

## OUTLINE FORECAST 2016/17 TO 2020/21 AND BUDGET STRATEGY REPORT BY CHIEF FINANCIAL OFFICER

### 1.0 SUMMARY

- 1.1 The purpose of this report is to outline the key financial challenges that the Councils will need to face over the next 3-5 years, propose a budget strategy for managing the emerging issues in 2016/17, and set a broad financial policy framework which will inform the Medium Term Financial Plan for the next 5 years.
- 1.2 In January 2014, the Joint Strategic Committee approved the direction of travel for the Councils set out the strategy document, 'Catching the Wave', along with the organisational changes required to 'get us into shape' and be better able to face the considerable challenges and opportunities in the medium term.
- 1.3 The 'Wave Catchers' set out in the strategy continue to provide the direction for all our work:
  - Supporting our wealth generators
  - Cultivating enterprising communities
  - Becoming an adaptive council

They are about capitalising on the opportunities presented during economic recovery, as investors look for opportunities, businesses seek to relocate and families look along the coast for better quality of life and more affordable properties. They are also about how our councils support communities to be more enterprising by providing information, infrastructure, networks and skills, and removing bureaucratic hurdles. And finally, our strategy sets us on a course to be shapers of our own destiny as central government funding rapidly reduces, driving radical efficiency through digitisation and smart commissioning, and creating new revenue streams through investment, commercialisation of services and better use of our assets.

- 1.4 The Councils understand the challenge ahead. This report demonstrates that we need to plan to be fully self-funding by 2020/21, as Revenue Support Grant is quickly removed. But our strategy is not simply to 'keep the books balanced' or 'deal with austerity', but to fundamentally rethink our role in our places and transform how services are delivered, increasing customer satisfaction.

## **1.0 SUMMARY**

- 1.5 Over the summer, the Operational Leaders Group (Heads of Service) will work with the Councils Leadership Team and through our new Strategic Boards, to develop a clear strategic programme of work to deliver against the financial targets which we map out in this report. This programme will be presented to Joint Strategic Committee for approval in December 2015. Known projects are outlined here and the full programme will be developed further in the coming months.

## **2.0 BACKGROUND**

- 2.1 Members will be aware that both Councils have successfully managed to maintain a balanced budget over the recent years despite considerable financial challenges. Both Councils have not increased Council Tax for the past five years, indeed in 2014/15 Adur District Council reduced Council Tax by 1%
- 2.2 However, the financial pressure continues. Revenue support grant will inevitably reduce and the Councils expect to receive a further reduction in overall government funding of around 5% in 2016/17, with further reductions in funding in the following four years. Local Government funding has changed substantially over the past four years and may continue to change over the lifetime of the new parliament.
- 2.3 With the recent general election, the future of government funding to local Councils is uncertain. The Chancellor of the Exchequer is due to present an emergency budget on the 8<sup>th</sup> July 2015. It is fully expected that this will include further measures to address austerity; however the impact on local government is unknown at this stage. Nevertheless, given various policy announcements, it is inevitable that overall funding from Government will reduce in future.
- 2.4 Members are being asked to consider the 2016/17 strategy at an early point in the year to enable the council to plan ahead. In addition, given the difficult prospects for the next five years, the focus over the coming months will be on developing the strategy further to balance the budget in the medium term.
- 2.5 There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met.

## **3.0 FINANCIAL CONTEXT**

### **3.1 National context and external factors**

Members are well aware of the challenges presented by the 2010 Comprehensive Spending Review which detailed an overall reduction in funding for Local Government of 28% in real terms over the four years 2011/12 – 2014/15. This trend was continued on in the Comprehensive Spending Review announced on the 26<sup>th</sup> June 2013 which confirmed that the reduction would continue on into 2015/16.

### 3.0 FINANCIAL CONTEXT

#### 3.1 National context and external factors

At this point of time, with a new government, it is difficult to be certain about the level of funding for 2016/17 onwards. However, it was clear from the Budget 2015 that overall spending in the public sector is set to reduce significantly over the next two years:

***'... we need to achieve the £30 billion further savings that are necessary by 2017-18. I am clear exactly how that £30 billion can be achieved.***

***£13 billion from government departments.***

***£12 billion from welfare savings.***

***£5 billion from tax avoidance, evasion and aggressive tax planning.'***

***Chancellor George Osborne's Budget 2015 speech***

More recently, comments from the Chancellor would indicate that the scale of the reduction may be even greater.

***'We have a budget deficit that remains, at just shy of 5% of national income, one of the highest in the developed world. Our national debt stands at over 80% of GDP. This year, for the first time since the beginning of this century, it is set to fall – because of the effort we have made. If we ease off now it won't fall, but continue to rise. So that is why, last week, my cabinet colleagues and I found further savings of £3 billion in government departments. Some people were surprised that we acted so swiftly after returning to office.***

***I trust that they will not be surprised when we act again in the Budget next month to find further savings in public expenditure.'***

***Chancellor George Osborne's Mansion House speech***

Many commentators now believe that by 2020/21 revenue support grant will cease. So whilst we are uncertain about the scale and timing of the reductions, the direction of travel is clear.

Members are also reminded that the Budget in 2013 contained one more announcement which will impact on the 2016/17 budgets:

- The Budget 2013 confirmed that from 2016-17 the ability for members of a defined benefit occupational pension scheme to 'contract out' of the State Second Pension will end. The end of the National Insurance discount when the flat rate pensions come in is expected to cost to the public sector as a whole £1.4bn and local government will be expected to absorb its share. The cost to the Councils will be approximately 3.4% of the pay bill.

Consequently, the Councils will see no easing of the financial pressures in the medium term.

### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

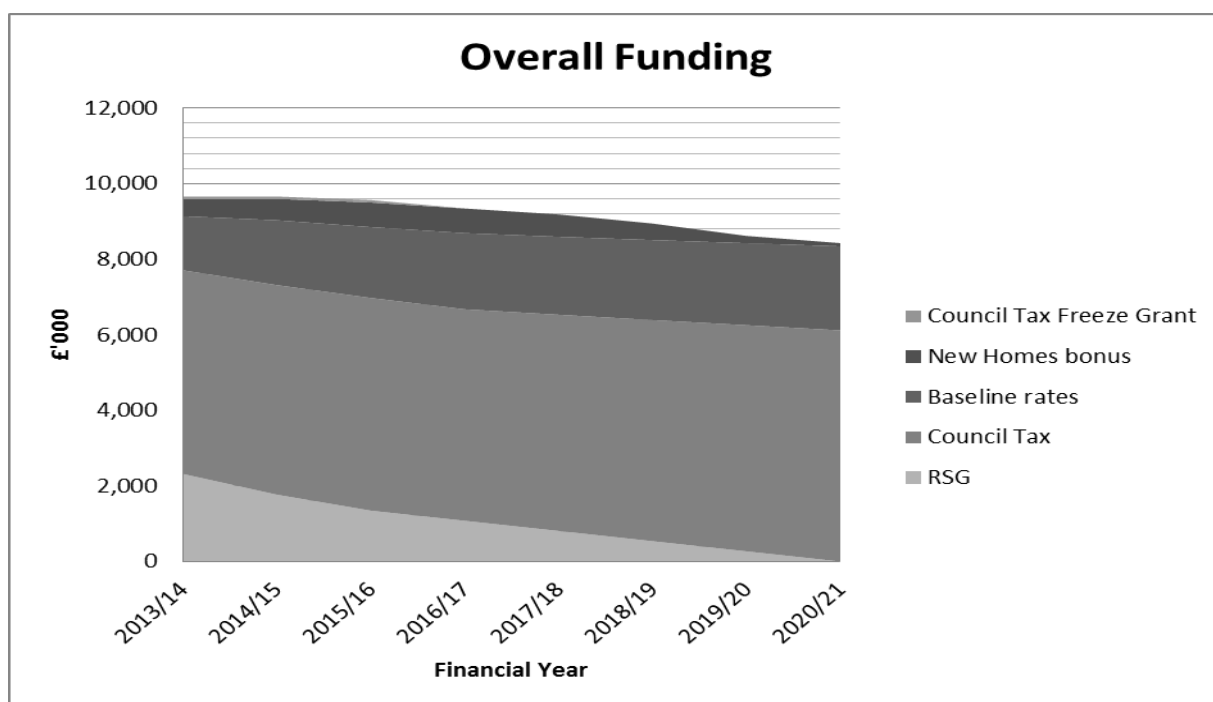
The Local Government Finance landscape has changed profoundly over the last three years due to three factors:

- The introduction of Business Rate Retention Scheme
- Localising Council Tax Support (Council Tax Benefit)
- The continuing reduction in Revenue Support Grant

The Councils now receives four distinct major funding streams which are discussed more fully later in the report:

- Revenue Support Grant;
- Business Rates;
- New Homes Bonus; and
- Council Tax

The make-up of funding to the Councils is changing with increasing proportions coming from Council Tax and the Business Rate Retention Scheme. The future of the New Homes Bonus is unclear and it is not expected to continue in its current form. Revenue Support Grant will reduce significantly over the next 5 years and may cease by 2020/21.



