1,040)	-	-	-	-	-	-	-	4,820	338,450
Planning Regeneration & Wellbeing											
Community Planning	87,580	-	-	-	-	-	-	-	-	(11,980)	75,600
Community & Welfare Grants	318,400	750	-	-	-	-	-	-	-	(420)	318,730
Community & Health Development	83,660	240	-	-	-	-	-	-	-	21,850	105,750
Leisure Development	121,730	-	-	-	-	-	-	-	-	(31,020)	90,710
	611,370	990	-	-	-	-	-	-	-	(21,570)	590,790
Technical Services											
Sustainable Development	21,460	-	-	-	-	-	-	-	-	(2,790)	18,670
Land Drainage & Coast Protection	102,760	490	-	-	-	-	-	-	-	18,010	121,260
Beaches and Amenities	7,300	(1,110)	-	8,000	-	-	-	-	-	(22,050)	(7,860)
Emergency Planning (Misc)	32,930	-	-	-	-	-	-	-	-	7,610	40,540
	164,450	(620)	-	8,000	-	-	-	-	-	780	172,610
APPROVED ESTIMATE 2013/2014	1,006,790	(3,730)	-	8,000	-	-	-	-	-	(21,640)	989,420

ADUR HEALTH & WELLBEING PORTFOLIO 2013/14 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
Adur Homes											
Community Alarm	88,420	-	-	-	20,720	38,260	(279,090)	(131,690)	11,390	7,870	(112,430)
Planning Regeneration & Wellbeing											
Community Planning	-	66,560	-	-	-	-	-	66,560	9,040	-	75,600
Community & Welfare Grants	-	68,910	-	-	234,980	-	-	303,890	14,840	-	318,730
Community & Health Development	10,030	59,840	-	-	7,780	-	-	77,650	28,100	-	105,750
Leisure Development	-	88,790	-	-	-	-	-	88,790	1,920	-	90,710
Technical Services											
Land Drainage & Coast Protection	-	-	9,060	-	16,630	-	-	25,690	69,950	25,620	121,260
Sustainable Development	-	18,670	-	-	-	-	-	18,670	-	-	18,670
Beaches & Amenities	-	-	15,030	-	8,100	-	(69,840)	(46,710)	30,100	8,750	(7,860)
Emergency Planning (Misc)	-	26,600	-	-	-	-	-	26,600	13,940	-	40,540
Housing Health & Community Safety											
Environmental Health - Commercial	-	97,050	-	-	10,990	-	-	108,040	19,360	-	127,400
Community Safety	-	82,430	-	-	16,240	-	-	98,670	33,560	-	132,230
CCTV	-	5,750	1,220	-	7,630	-	-	14,600	1,540	-	16,140
Licensing	-	110,280	-	-	12,210	-	(100,870)	21,620	41,060	-	62,680
	98,450	624,880	25,310	-	335,280	38,260	(449,800)	672,380	274,800	42,240	989,420
Percentage of Direct Cost	9%	56%	2%	0%	30%	3%					

CUSTOMER SERVICES PORTFOLIO



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
CUSTOMER SERVICES AND WASTE MANAGEMENT		
Collection of Revenues	403,780	394,690
Council Tax Benefits	(77,100)	(151,780)
Rent Allowances	253,430	247,880
Concessionary Travel	12,450	-
	592,560	490,790
CORPORATE AND CULTURAL SERVICES		
Leisure Centre Management	554,000	568,410
TOTAL CUSTOMERS SERVICES PORTFOLIO	1,146,560	1,059,200

CUSTOMER SERVICES SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Customer Services & Waste Management											
Collection of Revenues	403,780	6,980	-	-	-	-	-	-	-	(16,070)	394,690
Council Tax Benefits	(77,100)	1,870	-	-	-	-	-	(22,000)	-	(54,550)	(151,780)
Rent Allowances	253,430	(1,960)	-	68,660	-	70,000	-	-	-	(142,250)	247,880
Concessionary Travel	12,450	(30)	-	7,990	-	-	-	-	-	(20,410)	-
	592,560	6,860	-	76,650	-	70,000	-	(22,000)	-	(233,280)	490,790
Corporate & Cultural Services											
Leisure Centres Management	554,000	260	-	-	-	-	-	-	(15,000)	29,150	568,410
APPROVED ESTIMATE 2013/2014	1,146,560	7,120	-	76,650	-	70,000	-	(22,000)	(15,000)	(204,130)	1,059,200

