

OUTLINE FORECAST 2017/18 TO 2021/22 AND BUDGET STRATEGY

REPORT BY DIRECTOR FOR DIGITAL AND RESOURCES

1.0 SUMMARY

- 1.1 As local government undergoes fundamental changes to the way it is financed, Adur and Worthing Councils continue to respond by driving our economic regeneration, commercialisation and digitisation agendas, while maintaining and improving core services across the board through a clear focus on customer service excellence.
- 1.2 This report aims to set out how council funding is changing over the next few years, outlining the revenue forecast and setting out our strategic response, creating the conditions to be self-financing by 2020/21. With the detailed budget proposals for 2017/18 coming forward to Joint Strategic Committee in December, this reports sets out the broader context for the detailed work that is well underway.
- 1.3 As set out in the following pages, council funding will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our growing relationships with other organisations, communities and customers, allied with our award-winning digital capability set us in good stead to keep adapting and responding, so that we have capacity to do far more than just 'survive'. A new strategy, building on "Catching the Wave" will be presented to Committee in December 2016, setting out how we can play an even greater role in helping to shape the future of our places.
- 1.4 The 'Wave Catchers' set out in our current 'Catching the Wave' 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 the current 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 is removed, driving efficiency

through digitisation and smart commissioning, and creating new revenue streams through investment, commercialisation of services and better use of our assets.

- 1.5 Over the summer and autumn, the Operational Leaders Group (Heads of Service) will be working with the Councils Leadership Team to expand our strategic programme of work to deliver against the financial targets which are mapped out in this report. This programme will be presented to Joint Strategic Committee for approval in December 2016 as part of the budget strategy.

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. The Councils have successfully kept Council Tax increases to an absolute minimum over the past few years, freezing the Council tax for five out of the past six years, Adur District Council cut the council tax by 1% in 2014/15
- 2.2 However, the financial pressure continues. Revenue support grant will disappear by 2018/19, with reductions in the amount of business rate income retained from 2019/20 onwards. Local Government funding has changed considerably over the last 6 years, and the pace of change is set to continue with the proposed changes to business rates.
- 2.3 The recent referendum will inevitably have an impact on the finances of the public sector. The new Chancellor has decided not announce any immediate measures but wait until the Autumn Statement before making any policy changes.
- 2.4 Members are being asked to consider the 2017/2018 strategy 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 last two Comprehensive Spending Reviews, but some certainty has been provided in the settlement of 2016/17 in that the Councils are now able to agree the level of government funding for the next four years. Contained within settlement were indicative grant allocations for the four year period 2016/17 – 2019/20. Councils are able to secure this level of funding by submitting a four year efficiency plan by the 14th October 2016. There is no set form for the plan but the budget strategy and outline forecast will form a key part of the submission.

The indicative grant allocations show that the Councils will see no easing of the financial pressures in the medium term. The Council's proposed efficiency statement is set out in Appendix 4 for member consideration and is based on the budget strategy mapped out in this report.

3.2 How Council funding from taxation is changing:

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

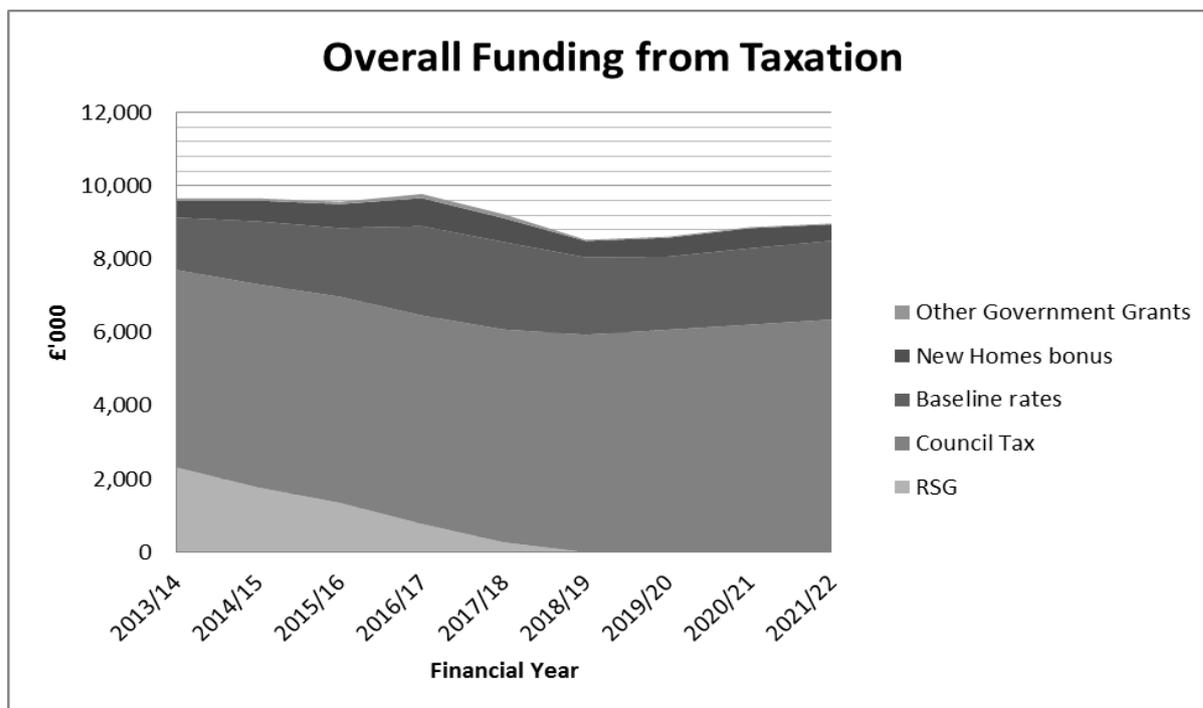
- The introduction of Business Rate Retention Scheme which is due to be reformed again by 2019/20.
- Localising Council Tax Support (Council Tax Benefit)
- The continuing reduction in Revenue Support Grant