(Note: Using Adur District Council as an example)

### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

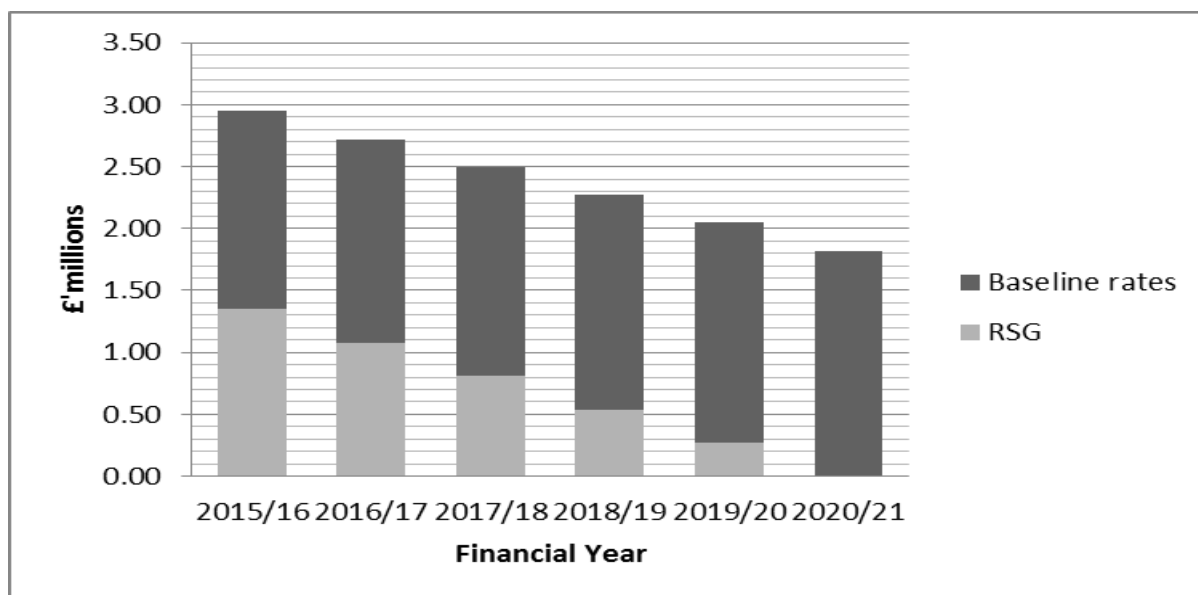
These changes to local government funding have influenced how the Councils view both the building of new homes and the creation of new employment space - our broader role in the wider system is clear - and this is reflected in what the Councils need from the senior leadership in working with partners, businesses and investors to shape opportunities for growth. The increasing importance of economic development to the Council is reflected in the priorities set out in 'Catching the Wave'.

##### 3.2.1 Revenue Support Grant

Since 2010 the Councils have seen government funding reduce by over 50%, although the picture is obscured by the number of grants that have been consolidated recently into the base grant and the introduction of the Business Rate Retention Scheme.

Looking further ahead, it is expected that trend of reducing Revenue Support Grant will continue with Revenue Support Grant ceasing in 2020/21

#### **Adur District Council - Total core government funding over time**

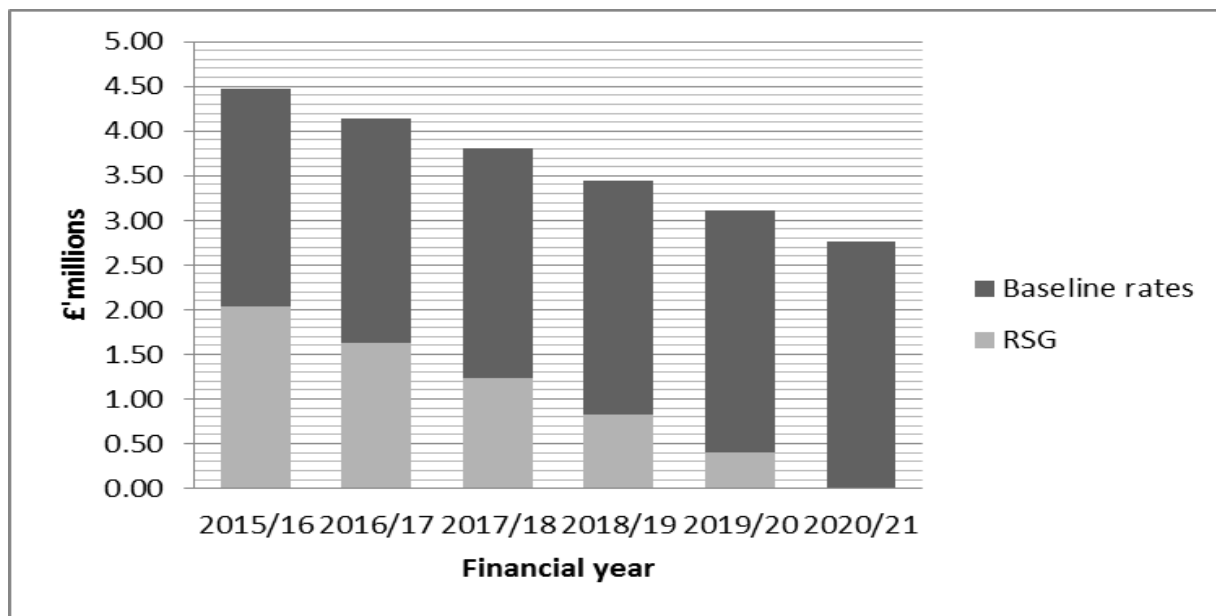


### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

##### 3.2.1 Revenue Support Grant

#### Worthing Borough Council - Total core government funding over time



Within the outline forecast the following fall in Revenue Support Grant is assumed.

2016/17	2017/18	2018/19	2019/20	2019/20
-20%	-20%	-20%	-20%	-20%

However, the overall reduction is very much dependent on the forthcoming Emergency Budget and how this impacts on the future of Local Government Finance. This will be reassessed once the details are known.

A 1% difference in grant in 2015/16 is now equivalent to £10,400 for Adur District Council and £16,300 for Worthing Borough Council.

##### 3.2.2 Baseline Funding and Business Rates Retention

2013-14 saw the introduction of the Business Rates Retention Scheme. There are two aspects of this scheme which will influence the Councils budget:

#### 1. **Baseline funding:**

The minimum amount of funding from business rates that the Council can keep in any given year is known as 'baseline funding'. Baseline funding is set to increase with inflation every year under the new system

### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

##### 3.2.2 Baseline Funding and Business Rates Retention

###### 1. Baseline funding:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Adur	1,604	1,644	1,685	1,727	1,771	1,815
Worthing	2,444	2,505	2,568	2,632	2,698	2,765

###### 2. Target income from Business Rates:

Every year the Councils are now set a target by Government of how much business rates to collect. If this target is exceeded, the Council can keep 20% of the additional income. If there is a shortfall, then the Councils will have to make up 40% of the difference, although the maximum loss of income is limited to 7.5% of baseline funding.

The Councils have developed a five year model for business rate income which underpins the 5 year medium term financial plan. This includes the impact of larger developments currently being built and any new charitable reliefs being awarded. A summary of the expected additional business rates is detailed below:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Adur	270	372	378	390	401	408
Worthing	234	343	346	359	368	373

Further details can be found in **Appendix 3**.

Members should be aware that there is significant volatility around such aspects of the system, as appeals, which make it difficult to forecast income with accuracy.

One of the features of the new system is that the Councils determine how much Business Rate income that they are entitled to from the Collection Fund at the outset of the new financial year. Once set, this total cannot be changed irrespective of any changes to the net business rate income within the year. Any surplus or deficit, due the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated.

### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

##### 3.2.2 Baseline Funding and Business Rates Retention

#### 2. Target income from Business Rates:

It is intended to reforecast the business rate income over the summer months and to project forward the impact of new developments where planning permission has been granted but building has not yet started. There are a number of developments in progress which will ultimately benefit the Councils. These include:

- The Parcellforce site in Adur – Expected completion date is June 2017.
- A Biomass Plant in Adur – Expected to start in 2016 with a completion date 2 years afterwards.
- Union Place in Worthing – A planning application is expected in October 2015. The development will take 3 – 4 years to complete once planning permission has been granted.
- Teville Gate in Worthing – A planning application is expected by the end of the year. The development will take 3 – 4 years to complete once planning permission has been granted.

Clearly, if the business rate income improves in 2015/16, then the surplus could be used to support the budget in 2016/17.

Finally members should be aware that there is a business rate revaluation planned for 2017 and it is difficult to predict what impact this will have on the business rate retention scheme.