ADUR CUSTOMER SERVICES PORTFOLIO 2013/14 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
Customer Services & Waste Management											
Collection of Revenues	-	-	-	22,640	26,560	477,690	(241,000)	285,890	108,800	-	394,690
Council Tax Benefits	-	-	-	-	-	5,314,140	(5,497,800)	(183,660)	20,160	11,720	(151,780)
Rent Allowances	-	-	-	22,640	90,670	21,269,650	(21,239,070)	143,890	103,990	-	247,880
Concessionary Travel	-	-	-	-	-	-	-	-	-	-	-
Corporate & Cultural Services											
Leisure Centres Management	-	-	43,290	-	8,830	211,790	(21,400)	242,510	16,510	309,390	568,410
	-	-	43,290	45,280	126,060	27,273,270	(26,999,270)	488,630	249,460	321,110	1,059,200
Percentage of Direct Cost	0%	0%	20%	21%	59%						

REGENERATION PORTFOLIO



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
HOUSING, HEALTH & COMMUNITY SAFETY		
Housing General District	218,060	118,930
Homelessness	486,250	603,020
	704,310	721,950
PLANNING, REGENERATION AND WELLBEING SERVICES		
Building Control	121,370	162,990
Development Control	351,490	378,260
Planning Policy & Implementation	218,320	255,170
Economic Regeneration	248,860	220,800
	940,040	1,017,220
ADUR HOMES		
Drain Clearing	(10)	(40)
Homelessness	69,230	64,460
	69,220	64,420
TOTAL REGENERATION PORTFOLIO	1,713,570	1,803,590

REGENERATION SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Housing Health & Community Safety											
Housing General District	218,060	(560)	-	-	-	-	-	-	-	(98,570)	118,930
Homelessness - General	486,250	2,770	-	85,970	-	-	-	-	(6,000)	34,030	603,020
	704,310	2,210	-	85,970	-	-	-	-	(6,000)	(64,540)	721,950
Planning Regeneration & Wellbeing											
Building Control	121,370	(3,720)	-	40,000	-	-	-	-	-	5,340	162,990
Development Control	351,490	(3,880)	-	-	-	-	-	-	-	30,650	378,260
Planning Policy & Implementation	218,320	1,240	-	-	-	-	-	-	-	35,610	255,170
Economic Regeneration	248,860	530	-	8,930	-	-	-	-	-	(37,520)	220,800
	940,040	(5,830)	-	48,930	-	-	-	-	-	34,080	1,017,220
Adur Homes											
Drain Clearing	(10)	(30)	-	-	-	-	-	-	-	-	(40)
Homelessness - Leasehold	69,230	240	-	-	-	-	-	-	-	(5,010)	64,460
	69,220	210	-	-	-	-	-	-	-	(5,010)	64,420
APPROVED ESTIMATE 2013/2014	1,713,570	(3,410)	-	134,900	-	-	-	-	(6,000)	(35,470)	1,803,590

ADUR REGENERATION PORTFOLIO 2013/2014 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
Housing Health & Community Safety											
Housing General District	-	109,790	-	-	-	1,060	(28,290)	82,560	36,370	-	118,930
Homelessness - General	-	288,440	-	-	301,430	-	(115,400)	474,470	127,540	1,010	603,020
Planning Regeneration & Wellbeing											
Building Control	-	277,170	-	-	-	-	(149,930)	127,240	35,750	-	162,990
Development Control	-	505,720	-	-	7,850	-	(205,460)	308,110	70,150	-	378,260
Planning Policy & Implementation	84,350	12,820	-	-	18,780	48,300	(131,450)	32,800	222,370	-	255,170
Economic Regeneration	-	148,310	-	-	46,200	-	-	194,510	26,290	-	220,800
Adur Homes											
Drain Clearing	-	-	-	-	-	-	(1,330)	(1,330)	-	1,290	(40)
Homelessness - Leasehold	24,270	-	457,230	-	610	-	(458,560)	23,550	40,910	-	64,460
	108,620	1,342,250	457,230	-	374,870	49,360	(1,090,420)	1,241,910	559,380	2,300	1,803,590
Percentage of Direct Cost	5%	58%	20%	0%	16%	2%					

RESOURCES PORTFOLIO



SERVICE	ESTIMATE 2012/13	ESTIMATE 2013/14
	£	£
FINANCIAL SERVICES		
Corporate Management	788,530	849,790
Miscellaneous	(222,070)	(226,310)
Non-Distributed Costs	947,980	941,840
Treasury Management	742,480	603,240
	2,256,920	2,168,560
CORPORATE AND CULTURAL SERVICES		
Local Land Charges	12,640	8,840
	12,640	8,840
TECHNICAL SERVICES		
Community Buildings	232,410	283,500
Property Management	(221,570)	(215,830)
Grounds Maintenance	(67,100)	17,210
	(56,260)	84,880
ADUR HOMES		
Building Maintenance	(156,550)	(145,620)
	(156,550)	(145,620)
TOTAL RESOURCES PORTFOLIO	2,056,750	2,116,660

RESOURCES SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET 2012/13



SERVICE BLOCK	Original Estimate 2012/13	Inflation	One off-items	Committed growth	Compensatory Savings	Reduction in Income	Impact of Capital Programme	Additional Income	Savings	Non-MTFP Other changes	BUDGET ESTIMATE 2013/14
	£	£	£	£	£	£	£	£	£	£	£
Financial Services											
Corporate Management	788,530	4,520	-	-	(50,000)	-	-	-	90,010	16,730	849,790
Miscellaneous	(222,070)	(4,150)	-	-	-	-	-	-	-	(90)	(226,310)
Non-Distributed Costs	947,980	1,450	-	148,000	(75,000)	-	-	-	(81,000)	410	941,840
Treasury Management	742,480	-	-	-	-	-	110,000	(105,000)	(89,500)	(54,740)	603,240
	2,256,920	1,820	-	148,000	(125,000)	-	110,000	(105,000)	(80,490)	(37,690)	2,168,560
Corporate And Cultural Services											
Local Land Charges	12,640	(930)	-	-	-	-	-	-	(15,000)	12,130	8,840
Technical Services											
Community Buildings	232,410	1,190	-	60	-	-	-	-	-	49,840	283,500
Property Management	(221,570)	(9,680)	-	160	-	-	-	-	-	15,260	(215,830)
Grounds Maintenance	(67,100)	-	-	-	-	-	-	-	-	84,310	17,210
	(56,260)	(8,490)	-	220	-	-	-	-	-	149,410	84,880
Adur Homes											
Building Maintenance	(156,550)	7,980	-	-	-	-	-	-	-	2,950	(145,620)
APPROVED ESTIMATE 2013/2014	2,056,750	380	-	148,220	(125,000)	-	110,000	(105,000)	(95,490)	126,800	2,116,660

ADUR RESOURCES PORTFOLIO 2013/2014 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support Recharges	Capital Charges	Total Budget
Financial Services											
Corporate Management	-	464,380	112,380	-	107,130	149,000	(205,230)	627,660	238,000	(15,870)	849,790
Miscellaneous	-	-	-	-	(233,710)	22,880	(15,480)	(226,310)	-	-	(226,310)
Non-Distributed Costs	1,239,270	-	-	-	-	-	(297,420)	941,850	(10)	-	941,840
Treasury Management	-	-	-	-	-	-	(1,408,050)	(1,408,050)	2,490	2,008,800	603,240
Corporate & Cultural Services											
Local Land Charges		55,940			18,380		(80,670)	(6,350)	15,190		8,840
Technical Services											
Community Buildings	-	-	67,370	-	3,850	-	-	71,220	52,440	159,840	283,500
Property Management	3,880	-	88,740	-	14,310	-	(579,270)	(472,340)	256,510	-	(215,830)
Grounds Maintenance	-	-	-	-	-	-	-	-	-	17,210	17,210
Adur Homes											
Building Maintenance	302,830			72,760	198,090		(765,410)	(191,730)	36,770	9,340	(145,620)
	1,545,980	520,320	268,490	72,760	108,050	171,880	(3,351,530)	(664,050)	601,390	2,179,320	2,116,660
Percentage of Direct Cost	58%	19%	10%	3%	4%	6%					

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

Background

- 1.1 The Guidance from CLG on Local Government Investments in England requires Councils to produce an Annual Investment Strategy (AIS). This document fulfils this requirement. The proposed investment policy within the AIS has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

Investment Policy

- 1.2 To comply with the CLG's guidance, the Council's general policy objective is to invest its surplus funds prudently. The Council's investment priorities are:

- security of the invested capital;
- liquidity of the invested capital;
- an optimum yield which is commensurate with security and liquidity.