##### 3.2.3 New Homes Bonus

The Coalition Government introduced the New Homes Bonus in 2011/12 which is specifically targeted at rewarding increases in the Council Tax base and dealing with empty properties. Both Councils will continue to benefit from this as each year's grant allocation is paid over a 6 year period as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Adur	652	652	590	437	193	86
Worthing	1,081	1,081	808	636	416	246



### 3.0 FINANCIAL CONTEXT

#### 3.2 How Council funding is changing:

##### 3.2.3 New Homes Bonus

It is uncertain what will happen to the New Homes Bonus in 2016/17 with a new Government in place. The original scheme was for the duration of the current Comprehensive Spending Review, which ends in 2015/16, with no commitment beyond that. One dilemma faced by Government is that the overall funding available to Local Government is being reduced; consequently there is a question about for how long the Government will be able to financially sustain the scheme.

The current forecast assumes that the Council will not benefit from any further tranches of New Homes Bonus grant from 2016/17 onwards.

##### 3.2.4 Council Tax

Council Tax is now the Councils' major source of income. By 2020/21 it will be over 65% of the total general income received by the councils. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

The Councils have frozen or reduced Council Tax over the past five years in line with Government policy. However, in the past, the Councils have been partially reimbursed for this loss of income through Council Tax Freeze Grant. It is by no means certain whether Council Tax Freeze Grants will continue.

The Councils are well aware of the long term consequences of these decisions. Looking ahead the decision whether or not to increase Council Tax will have inevitable consequences for the Councils, especially if the loss of the income is not partially compensated for by Council Tax Freeze Grant.

<b>ADUR DISTRICT COUNCIL</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Council Tax income if Council Tax is increased by 2.0% each year	£'000 5,596	£'000 5,722	£'000 5,851	£'000 5,983	£'000 6,117
Council Tax income if Council Tax is frozen each year	5,486	5,500	5,514	5,527	5,541
<b>Income foregone</b>	<b>110</b>	<b>222</b>	<b>337</b>	<b>456</b>	<b>576</b>

<b>WORTHING BOROUGH COUNCIL</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Council Tax income if Council Tax is increased by 2.0% each year	£'000 8,088	£'000 8,283	£'000 8,482	£'000 8,678	£'000 8,887
Council Tax income if Council Tax is frozen each year	7,929	7,961	7,993	8,017	8,049
<b>Income foregone</b>	<b>159</b>	<b>322</b>	<b>489</b>	<b>661</b>	<b>838</b>

### 3.0 FINANCIAL CONTEXT

#### 3.2.4 Council Tax

Clearly the loss of income will have an impact on the budget shortfall which would add to the level of savings required for the future:

<b>ADUR DISTRICT COUNCIL</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Expenditure	10,561	10,991	11,444	11,814	12,350
Total income from grants and taxation with a 2% Council Tax increase	-9,342	-9,184	-8,944	-8,617	-8,426
<b>Expected budget shortfall</b>	<b>1,219</b>	<b>1,807</b>	<b>2,500</b>	<b>3,197</b>	<b>3,924</b>
Net Expenditure	10,561	10,991	11,444	11,814	12,350
Total income from grants and taxation with a 1% Council Tax increase	-9,287	-9,073	-8,774	-8,386	-8,132
<b>Expected budget shortfall</b>	<b>1,274</b>	<b>1,918</b>	<b>2,670</b>	<b>3,428</b>	<b>4,218</b>
<b>Increase in shortfall</b>	<b>55</b>	<b>111</b>	<b>170</b>	<b>231</b>	<b>294</b>
Net Expenditure	10,561	10,991	11,444	11,814	12,350
Total income from grants and taxation with a 0% Council Tax increase	-9,232	-8,962	-8,607	-8,161	-7,850
<b>Expected budget shortfall</b>	<b>1,329</b>	<b>2,029</b>	<b>2,837</b>	<b>3,653</b>	<b>4,500</b>
<b>Increase in shortfall</b>	<b>110</b>	<b>222</b>	<b>337</b>	<b>456</b>	<b>576</b>

<b>WORTHING BOROUGH COUNCIL</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net Expenditure	14,962	15,659	16,416	17,078	17,824
Total income from grants and taxation with a 2% Council Tax increase	-13,651	-	-	-	-
	13,231	12,926	12,569	12,271	
<b>Expected budget shortfall</b>	<b>1,311</b>	<b>2,428</b>	<b>3,490</b>	<b>4,509</b>	<b>5,553</b>
Net Expenditure	14,962	15,659	16,416	17,078	17,824
Total income from grants and taxation with a 1% Council Tax increase	-13,572	-	-	-	-
	13,069	12,679	12,233	11,844	
<b>Expected budget shortfall</b>	<b>1,390</b>	<b>2,590</b>	<b>3,737</b>	<b>4,845</b>	<b>5,980</b>
<b>Increase in shortfall</b>	<b>79</b>	<b>162</b>	<b>247</b>	<b>336</b>	<b>427</b>
Net Expenditure	14,962	15,659	16,416	17,078	17,824
Total income from grants and taxation with a 0% Council Tax increase	-13,492	-	-	-	-
	12,909	12,437	11,908	11,433	
<b>Expected budget shortfall</b>	<b>1,470</b>	<b>2,750</b>	<b>3,979</b>	<b>5,170</b>	<b>6,391</b>
<b>Increase in shortfall</b>	<b>159</b>	<b>322</b>	<b>489</b>	<b>661</b>	<b>838</b>

### 3.0 FINANCIAL CONTEXT

#### 3.2.4 Council Tax

However, the decision whether to freeze Council Tax is a finely balanced one. The Council has a policy of keeping Council Tax low and the cost of freezing council tax in any particular year is fairly low, but the cumulative impact is growing. Therefore the Councils are faced with the dilemma of increasing Council Tax or finding additional savings to support another Council Tax freeze.

Indeed the budget consultations, over the last couple of years, indicate that the local communities were increasingly supportive of a Council Tax increase, when the following question was asked:

*'The Councils have managed to freeze Council Tax for the past three years, despite a reduction in government grant of over 40%. Both Councils expect a further reduction in a grant for 2015/16 of around 20% which is equivalent to £516,000 for Adur District Council and £778,000 for Worthing Borough Council.'*

With this in mind, would you prefer...

	Adur District Council		Worthing Borough Council	
A small increase which will help the Councils to protect priority services	1,106	64.1% (58.8% in 2014/15)	1,671	64.9% (60.9% in 2014/15)
To freeze Council Tax for the fourth year in a row and cut services	620	35.9% (41.2% in 2014/15)	904	35.1% (39.1% in 2014/15)

Finally, Members are reminded that there will be a referendum limit. The Chancellor has yet to announce the referendum limit for 2016/17. However, the limit has been 2% for the past two years.

So, even if the Councils were minded to increase Council Tax, there is an imposed limit on the actual increase that the Councils can make. Members should be aware that a 1% change in Council Tax is equivalent to £54,900 in Adur and £79,300 in Worthing for 2016/17.

The current outline forecasts assume that the Councils will set the following increases over the next 5 years:

2016/17	2017/18	2018/19	2019/20	2020/21
2.0%	2.0%	2.0%	2.0%	2.0%

However in recognition of the difficult financial position that many local residents experience this can be reduced if sufficient savings are found, or the reduction to local government finance is not as severe as expected.

### 3.0 FINANCIAL CONTEXT

#### 3.3 Reserves Position:

Both Councils have a clear policy to maintain balances at a minimum level of 6% and a maximum level of 10% of net expenditure. The level of General Fund working balance as at the 1<sup>st</sup> April 2015 is estimated to be:

	<b>Adur</b>	<b>Worthing</b>
	<b>£'000</b>	<b>£'000</b>
Working balance	459	844
Net budget	9,565	13,783
Percentage held	4.8%	6.1%

With the overspend in 2014/15, Adur District Council has fallen below the target level of reserves, consequently the first call on any underspend in future years will be sufficient funding to top the working balance back up to the minimum level of 6%.

In addition to the General Fund reserves, the Councils can access other major reserves to help smooth the impact of Council Tax increases and levels of savings necessary:

- The Capacity Issues Fund which was set up to help the Council cope with a range of cost pressures including cushioning the impact of the recession and to fund one-off initiatives (both Adur District Council and Worthing Borough Council);
- The Special and Other Emergency Expenditure Reserve which was set up to fund any strategic or one-off expenditure that may arise (both Adur District Council and Worthing Borough Council).

Assuming that no further withdrawals are approved from these reserves, it is estimated that the balance available to support the budget will be:

	<b>Adur District Council</b>		<b>Worthing Borough Council</b>	
	<b>Balance as at 31-Mar-15</b>	<b>Uncommitted resources*</b>	<b>Balance as at 31-Mar-15</b>	<b>Uncommitted resources*</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capacity Issues Reserve	443	98	769	251
Special and other emergency expenditure reserve	288	288	42	42
<b>TOTAL</b>	<b>731</b>	<b>386</b>	<b>811</b>	<b>293</b>

### 3.0 FINANCIAL CONTEXT

#### 3.3 Reserves Position:

- \* This allows for approvals to use the resources from 2015/16 onwards including the funding of carry forwards, the continuing impact of the New Ways of Working project, and the digital strategies. It does not allow for any contributions to reserves arising from underspend.