(The CLG's revised Guidance on investments reiterates security and liquidity as the primary objectives of a prudent investment policy. The speculative procedure of borrowing purely in order to invest is unlawful).

- 1.3 Investments are categorised as 'Specified' or 'Non Specified' investments based on the criteria in the CLG Guidance. Potential instruments for the Council's use within its investment strategy are contained in Annex 1.
- 1.4 The credit crisis has refocused attention on the treasury management priority of security of capital monies invested. The Council will continue to maintain a counterparty list based on its criteria and will monitor and update the credit standing of the institutions on a regular basis. This assessment will include credit ratings and other alternative assessments of credit strength as outlined in paragraphs 1.6-1.10.

Creditworthiness Policy

- 1.5 This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moody's and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays: -
- Credit watches and credit outlooks from credit rating agencies

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

Creditworthiness Policy

- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
 - Sovereign ratings to select counterparties from only the most creditworthy countries
- 1.6 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used by the Council to form a view of the duration for investments and are therefore referred to as durational bands. The Council is satisfied that this service gives a robust level of analysis for determining the security of its investments. It is also a service which the Council would not be able to replicate using its own in-house resources.
- 1.7 The selection of counterparties with a high level of creditworthiness will be achieved by reference to a minimum durational band proposed by Sector's weekly credit list of worldwide potential counterparties. The Council will consider, but not necessarily adhere rigidly to (see para.1.10), the categorised counterparties within the following durational bands: -
- | | | |
|---|-----------|--|
| ➤ | Yellow | 5 years * |
| ➤ | Purple | 2 years |
| ➤ | Blue | 1 year |
| | | (only applies to nationalised or semi nationalised UK Banks) |
| ➤ | Orange | 1 year |
| ➤ | Red | 6 months |
| ➤ | Green | 3 months |
| ➤ | No Colour | Not to be used |
- * This category has been added for AAA rated Government debt or its equivalent
- 1.8 The Council will not use the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties as Moody's tend to be more aggressive in giving low ratings than the other two agencies. This would therefore be unworkable and leave the Council with few banks on its approved lending list. The Sector creditworthiness service does, however, use ratings from all three agencies, but by using a risk weighted scoring system, it eliminates any tendency to give undue preponderance to just one agency's ratings.

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

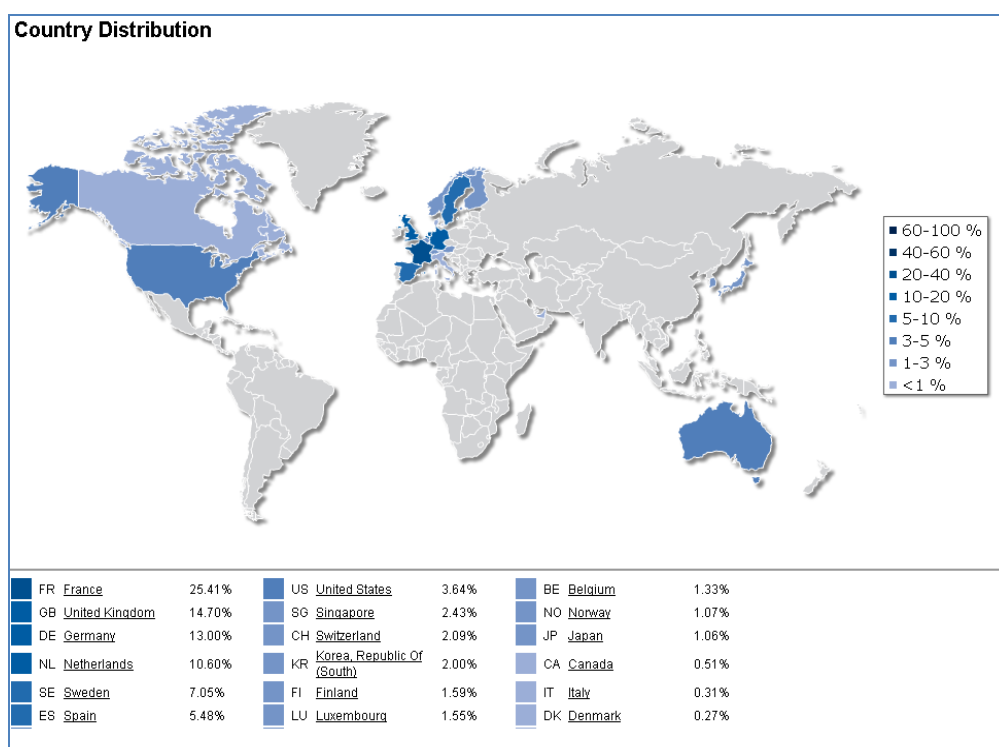
- 1.9 All credit ratings will be monitored as it is alerted to changes to ratings of all three agencies through its use of the Sector creditworthiness service.
- If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
 - In addition to the use of Credit Ratings the Council will be advised by Sector of information in movements in Credit Default Swaps against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 1.10 Sole reliance will not be placed on the use of this external service, as the Council will also use market data and other information obtained from a variety of sources (e.g. newspaper and other media sources), information on government support for banks and the credit ratings of that government support. Accordingly, the Council may exercise discretion to deviate from Sector's suggested durational bands for counterparties where sudden changes in financial markets, the banking sector, or other circumstances warrant a more flexible approach being taken.