### 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.1 The Councils have a number of key financial issues that need to be addressed over the coming 5 years. Most of these were highlighted in the revenue budget report presented to Members earlier this year, and arise not from increasing service levels or delivering new services, but simply from maintaining current services. The most significant of these impacts are detailed below:

#### 4.2 Pay and Prices

4.2.1 The largest source of cost pressure comes from inflation. General inflation is currently at 0.1% (CPI) which is below the target 2% set by the Bank of England. The Bank of England expects inflation to continue to stay just below the threshold in 2015/16 and gradually move back towards the 2% target rate in 2016/17.

The following pay and price inflation allowances have been built into the 5-year forecast which reflects the forecast provided by the Bank of England:

	2016/17	2017/18	2018/19	2019/20	2020/21
	%	%	%	%	%
Pay*	2	2	2	2	2
Supplies & Services	1	2	2	2	2
Income	2	2	2	2	2

- \* An additional allowance for increments has been included in each of the budgets as follows:

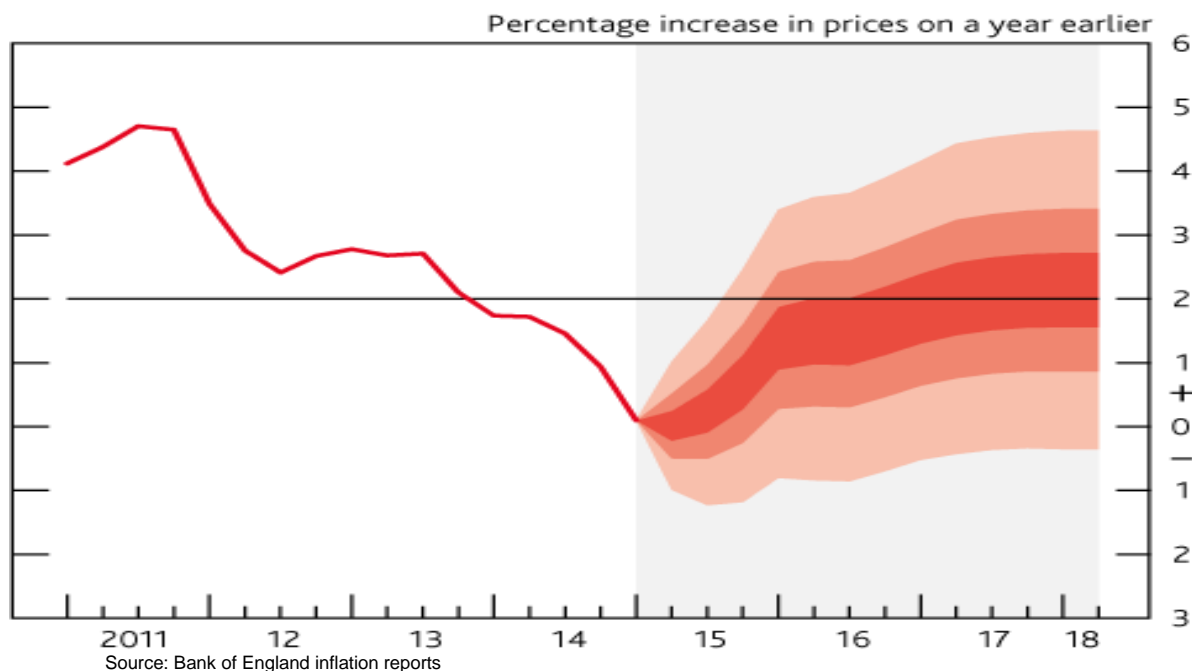
Adur	Worthing	Joint Strategic Committee
£'000	£'000	£'000
50	160	325

Increment costs have increased in recent years due to the impact of regradings and moving staff to the single pay structure. This is reassessed annually.

## 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

### 4.2 Pay and Prices

Forecast year on year inflation (CPI) as at May 2015:



Overall net pay and price inflation is expected to add to the base budget in 2016/17 which will aggregate up until 2020/21 as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Adur*	314	658	1,013	1,369	1,746
Worthing*	437	1,013	1,608	2,213	2,847
<b>Note:</b>					
Joint Services	609	1,388	2,189	2,997	3,844
* (included above)					

Income is assumed to increase by 2.0% in 2016/17 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation at this early point in the year. A 1% difference in the inflation assumptions is equivalent to:

	Adur	Worthing	Joint
	£'000	£'000	£'000
Pay	26	59	205
Supplies and Services	26	110	41
Income	-40	-184	-30
<b>Total</b>	12	-15	216
<b>Share of joint inflation</b>	86	130	-216
<b>OVERALL TOTAL</b>	98	115	0

## 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

### 4.3 Pension Costs

The last revaluation of the pension fund was in 2013/14 and will increase the employer's contribution with the increase introduced in phases over the three years 2014/15 – 2016/17. The total West Sussex fund was 86.4% funded at this valuation.

Overall, the pension costs are set to increase as follows:

Cumulative pension increase:	2016/17	
	%	£'000
Adur*	1.0%	70
Worthing*	0.5%	97
<b>Note:</b> Joint Services * (included above)	1.0%	195

The pension fund is due to be revalued again in 2016/17.

### 4.4 Impact of the Capital Programme

The General Fund capital programmes are currently funded through a combination of prudential borrowing and capital receipts supplemented by specific grants and contributions. The five year forecast assumes a programme of £1.0m per year for Adur District Council and £1.5m for Worthing Borough Council. This reflects concerns about affordability in the medium term.

In addition, within the capital strategy, Adur District Council has allocated £3.7m to the Housing Investment Programme for Adur Homes

Each £1m of borrowing is estimated to cost £22,500 in the first year and £110,000 the year after, although the cost is dependent on the prevailing rate of interest and the life of the asset acquired. (Based on a 4.5% interest cost and 15 year asset life)

### 4.5 Interest rates

The prospects for interest rates have improved slightly recently due to improvements in the economy, although our treasury management advisors consider that the increases will be limited and gradual. It is unlikely that the rates will revert back to 5% in the medium term, the rate seen before the 2008 banking crisis. Built into the 5 year forecasts are the following assumptions regarding average interest rates:

	2016/17	2017/18	2018/19	2019/20	2020/21
Average interest rates	1.00%	1.50%	1.75%	2.00%	2.25%

Each 1% change in interest rates is equivalent to £100,000 (based on £10,000,000 investments).

## 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

### 4.6 Councils' Budget and Shortfall:

4.6.1 A summary of the position for 2016/17 is therefore:

	Adur	Worthing
	£'000	£'000
<b>Main cost pressures:</b>		
Inflationary pressures in excess of the likely increase in Council Tax	190	247
<b>Changes in Government Funding</b>		
Reduction in Revenue Support Grant	333	495
Increase in income from business rates	-142	-170
<b>Overall change to government funding</b>	<b>191</b>	<b>325</b>
<b>Other items:</b>		
Impact of changes to National Insurance	252	405
Net impact of the capital programme	196	188
Impact of reduced interest rates	-14	-7
Impact of pension fund valuation	70	97
Reinstatement of Elections budget	42	-
Additional maintenance costs associated with Splashpoint swimming pool	-	60
Splashpoint - Impact of sale of Aquarena site	-	-150
Provision for new growth items	76	128
Removal of surplus / deficit on collection fund	156	-3
Removal of one-off contributions to reserves	-40	-79
Contingency	100	100
<b>Overall savings to be met from a combination of increased income, efficiency savings and reductions in lower priority services.</b>	<b>1,219</b>	<b>1,311</b>

**Note:** This breakdown of the cost pressures is given at the early point in the financial year; consequently a contingency amount has been added for unidentified items and known budget risks. This will be stripped out as the year progresses.



## 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

### 4.6 Councils' Budget and Shortfall:

4.6.2 The overall estimated budget shortfall for both Councils is expected to increase for the next five years is as follows:

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Adur*</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	1,219	1,807	2,500	3,197	3,924
Annual shortfall	1,219	588	693	697	728
Total net budget	9,342	9,184	8,944	8,617	8,426
Annual savings as a percentage of overall net budget (%)	13.05%	6.40%	7.75%	8.09%	8.64%

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Worthing*</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	1,311	2,428	3,490	4,509	5,553
Annual shortfall	1,311	1,117	469	552	584
Total net budget	13,651	13,231	12,926	12,569	12,271
Annual savings as a percentage of overall net budget (%)	9.60%	8.44%	8.22%	8.11%	8.51%

	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Joint Services**</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative Shortfall	2,516	4,131	5,637	7,127	8,633
Annual shortfall	2,516	1,615	1,506	1,490	1,506
Total income estimate	20,571	19,749	19,058	18,391	17,747
Annual savings as a percentage of overall net budget (%)	12.20%	8.20%	7.90%	8.10%	8.50%

\* Both the forecast for Adur District Council and Worthing Borough Council include the respective share of the cost of the Joint Strategic Committee.

\*\* The overall income to the joint committee has been reduced in line with the average reduction for the constituent councils.

#### 4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

The full 5-year outline forecasts are shown at **Appendix 3**.

4.6.3 It is important to note that, at this early point in the year, the figures are indicative only and will certainly be changed as the year progresses. It is intended to present an updated picture in the autumn.

#### 4.7 Budget risks

In addition to the issues quantified above, there are also a two other key risks that Members should be aware of:

i) Building Maintenance DSO

The Adur Building Maintenance DSO overspent considerably in 2014/15. This service is currently being reviewed to ensure that, in future, the service meets its financial targets.

ii) Pay inflation

Whilst the 5 year forecast assumes a 2% pay increase for 2016/17, Members should be aware that this will be the fifth successive year of only limited pay increases for staff (other than increments for some). The Unions are becoming increasingly discontent at such limited pay increases and last year there was some industrial action. There is likely to be increasing pressure from the unions for higher increases in the future.

#### 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

5.1 The Councils will need to identify significant savings or deliver income growth over the next 5 years to balance the budget; this is without building any additional capacity to deliver new or improved services. It is proposed to reshape how the Councils approach the budget cycle and to increase the focus on the years ahead. The intention is to develop a 5-year programme in line with the Catching the Wave strategy. This programme will be shaped over the summer months by the new Strategic Boards and in light of the Emergency Budget due on July 8th 2015. The initial overall targets for this programme of work are:

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Strategic Property Fund	100	350	500	500	500	1,950
Income Growth	600	600	600	600	600	3,000
Recommissioning of services	104	120	0	0	0	224
Digital Programme	200	200	200	0	0	600
Other efficiencies	1,526	462	428	616	671	3,703
<b>Total savings to be identified</b>	<b>2,530</b>	<b>1,732</b>	<b>1,728</b>	<b>1,716</b>	<b>1,771</b>	<b>9,477</b>

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

5.2 The Councils will need to identify options to meet the budget shortfall for 2016/17 and beyond. The process will follow the four stages:

1. The Strategic Boards will be responsible for identifying proposals to meet a significant proportion of the savings targets to be considered by Council Leadership Team.
2. The “Budget Review Group” (joint cabinets) will consider the proposals to meet the 2016/17 budget shortfall which fit with the Councils’ priorities.
3. Consideration by Joint Overview and Scrutiny Committee of the options put forward with a view to commenting on the proposed savings than impact on the Worthing Borough Council budget. Joint Overview and Scrutiny Committee can also add to the list of proposed savings with additional options as considered appropriate.
4. Consideration by Joint Strategic Committee of which of the savings are to be used to fund the budget shortfall.

A flowchart with outline timescales for the 2016/17 budget is attached at **Appendix 1**.

5.3 There are several strands to the emerging medium term programme which are explored in more detail below. The Strategic Boards will be developing their programmes in more detail over the summer:

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

### 1. **Supporting Wealth Generators:**

The Councils will:

- i) Facilitate the creation of more employment and retail space thereby increasing business rates income ;

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

### 1. Supporting Wealth Generators:

- ii) Facilitate the delivery of new homes to increase Council Tax income and lever in any government reward grant (e.g. the successor to the New Homes Bonus). On average each new home built (Band C) will generate £211.19 for Adur District Council and £168.00 for Worthing Borough Council in Council Tax income. There are a significant number of potential developments being considered by both Councils;
- iii) Promote initiatives to increase employment and reduce the burden on the public purse associated with benefits and poverty.

### 2. Enterprising communities:

The Councils will:

- i) Seek to work closely with the voluntary sector in the delivery of Council Services through initiatives such as 'Rethinking Parks'.
- ii) The Councils will seek cost effective service delivery vehicles. For example through setting up local trusts such as Southdown Leisure.
- iii) The Councils will commission services in the most cost-effective manner and will investigate co-commissioning with other partner organisations.

### 3. Adaptive Councils:

#### a. Digital Strategy:

The Councils have embarked on a radical digital transformation programme as approved by the Joint Strategic Programme on the 2<sup>nd</sup> December 2014. The report proposed a programme of work designed to lever in significant savings over the next 3 years as follows:

	2016/17	2017/18	2018/19	2019/20 and beyond
	£'000	£'000	£'000	£'000
Annual Savings	200	200	200	-
Cumulative impact	200	400	600	600

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

### 3. Adaptive Councils:

#### b. Commercial Services:

There are three elements to this area of work:

- Existing fee earning services will be reviewed:
  - Services which either have fees set by central government or can only breakeven by statute will be reviewed to ensure that income is sufficient to cover costs. This includes Land Charges, Building Control and Development Management.
  - Services which have an agreed public subsidy (e.g. theatres) will be reviewed to ensure that the net cost of the service can be contained within the agreed subsidy and that the subsidy is reduced over time.
  - Services which operate on a commercial basis will be encourage to maximise profit margins where possible.
- The Councils will look for new income generating opportunities. Examples of potential projects include the construction of a pet crematorium.

A target increase in income from commercial activities has been agreed. It is expected that this strand of work will generate an additional £600k per annum which, if achieved, will be a substantial contribution to resolving the budget shortfall.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Annual Savings	600	600	600	600	600
Cumulative impact	600	1,200	1,800	2,400	3,000

#### c. Efficiency reviews

A number of services are currently going through a review with the intention of re-engineering how the service is delivered. Four reviews have been completed; Communications, Human Resources, Legal and Theatres. More will follow over the summer months.

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

### 3. Adaptive Councils:

#### c. Efficiency reviews

In addition, there are still two outstanding strands of the New Ways of Working project to complete, namely:

- The completion of the Adur civic presence which is currently due to finish in September 2015; and
- The sale of Adur Civic Centre.

Without the completion of these strands, Adur District Council will not lever in the expected financial benefits. The overall project is currently being financially reviewed and an update of the financial performance of the project will be included as part of the next budget update report.

#### d. Procurement review

In line with the Councils priority to 'Drive continual improvement and efficiencies in services particularly in procurement and contract management', the Council is working with IESE to review the Councils approach to procurement with a view to:

- reviewing the current Procurement Strategy;
- undertaking a detailed financial analysis of the Councils' external spend and indications of where procurement savings are likely;
- identifying the potential for negotiating existing contracts to realise efficiencies.

The clear intention is to identify potential 'procurement savings' within existing budgets where possible thereby protecting front-line services.

### 4. Strategic Property Fund:

- i) The Council will look for development opportunities for owned land. For example both Councils own land which could be developed in partnership to provide accommodation or commercial property which could be rented out to generate an income stream which potentially could exceed that generated through investment of any sale proceeds.
- ii) The Councils will look for the opportunity to acquire or develop new commercial properties. To facilitate this, within the capital strategy, it is proposed that the Councils set up a Strategic Investment Fund and seek opportunities that will generate a return of 5% after allowing for any financing costs.

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

### 4. Strategic Property Fund:

Per Council	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Planned level of capital investment	2,000	5,000	5,000	5,000	5,000
Expected cumulative return (after debt charges)	50	225	475	725	975

### 5. Base budget review

Adur District Council overspent considerably in 2014/15 whilst Worthing Borough Council under spent marginally. Once the cost pressures associated with the regradings, building maintenance and rent reviews are stripped out, there was an underlying underspend in the rest of the services.

	Under / Over (-) spend	Underlying Position
	£'000	£'000
Adur	399	-262
Worthing	-122	-466

Whilst a considerable proportion of these savings have already been built into the 2015/16 budget, there are still areas of under spend and additional income which can be used to contribute to the overall budget shortfall. As part of this work, the current vacancy saving target will be revisited.

5.4 Given the scale of the emerging financial challenges over the next 5 years, in tandem with the above, the Councils will also need to carefully consider which of the discretionary services contribute to the Councils' overall priorities and progressively move support away from non-priority services.

5.5 The Councils currently have uncommitted reserves of:

	£'000
Adur	386
Worthing	293

So, there remains a limited option to use some reserves to smooth the impact of the savings required. However, any use of reserves can only be regarded as a short-term and non-sustainable solution and should have due regard to the level of reserves available. At this point of time in the budget cycle, it is not proposed to use reserves to balance the budget for 2016/17, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Councils have a clearer understanding of the financial challenges ahead.

## 5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2016/17 AND BEYOND

5.6 To ensure that the savings offered later in the year reflect the Councils' priorities, all the proposals which affect Worthing will also be presented to the Joint Overview and Scrutiny Committee for consideration and comment.