Country Limits & Proposed Monitoring Arrangements

- 1.11 The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies (if Fitch does not provide)). The list of countries that qualify using this credit criteria is reflected in the Counterparty Approved Lending List shown at Annex 1. No more than 25% of investments shall be placed in Non-UK financial institutions.
- 1.12 The monitoring of the Council's exposure to non-UK institutions is especially important at the present climate, particularly in respect of sovereign debt issues within Eurozone countries.
- 1.13 Although the Council can control its foreign exposure for fixed term deposits via its choice of counterparties, the ability to do this for instant access Money Market Funds (MMFs) is more difficult. MMFs are triple A rated institutions, comprising pooled funds, which obtain their rating from the immense size of the funds, the short term liquidity, and the stable asset value which underpin the funds. Nevertheless, the assets which comprise the funds generally consist of loans to other financial institutions (UK and worldwide).

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

1.14 Recognising the present financial climate, and that any investment is only as good as the underlying assets, the Council shall use a Money Market Fund Portal for placing and redeeming transactions. This will allow access to information on the underlying composition of the MMF's. This will include the name of the financial institutions and geographic spread of the underlying assets that comprise the Council's portfolio of investments. A sample report showing underlying assets by Country is shown below:



1.15 The Portal is an on line dealing facility available at no cost to the Council as it is web based. Hence there are no hardware or software costs. The in-house treasury management team have considered four Portals from different suppliers, and use Institutional Cash Distributors (ICD) for this purpose.

Investment Outlook

1.16 The Interest Rate Outlook is summarised in 1.17 below. The Council will avoid locking into longer term investments beyond 1 year duration while investment rates are down at historically low levels unless attractive rates are available with counterparties of particularly high creditworthiness (i.e. approved counterparties with a minimum credit rating of AA- from Fitch Ratings, or equivalent from other agencies if Fitch does not provide) which make longer term deals worthwhile and within the risk parameters set by this council.

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

Investments managed in-house

1.17 Bank Rate is forecast to remain unchanged at 0.5% before starting to rise from quarter 1 of 2015. Bank Rate forecasts for financial year ends (March) are:

- 2012/13 0.50%
- 2013/14 0.50%
- 2014/15 0.75%
- 2015/16 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next four years are as follows:

2012/13	0.50%
2013/14	0.50%
2014/15	0.60%
2015/16	1.50%

1.18 Investments will be made with reference to the Council's core balances derived from past asset sales (capital receipts) and operational cash flow requirements reflecting the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

1.19 Within the approach described in 1.16 above, total principal funds invested for greater than 364 days will be determined with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds. The amounts invested greater than 364 days shall remain within the limit set for this purpose within the Treasury Management Prudential Indicator at the start of the financial year.