## 6.0 2017/18 AND BEYOND

6.1 The budget projections for 2016/17 to 2020/21 are also shown in **Appendix 3**. It is clear that many of the cost pressures identified in 2016/17 will continue on for the coming years and that there is a continuing need to make significant savings.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
<b>Adur District Council</b>					
Estimated cumulative savings required to balance the budget	1,219	1,807	2,500	3,197	3,924
Savings required each year	1,219	588	693	697	728

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
<b>Worthing Borough Council</b>					
Estimated cumulative savings required to balance the budget	1,311	2,428	3,490	4,509	5,553
Savings required each year	1,311	1,117	469	552	584

6.2 It is an inherent feature of the budget strategy that officers are asked to identify annual "cashable" efficiency and procurement savings to help meet the budget gap and to protect priority services. But the scale of the problem continues to be significant and efficiency savings will only meet part of the shortfall.

6.3 Consequently, there will be a focus in 2015/16 on balancing the budget through efficiency savings, proposed changes to services arising from the current service reviews, focussing resources on priority areas and possibly through the use of reserves.

6.4 Challenging times are ahead and the Councils will need to continue to critically review the services, to focus limited resources on priorities, and to ensure the savings continue to be delivered.



## **7.0 HOUSING REVENUE ACCOUNT**

- 7.1 The Housing Revenue Account (HRA) has a 30-year financial plan which was included in the rent setting report considered in February this year. It is not intended to replicate those financial projections within this report but update the forecast later once the asset management plan has been refreshed.
- 7.2 Nevertheless, the HRA will be subject to the same budget process and strategy as outlined below.

## **8.0 CONSULTATION**

- 8.1 The budget consultation this year will be undertaken over the summer. The final form of the consultation is not yet decided, but it will include elements of the statutory consultation required for the local Council Tax Support Scheme if required.
- 8.2 The Adur Consultative Forum (tenant's forum) will be consulted on regarding any proposed changes to the HRA.

## **9.0 BUDGET STRATEGY FOR THE 2016/17 BUDGET**

- 9.1 A detailed budget strategy now needs to be agreed, to underpin the preparation of the budget throughout the coming months and to reflect the discussion outlined above. The following are recommended as principles to be used in the preparation of the 2016/17 revenue and capital budgets:

### **9.2 Revenue Budget Strategy**

- The Councils aim to be self-sufficient by 2020/21 and reliant only on income from Council Tax and Business Rates
- The Councils will aim to keep Council Tax increases to a minimum;
- The Councils will seek to increase income from business rates and council tax by facilitating the creation of new homes and employment space.
- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Councils' Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (2.0%) or such higher increase as the individual markets can bear;

## 9.0 BUDGET STRATEGY FOR 2015/16

### 9.2 Revenue Budget Strategy

- Expenditure is to be increased by: 2% for pay (plus an allowance has been made for increments which are a contractual commitment) and 1% for all other expenditure (except for inflation arising from contractual indexation provisions and energy for which an appropriate provision is to be made);
- The Council aims to set a balanced budget. Any proposed use of reserves is to have regard to the adequacy of such reserves and any such policy must be sustainable in the longer term. In addition, the Council aims not to have any planned call upon the General Fund Working Balance;
- Officers are to identify 'cashable' efficiency savings, options for reducing non-priority services, and undertake a critical review of income.

### 9.3 Capital Investment Programme

- A maximum level of funding be made available per year for the next 5 years to fund new General Fund schemes as follows:

Adur District Council: £1m core funding with the addition of £1.6m in 2016/17 to fund the replacement of the refuse and recycling vehicles (plus £3.6m for the Housing Investment Programme)

Worthing Borough Council: £1.5m core funding with the addition of £2.9m in 2016/17 to fund the replacement of the refuse and recycling vehicles

- The funding of the programme is to be comprised of prudential borrowing and capital receipts. This reflects concerns about affordability; however members need to be aware that the number, age and condition of the Council's assets continue to be a cause for concern.
- Additional capital expenditure to be only agreed where additional funding from capital grants, contributions, earmarked receipts approved additional prudential borrowing or use of reserves has been secured.

## 10.0 LEGAL IMPLICATIONS

- 10.1 The Council is required to set a robust budget under the Local Government Act 2003. This report is the first step towards the Council achieving this aim for the 2016/17 budget.

## **11.0 CONCLUSIONS**

- 11.1 As usual the budget is characterised by uncertainty. However it is inevitable that the Councils will continue to face significant reductions in expenditure year on year. The need to limit Council Tax increases coupled with a continued reduction in Government support means that the Councils will need to generate significant additional income or identify significant savings in the next 5 years to balance the budget. This is without building additional capacity to deliver some key new aims.
- 11.2 The Catching the Wave strategy is helping Adur and Worthing Councils play a vital place-shaping role in our communities. By focusing on wealth generation, enterprising communities and adapting the organisation, the Councils are fulfilling their civic roles as well as helping to secure their own future to help maintain key services. Increases in employment and business growth directly affect Councils' income through increased Council Tax take and Business Rate growth, underlining the importance of the growth agenda which is central to our strategy.
- 11.3 Our ambitious programme to digitise our services is already driving out efficiencies as well as improving the customer experience. And as we take opportunities to procure and commission more effectively and generate income from more of our services, we will increasingly take control of our destiny as central grant funding is removed. Our Councils are becoming national leaders around digital transformation, helping set a new, more flexible and cost effective operating environment for the future.
- 11.4 Our newly created Strategic Boards will play a key role in developing our medium term programme to achieve self-funding status by 2020, owning clear financial targets and encouraging innovation, introducing even stronger discipline around business case development and benefits realisation.

## **12.0 RECOMMENDATIONS**

- 12.1 Joint Strategic Committee is recommended to:**
- (a) Note the report and the outline 5-year forecasts in Appendix 3;**
  - (b) Approve the proposed budget process as set out in section 8 of the report;**
  - (c) Recommend to the Councils to approve the Budget Strategy for 2016/17 outlined in Section 10 of the report.**
- 12.2 The Joint Overview and Scrutiny Committee is asked to note the content of the report.**

## **Local Government Act 1972**

### **Background Papers:**

Report to Adur District Council Cabinet 3<sup>rd</sup> February 2015 - Estimates 2015/16 and setting of 2015/16 Council Tax

Report to Worthing Borough Council Cabinet 2<sup>nd</sup> February 2015 - Estimates 2015/16 and setting of 2015/16 Council Tax

Report to Joint Strategic Committee 7<sup>th</sup> July 2015 – Final Revenue Outturn for Joint, Adur and Worthing 2014/15.

Budget Statement 2013 – Report from HM Treasury

Budget Statement 2015 – Report from HM Treasury

Report to Joint Strategic Committee 2<sup>nd</sup> December 2014 – Investing in New Technology: The Springboard to Excellent Customer Experience and Business Efficiency

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## SCHEDULE OF OTHER MATTERS