1.20 For its cash flow generated balances, the Council will seek to utilise its business reserve accounts and notice accounts, money market funds, and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

Investments managed in-house

- 1.21 The Executive Head (Financial Services) under delegated powers will undertake the most appropriate form of investments in keeping with the investment objectives, income and risk management requirements and Prudential Indicators. Decisions taken on the core investment portfolio will be reported to the meetings of the JGAC and JSC in accordance with the reporting arrangements contained in the Treasury Management Practices Statement.
- 1.22 In any sustained period of significant stress in the financial markets, the default position is for investments to be placed with The Debt Management Agency Deposit Facility of the Debt Management Office (DMO) of the UK central government. The rates of interest are below equivalent money market rates, however, the returns are an acceptable trade-off for the guarantee that the Council's capital is secure.

Investments managed in-house

- 1.23 The Council's proposed investment activity for placing cash deposits in 2013/14 is unchanged from the previous year and comprises:
- AAA-rated Money Market Funds with a Constant Net Asset Value (CNAV).
 - Other local authorities.
 - Business reserve accounts and term deposits. These are primarily restricted to UK institutions that are rated at least AA- long term.
 - institutions with a very high likelihood of support, including Royal Bank of Scotland, Lloyds, HSBC, and Barclays banks
 - institutions with a moderate or high likelihood of support, including Santander UK, Cooperative Bank and Clydesdale Bank
 - the top five building societies by asset size
- 1.24 In recognition of the inclusion of the building society names and that they carry a lower credit rating than the Council's other counterparties, the lending limits for the building societies shall be £2m each, excepting that for Nationwide (the top building Society) the lending limit shall be £4m – as it is also an institution with a moderate or high likelihood of support.
- 1.25 To protect the Council against a prolonged period of low interest rates the Council also proposes to retain the option to use the following forms for longer-term investments, as an alternative to cash deposits:

1.0 ADUR DISTRICT COUNCIL ANNUAL INVESTMENT POLICY AND STRATEGY 2013/14

Supranational bonds greater than 1 year to maturity

- (a) **Multilateral development bank bonds** - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).
- (b) **A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO})

The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

Gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.

The **Council's own banker** if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.

Building societies not meeting the basic security requirements under the specified investments. The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use the top five building societies by asset size up to £2m, (£4m Nationwide)

Any **bank or building society** that has a minimum long term credit rating of AA- for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).

Any **non-rated subsidiary** of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to a guarantee from the parent company, and exposure up to the limit applicable to the parent.

Accounting treatment of investments.

- 1.26 The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by this Council. To ensure that the Council is protected from any adverse revenue impact, which may arise from these differences, the accounting implications of new transactions will be reviewed before they are undertaken.

2.0 ADUR DISTRICT COUNCIL MINIMUM REVENUE PROVISIONS (MRP) STATEMENT

2.1 The MRP Statement for 2012/13 financial year was approved by Council before the start of the financial year, and no change to this is proposed for 2013/14. The proposals which follow in this section therefore relate to 2013/14 onwards.

2.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to “have regard” to such Guidance under section 21(1A) of the Local Government Act 2003.

2.3 The four options cited by the Guidance for making prudent MRP are:

Option 1: Regulatory Method

The MRP calculation set in regulations since 2004/05 based on 4% of the Non-Housing Capital Financing Requirement, including an adjustment (Adjustment A) to align the CFR to the credit ceiling (under former regulations) to negate the impact on Council Tax.

Option 2: CFR Method

The MRP calculated solely on 4% of the Non-Housing CFR at the closing balance of the previous financial year (i.e. No “Adjustment A” to negate the impact on Council Tax).

Option 3: Asset Life Method

MRP is calculated as the annual amount required to repay borrowing in equal instalments over the life of the assets acquired, although the option remains to use additional revenue contributions or capital receipts to repay debt earlier.

Option 4: Depreciation Method

MRP is an amount equal to the depreciation of assets acquired by borrowing, as calculated in line with accounting Statements of Recommended Practice (the SORP). MRP continues until the provision is equal to the original amount of the debt even if the assets acquired by borrowing are disposed of before the end of their useful life.

(NB The MRP guidance does not preclude other prudent method - should the Councils wish to consider these.)

2.4 Under the guidance, it is a requirement to submit to the respective full Council, and before the start of the 2013/14 financial year, an MRP Statement confirming the approach to be adopted for the coming financial year. Any variation to this during the year requires a revised statement to be put to Council at that time.

2.0 ADUR DISTRICT COUNCIL MINIMUM REVENUE PROVISIONS (MRP) STATEMENT

- 2.5 For Adur Council it was approved by the Policy and Strategy Committee on 18 March 2008 that Option 2 be applied in respect of all capital expenditure funded by borrowing up to 31 March 2007, and that Option 3 be applied for new capital expenditure after this date. This was the approved approach adopted for 2012/13.
- 2.6 Additionally, the MRP Statement approved for 2012/13 contained provision for voluntary MRP for HRA debt. This was considered financially prudent given that the Council commenced 2012/13 at the Government's imposed HRA debt limit of £68.912m. The Council is not permitted to borrow in excess of this amount, and therefore is required to repay debt to facilitate new borrowing in future for capital investment.
- 2.7 It is proposed to continue with this approach for 2013/14, and to make annual MRP over for a period over 40 years on all HRA debt, being the estimated life of the Council Housing Stock (and in accordance with option 3). This will be funded from the Major Repairs Reserve which can be used to fund either the repayment of debt or capital expenditure. It is intended to transfer the annual depreciation charge into the Major Repairs Reserve which will be more than sufficient to cover this requirement.
- 2.8 For the General Fund the approach to MRP is proposed to remain the same in 2013/14 as for 2012/13, as per Para 2.5 above.
- 2.9 The implementation from 2010/11 of International Financial Reporting Standards (IFRS) may result in PFI schemes and leases being brought on balance sheet. Where this is the case the CFR will increase, which will lead to an increase in the MRP charge to revenue. MRP for these items will match the annual principal necessary to pay off the capital cost of the assets acquired over the term of the lease period.

SPECIFIED AND NON SPECIFIED INVESTMENTS
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SPECIFIED AND NON SPECIFIED INVESTMENTS**Specified Investments identified for use by the Council**

Specified Investments will be those that meet the criteria in the CLG Guidance, i.e. the investment

- is sterling denominated
- has a maximum maturity of 1 year
- meets the “high” credit criteria as determined by the Council or is made with the UK government or is made with a local authority in England, Wales and Scotland.
- the making of which is not defined as capital expenditure under section 25(1)(d) in SI 2003 No 3146 (i.e. the investment is not loan capital or share capital in a body corporate).

“Specified” Investments identified for the Council’s use are:

- Deposits in the DMO’s Debt Management Account Deposit Facility
- Deposits with UK local authorities
- Deposits with banks and building societies
- *Certificates of deposit with banks and building societies
- *Gilts : (bonds issued by the UK government)
- *Bonds issued by multilateral development banks
- AAA-rated Money Market Funds with a Constant Net Asset Value (Constant NAV)
- Other Money Market Funds and Collective Investment Schemes– i.e. credit rated funds which meet the definition of a collective investment scheme as defined in SI 2004 No 534 and SI 2007 No 573.

* *Investments in these instruments will be on advice from the Council’s treasury advisor.*

For credit rated counterparties, the minimum criteria, excepting for the Council’s own banker, (see below) will be the short-term / long-term ratings assigned by various agencies which may include Moody’s Investors Services, Standard & Poor’s, Fitch Ratings, being:

Long-term investments (365 days or more) : minimum: Aa3 (Moody’s) or AA- (S&P) or AA-(Fitch)

Or

Short-term investments (364 days or less) : minimum P-1 (Moody’s) or A-1 (S&P) or F1 (Fitch).

SPECIFIED AND NON SPECIFIED INVESTMENTS

SPECIFIED AND NON SPECIFIED INVESTMENTS

For the Council's own banker (Cooperative Bank Plc) investments shall be placed on a discretionary basis.

For all investments the Council will also take into account information on corporate developments of, and market sentiment towards, investment counterparties.