### 1. **COUNCIL PRIORITY**

1.1 The budget underpins the achievement of all of the Councils' priorities.

### 2. **SPECIFIC ACTION PLANS**

2.1 The report sets the targets for the achievement of a balanced budget for 2016/17.

### 3. **SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

### 4. **EQUALITY ISSUES**

4.1 Matter considered and no issues identified

### 5. **COMMUNITY SAFETY ISSUES (SECTION 17)**

5.1 Matter considered and no issues identified

### 6. **HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

### 7. **REPUTATION**

7.1 Matter considered and no issues identified

### 8. **CONSULTATIONS**

8.1 Matter considered and no issues identified

### 9. **RISK ASSESSMENT**

9.1 Matter considered and no issues identified

### 10. **HEALTH and SAFETY ISSUES**

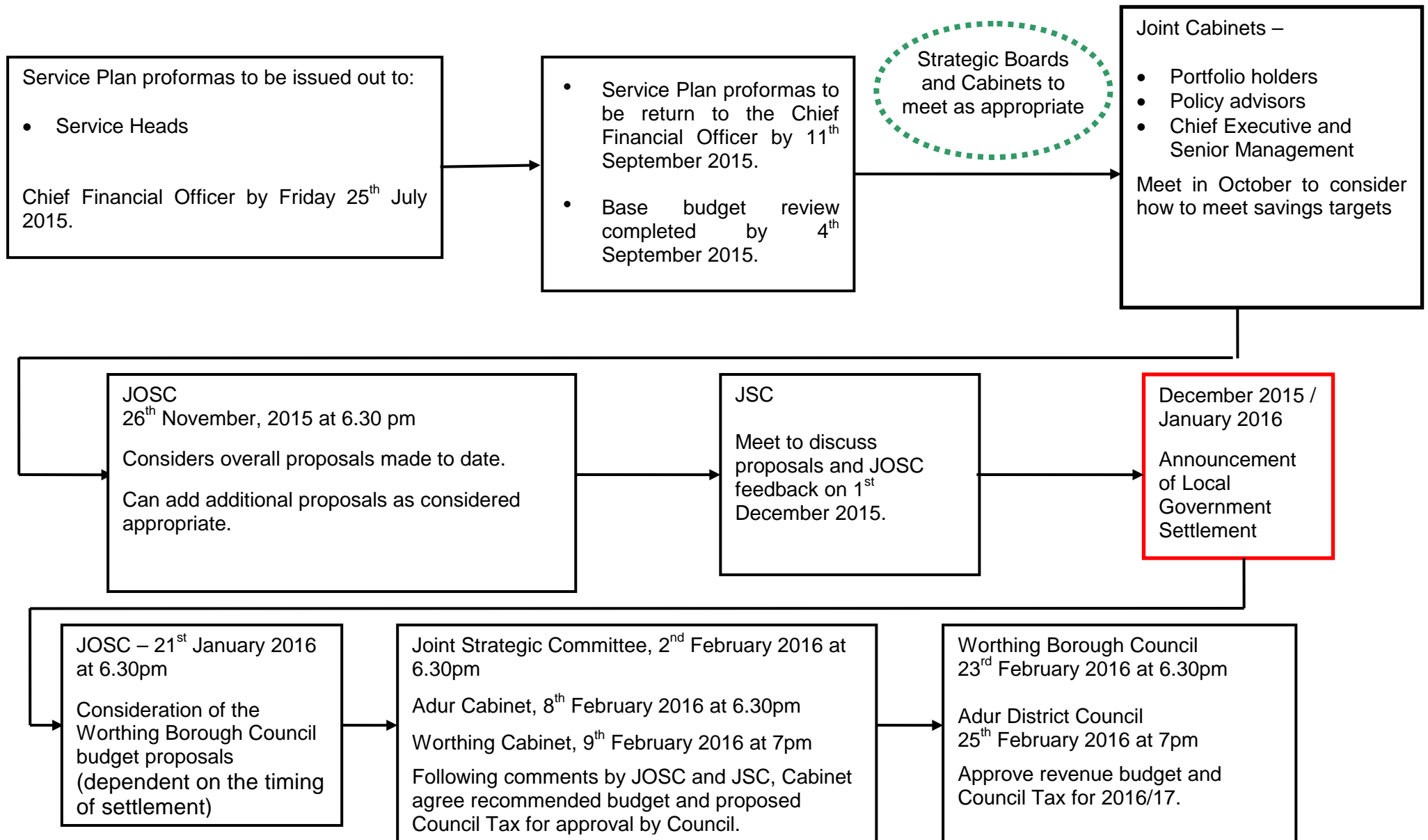
10.1 Matter considered and no issues identified

### 11. **PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

### 12. **PARTNERSHIP WORKING**

12.1 The costs associated with the Councils' partnership arrangements are an inherent part of the Council's budget.



<b>ADUR DISTRICT COUNCIL</b>						
<b>Revenue Budget Summary Statement 2015/16 - 2020/21</b>						
	<b>2015/16 Base</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>9,525</b>	9,525	9,525	9,525	9,525	9,525
<b>Annual Inflation</b>						
Estimated inflation		314	658	1,013	1,369	1,746
<b>One -off / non-recurring items</b>						
Local Elections (held every other year)		42	-	44	-	46
<b>Committed Growth</b>						
Changes to National Insurance Contributions		252	257	262	267	272
Impact of Pension contribution increase		70	72	73	74	75
Contingency for unidentified items		100	100	100	100	100
<b>Impact of capital programme</b>						
Financing costs		180	307	417	531	640
Financing costs - Refuse and Recycling vehicles		16	72	72	72	72
<b>Additional income</b>						
Investment income		(14)	(76)	(138)	(200)	(202)
<b>Approved Savings</b>						
<b>Approved Growth items</b>						
Major Projects Team		16	16	16	16	16
Provision for new growth items		60	60	60	60	60
<b>Total Cabinet Member Requirements</b>	<b>9,525</b>	<b>10,561</b>	<b>10,991</b>	<b>11,444</b>	<b>11,814</b>	<b>12,350</b>
<b>Total Cabinet Member Requirements B/fwd</b>	<b>9,525</b>	<b>10,561</b>	<b>10,991</b>	<b>11,444</b>	<b>11,814</b>	<b>12,350</b>
<b>Baseline funding</b>	1,604	1,644	1,685	1,727	1,771	1,815
<b>Less: Safety net pay't / business rate shortfall</b>		-	-	-	-	-
<b>Add: Retained additional business rates</b>	<b>270</b>	372	378	390	401	408
<b>Add: Share of 2013/14 surplus</b>						
<b>Adjusted Baseline funding</b>	1,874	2,016	2,063	2,117	2,172	2,223
<b>Revenue Support Grant</b>	1,348	1,078	809	539	270	-
<b>Council Tax</b>						
Adjusted Council Tax income	5,472	5,596	5,722	5,851	5,983	6,117
<b>Other grants</b>						
Council Tax Freeze grant	63	-	-	-	-	-
New homes bonus (2011/12 - 2016/17)	62	62	-	-	-	-
New homes bonus (2012/13 - 2017/18)	153	153	153	-	-	-
New homes bonus (2013/14 - 2018/19)	244	244	244	244	-	-
New homes bonus (2014/15 - 2019/20)	107	107	107	107	107	-
New homes bonus (2015/16 - 2020/21)	86	86	86	86	86	86
Collection fund surplus/deficit (-)	156	-	-	-	-	-
Total other grants and contributions	871	652	590	437	193	86
<b>Total Income from Grants and Taxation</b>	<b>9,565</b>	<b>9,342</b>	<b>9,184</b>	<b>8,944</b>	<b>8,617</b>	<b>8,426</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>(40)</b>	<b>1,219</b>	<b>1,807</b>	<b>2,500</b>	<b>3,197</b>	<b>3,924</b>
<b>Contribution to (-) / Use of Reserves to Balance</b>						
Capacity issues reserve	(40)	-	-	-	-	-
<b>Total Income from Reserves</b>	<b>(40)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	<b>-</b>	<b>1,219</b>	<b>1,807</b>	<b>2,500</b>	<b>3,197</b>	<b>3,924</b>

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2015/16 - 2020/21						
Net Spending to be Financed from Taxation	2015/16 Base	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>(Surplus) / Shortfall in Resources</b>	(40)	1,219	1,807	2,500	3,197	3,924
<b>Contribution to (-) / Use of Reserves to Balance Capacity issues reserve</b>	(40)		-	-	-	-
<b>Total Income from Reserves</b>	(40)	-	-	-	-	-
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	-	1,219	1,807	2,500	3,197	3,924
<b>CLT - Strategic Initiatives to balance the budget</b>						
<b>Strategic Investments</b>						
Property investment programme / fund		50	225	475	725	975
<b>Commercial activities and commissioning</b>						
Commercial and Property Board						
Re-commissioning of Adur Revenues and Benefits service		80	200	200	200	200
Other income growth to be identified		240	480	720	960	1,200
<b>Efficiency Measures</b>						
Digital strategy		80	160	240	240	240
<b>Restructures and service redesign in progress:</b>						
Human Resources		8	8	13	13	13
Communications		13	13	22	22	22
Legal Services		111	111	111	111	111
Other Efficiency measures still to be identified		637	637	719	926	1,163
<b>Total future initiatives identified</b>		1,219	1,834	2,500	3,197	3,924
<b>Savings still to be found/ (surplus)</b>		-	(27)	-	-	-
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
<b>Savings required in each year</b>		1,219	588	693	697	728



**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2015/16 - 2020/21**

	2015/16 Base	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>13,704</b>	13,704	13,704	13,704	13,704	13,704
(a) <b>Annual Inflation</b>						
Estimated inflation		437	1,013	1,608	2,213	2,847
(b) <b>One -off / non-recurring items</b>						
Local Elections (not held once every four years)		-	(76)	-	-	-
(c) <b>Committed Growth</b>						
Changes to National Insurance Contributions		405	413	421	429	438
Impact of Pension contribution increase		97	99	101	103	105
Housing condition survey - carried out once every 3 years		-	9	-	-	9
Additional maintenance costs associated with Splashpoint swimming pool		60	60	60	60	60
Contingency		100	100	100	100	100
(e) <b>Impact of capital programme</b>						
Financing costs - General Programme		159	292	437	554	677
Financing costs - Refuse and Recycling vehicles		29	125	125	125	125
(f) <b>Additional income</b>						
Investment income		(7)	(58)	(118)	(188)	(219)
(g) <b>Agreed Savings</b>						
Splashpoint - Impact of sale of Aquarena site		(150)	(150)	(150)	(150)	(150)
(h) <b>Approved Growth items</b>						
Major Projects Team		38	38	38	38	38
Provision for new growth items		90	90	90	90	90
<b>Total Cabinet Member Requirements</b>	<b>13,704</b>	<b>14,962</b>	<b>15,659</b>	<b>16,416</b>	<b>17,078</b>	<b>17,824</b>
<b>Total Cabinet Member Requirements b/fwd</b>	<b>13,704</b>	<b>14,962</b>	<b>15,659</b>	<b>16,416</b>	<b>17,078</b>	<b>17,824</b>
<b>Baseline funding</b>	2,444	2,505	2,568	2,632	2,698	2,765
<b>Less: Safety net payment/business rate sh'fall</b>	-	-	-	-	-	-
<b>Add: Net retained additional business rates</b>	234	343	346	359	368	373
<b>Add: Share of 2014/15 surplus /deficit (-)</b>						
<b>Adjusted Baseline funding</b>	2,678	2,848	2,914	2,991	3,066	3,138
<b>Revenue Support Grant</b>	2,043	1,634	1,226	817	409	-
<b>Council Tax income</b>						
Adjusted Council Tax income	7,898	8,088	8,283	8,482	8,678	8,887
Council Tax Freeze grant 2014/15	86	-	-	-	-	-
New homes bonus (2011/12 - 2016/17)	273	273	-	-	-	-
New homes bonus (2012/13 - 2017/18)	172	172	172	-	-	-
New homes bonus (2013/14 - 2018/19)	220	220	220	220	-	-
New homes bonus (2014/15 - 2019/20)	170	170	170	170	170	-
New homes bonus (2015/16 - 2020/21)	246	246	246	246	246	246
Collection fund surplus/deficit (-)	(3)	-	-	-	-	-
<b>Total other grants and contributions</b>	1,164	1,081	808	636	416	246
<b>Total Income from Taxation</b>	<b>13,783</b>	<b>13,651</b>	<b>13,231</b>	<b>12,926</b>	<b>12,569</b>	<b>12,271</b>

<b>WORTHING BOROUGH COUNCIL</b> <b>Revenue Budget Summary Statement 2015/16 - 2020/21</b>						
	2015/16 Base	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Use of / (contribution to) Res'ves to Balance Budget</b>						
Capacity issues reserve	(79)	-	-	-	-	-
<b>Total Income from Reserves</b>	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	<b>-</b>	<b>1,311</b>	<b>2,428</b>	<b>3,490</b>	<b>4,509</b>	<b>5,553</b>
<b>CLT - Strategic Initiatives to balance the budget</b>						
<b>Strategic Investments</b>						
Property investment programme / fund		50	225	475	725	975
<b>Commercial activities and commissioning</b>						
Commercial and Customer Board						
Re-commissioning of Adur Revenues and Benefits service		24	24	24	24	24
Other income growth to be identified		360	720	1,080	1,440	1,800
<b>Efficiency Measures</b>						
Digital Strategy Board		120	240	360	360	360
<b>Restructures and service redesign in progress:</b>						
Human Resources		13	13	13	20	20
Communications		20	20	33	33	33
Legal Services		167	167	167	167	167
Other Efficiency measures still to be identified		557	1,019	1,338	1,740	2,174
		<b>1,311</b>	<b>2,428</b>	<b>3,490</b>	<b>4,509</b>	<b>5,553</b>
<b>Savings still to be found/ (surplus)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
<b>Savings required in each year</b>		<b>1,311</b>	<b>1,117</b>	<b>1,062</b>	<b>1,019</b>	<b>1,044</b>

**JOINT STRATEGIC COMMITTEE**  
**Revenue Budget Summary Statement 2015/16 - 2020/21**

	2015/16 Base	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>24,803</b>	24,803	24,803	24,803	24,803	24,803
Budgets transferred in from Adur and Worthing Councils						
(a) <b>Annual Inflation</b>						
Estimated inflation		609	1,388	2,189	2,997	3,844
(b) <b>Committed Growth</b>						
Changes to National Insurance Contributions		558	569	580	592	604
Impact of Pension contribution increase		166	169	172	175	179
Contingency		100	100	100	100	100
<b>Total Budget Requirements</b>	<b>24,803</b>	<b>26,236</b>	<b>27,029</b>	<b>27,844</b>	<b>28,667</b>	<b>29,529</b>
<b>Less:</b> Recharges within the Joint Strategic Committee	(3,149)	(3,149)	(3,149)	(3,149)	(3,149)	(3,149)
<b>Net cost to be reallocated to the Councils</b>	<b>21,654</b>	<b>23,087</b>	<b>23,880</b>	<b>24,695</b>	<b>25,518</b>	<b>26,380</b>
Adur District Council	8,775	8,336	8,128	7,925	7,767	7,612
Worthing Borough Council	12,879	12,235	11,929	11,631	11,398	11,170
<b>Total income for services provided to the constituent councils</b>	<b>21,654</b>	<b>20,571</b>	<b>20,057</b>	<b>19,556</b>	<b>19,165</b>	<b>18,782</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>-</b>	<b>2,516</b>	<b>3,823</b>	<b>5,139</b>	<b>6,353</b>	<b>7,598</b>
<b>CLT - Strategic Initiatives to balance the budget</b>						
<b>Commercial activities and commissioning</b>						
Commercial and Property Board						
Re-commissioning of Adur Revenues and Benefits service		104	224	224	224	224
Other income growth to be identified		600	1,200	1,800	2,400	3,000
<b>Efficiency Measures</b>						
Digital strategy		200	400	600	600	600
<b>Restructure</b>						
Human Resources		21	21	26	33	33
Communications		33	33	55	55	55
Legal Services		278	278	278	278	278
Other Efficiency measures still to be identified		1,280	1,667	2,156	2,763	3,408
<b>Total savings identified</b>		<b>2,516</b>	<b>3,823</b>	<b>5,139</b>	<b>6,353</b>	<b>7,598</b>
<b>Savings still to be found/ (surplus)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Savings required in each year</b>		<b>2,516</b>	<b>1,307</b>	<b>1,316</b>	<b>1,214</b>	<b>1,245</b>

<b>BUSINESS RATE FORECAST</b>					
	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Adur District Council</b>					
Total business rate income	21,814	22,343	22,916	23,489	24,062
Less: Business rate reliefs awarded	-3,145	-3,224	-3,304	-3,387	-3,471
Net business rate income	18,669	19,119	19,612	20,102	20,591
<b>Less:</b>					
Write offs	-187	-191	-196	-201	-206
Appeals	-263	-269	-276	-283	-290
Net income	18,219	18,659	19,140	19,618	20,095
Less: Share of income paid to Council for administration costs	-90	-93	-95	-97	-100
Net income for purpose of income share calculation	18,129	18,566	19,045	19,521	19,995
Council share of income (40%)	7,252	7,426	7,618	7,808	7,998
<b>Less: Tariff</b>	-5,289	-5,421	-5,557	-5,696	-5,838
Retained business rates	1,963	2,005	2,061	2,112	2,160
<b>Add : S151 grants paid directly to the General Fund</b>	426	436	447	458	470
Total income eligible for levy/safety net calculation	2,389	2,441	2,508	2,570	2,630
Baseline funding	-1,644	-1,685	-1,727	-1,770	-1,815
Surplus/(deficit) business rates	745	756	781	800	815
<b>Less: Levy @ 50%</b>	-373	-378	-391	-399	-407
Retained additional business rates	372	378	390	401	408
Share of estimated 2015/16 deficit	0	0	0	0	0
<b>Estimated surplus/deficit (-)</b>	<b>372</b>	<b>378</b>	<b>390</b>	<b>401</b>	<b>408</b>

APPENDIX 3

BUSINESS RATE FORECAST					
	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
<b>Worthing Borough Council</b>					
Total business rate income	37,759	38,674	39,666	40,657	41,649
Less: Business rate reliefs awarded	-5,314	-5,446	-5,583	-5,722	-5,865
Net business rate income	32,445	33,228	34,083	34,935	35,784
<b>Less:</b>					
Write offs	-71	-72	-74	-76	-78
Appeals	-618	-633	-649	-665	-682
Net income	31,756	32,523	33,360	34,194	35,024
<b>Less:</b> Share of income paid to Council for administration costs	-139	-143	-146	-150	-154
Net income for purpose of income share calculation	31,617	32,380	33,214	34,044	34,870
Council share of income (40%)	12,647	12,952	13,286	13,618	13,948
<b>Less:</b> Tariff	-10,246	-10,502	-10,765	-11,034	-11,310
Retained business rates	2,401	2,450	2,521	2,584	2,638
<b>Add :</b> S151 grants paid directly to the General Fund	790	809	830	850	872
Total income eligible for levy / safety net calculation	3,191	3,259	3,351	3,434	3,510
Baseline funding	-2,505	-2,568	-2,631	-2,698	-2,765
Surplus/(deficit) business rates	686	691	720	736	745
<b>Less:</b> Levy @ 50%	-343	-345	-361	-368	-372
Retained additional business rates	343	346	359	368	373
Share of estimated 2015/16 deficit	0	0	0	0	0
<b>Estimated surplus / deficit (-)</b>	<b>343</b>	<b>346</b>	<b>359</b>	<b>368</b>	<b>373</b>