ADUR DISTRICT COUNCIL
SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

Instrument	Country & Sovereign Rating (at 21 Jan.13)	Counterparty	Maximum Limit of Investments £m
Term Deposits	UK – AAA	DMADF, DMO	No limit
Term Deposits/Call Accounts	UK – AAA	Other UK Local Authorities	No limit
Term Deposits/Call Accounts	UK – AAA	Santander (UK)	£4m
Term Deposits/Call Accounts	UK – AAA	Bank of Scotland/Lloyds	£4m
Term Deposits/Call Accounts	UK – AAA	Barclays	£4m
Term Deposits/Call Accounts	UK – AAA	Clydesdale	£4m
Term Deposits/Call Accounts	UK – AAA	HSBC	£4m
Term Deposits/Call Accounts	UK – AAA	Royal Bank of Scotland *	£4m
Term Deposits/Call Accounts	UK – AAA	Cooperative Bank	£4m or 25% of funds
Term Deposits/Call Accounts	Germany – AAA	Deutsche Bank AG	£3m
Term Deposits/Call Accounts	Australia – AAA	National Australia Bank	£3m
Term Deposits/Call Accounts	Spain – BBB	Banco Santander SA	£3m
Term Deposits/Call Accounts	US – AA+	JP Morgan	£3m
Gilts	UK - AAA	Debt Management office (DMO)	£3m or 25% of funds
Bonds	EU	European Investment Bank/Council of Europe	£3m or 25% of funds
AAA Rated Money Market Funds	UK/Ireland incorporated	Constant Net Asset Value MMFs	£5m or 30% of funds
Other MMFs and CIS	UK – AAA	Collective Investment Schemes	25%
Term Deposits	UK – AAA	Nationwide BS	£4m
Term Deposits	UK – AAA	Yorkshire BS	£2m

ADUR DISTRICT COUNCIL
SPECIFIED AND NON SPECIFIED INVESTMENTS

Specified Investments identified for use by the Council

New specified investments will be made within the following limits:

Instrument	Country & Sovereign Rating (at 21 Jan.13)	Counterparty	Maximum Limit of Investments £m
Term Deposits	UK - AAA	Coventry BS	£2m
Term Deposits	UK - AAA	Skipton BS	£2m
Term Deposits	UK - AAA	Leeds BS	£2m

NB Any existing deposits outside of the current criteria will be reinvested with the above criteria on maturity.

NB No more than 25% of funds shall be invested in Non-UK financial institutions whether by term deposits, call accounts or Money Market Funds, or any combination thereof.

The nominated triple A Money Market Funds (sterling denomination & stable net Asset Value) to be used for 2013/14 (up to a maximum limit of £3m per counterparty) are:

*BlackRock
 Deutsche Bank
 Federated PrimeRate
 Invesco
 Morgan Stanley*

Total deposits in Money Market Funds shall not exceed £5m or 30% of funds, whichever is the greater.

ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:

Having considered the rationale and risk associated with Non-Specified Investments, the following have been determined for the Council's use.

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
<ul style="list-style-type: none"> • Deposits with banks and building societies 	√		5 years	The higher of £8m or 50% of funds	No
<ul style="list-style-type: none"> • Certificates of deposit with banks and building societies 	√	√			
Gilts and Bonds: <ul style="list-style-type: none"> • Gilts • Bonds issued by multilateral development banks • Bonds issued by financial institutions guaranteed by the UK government • Sterling denominated bonds by non-UK sovereign governments 	√ √ √ √ (on advice from treasury advisor)	√ √ √ √	5 years	The higher of £3m or 25% of funds	No
Money Market Funds and Collective Investment Schemes (pooled funds which meet the definition of a collective investment scheme as defined in SI 2004 No. 534 and SI 2007, No. 573), but which are not credit rated.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date.	The higher of £5m or 30% of funds	No
Government guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test

SPECIFIED AND NON SPECIFIED INVESTMENTS
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**ADUR DISTRICT COUNCIL
NON-SPECIFIED INVESTMENTS DETERMINED FOR USE BY THE COUNCIL:**

	In-house use	Use by Fund Managers	Maximum Maturity	Maximum % of portfolio or £m	Capital Expenditure ?
Non-guaranteed bonds and debt instruments (e.g. floating rate notes) issued by corporate bodies	√ (on advice from treasury advisor)	√	5 years	The higher of £2m or 10% of funds	Subject to test
Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No. 534 or SI 2007, No. 573.	√ (on advice from treasury advisor)	√	These funds do not have a defined maturity date	The higher of £2m or 20% of funds	Subject to test

1. In determining the period to maturity of an investment, the investment is regarded as commencing on the date of the commitment of the investment rather than the date on which funds are paid over to the counterparty.
2. The use of the above instruments by the Council's fund manager(s) will be by reference to the fund guidelines contained in the agreement between the Council and the individual manager