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

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

3.2 How Council funding from taxation is changing:

The make-up of funding to the Councils is rapidly changing with increasing proportions coming from Council Tax and the Business Rate Retention Scheme. The future of the New Homes Bonus is still unclear and it is not expected to continue in its current form. Revenue Support Grant will cease as a source of funding by 2018/19.



(Note: Using Adur District Council as an example)

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. The Councils are taking an increasingly proactive role in stimulating the local economy, whether this is through the provision of office space to attract high quality employers or through working with business to facilitate the development of sites within the areas to stimulate the economy. 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

Revenue support grant will cease as a funding stream for both Councils by 2018/19.

Within the outline forecast, the following amounts for Revenue Support Grant have been included as detailed in the four year settlement.

3.0 FINANCIAL CONTEXT

3.2.1 Revenue Support Grant

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2019/20 |
|------------------------------|--------------|------------|----------|---------|---------|
| Adur | 774 | 271 | - | - | - |
| Percentage fall from 2016/17 | | 65% | 100% | 100% | 100% |
| Worthing | 1,194 | 453 | 8 | - | - |
| Percentage fall from 2016/17 | | 62% | 99% | 100% | 100% |

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

2013-14 saw the introduction of the Business Rates Retention Scheme which allowed councils to retain a small element (20%) of any growth in business rate income over a 'baseline'. The forecasting of business rate income is particularly difficult this year due to two factors which are discussed in more detail below:

- i) The national business rate revaluation which is due to take effect by 2017/18.
- ii) The further reform of the business rate system with Local Government retaining the full income from Business Rates by the end of the current Parliament.

The forecasts are based on the current business rate system. There are four aspects of this scheme which will influence the Councils budget in the medium term:

1. The 'Tariff':

The Councils are obliged to pay over a substantial element of retained business rates to the Government – the Tariff. This is set to increase well above inflation over the next four years.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| ADUR | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Annual increase | 5,160 | 5,305 | 5,492 | 6,003 | 6,123 | 6,246 |
| - Amount | | 145 | 187 | 511 | 120 | 123 |
| - Percentage | | 2.81% | 3.52% | 9.30% | 2.00% | 2.01% |
| WORTHING | 10,079 | 10,278 | 10,581 | 11,409 | 11,637 | 11,870 |
| Annual increase | | | | | | |
| - Amount | | 199 | 303 | 828 | 228 | 233 |
| - Percentage | | 1.97% | 2.95% | 7.83% | 2.00% | 2.00% |

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

1. The 'Tariff':

Consequently, once the Revenue Support Grant has been withdrawn, the Government will then reduce the amount of business rate income retained and the Councils will then keep a diminishing share of the business rate income.

2. Target income from Business Rates (Baseline funding):

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 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:

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| ADUR | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Baseline funding | 1,617 | 1,649 | 1,698 | 1,752 | 1,787 | 1,823 |
| Retained surplus rates | 438 | 405 | 408 | 243 | 298 | 327 |
| Total business rate income kept locally | 2,055 | 2,054 | 2,106 | 1,995 | 2,085 | 2,150 |
| Net business rate income collected | 18,870 | 18,343 | 18,886 | 19,394 | 20,034 | 20,539 |
| Percentage retained locally | 10.89% | 11.20% | 11.15% | 10.29% | 10.41% | 10.47% |
| WORTHING | | | | | | |
| Baseline funding | 2,464 | 2,513 | 2,587 | 2,669 | 2,722 | 2,776 |
| Retained surplus rates | 520 | 506 | 502 | 251 | 300 | 345 |
| Total business rate income kept locally | 2,984 | 3,019 | 3,089 | 2,920 | 3,022 | 3,121 |
| Net business rate income collected | 32,501 | 33,028 | 33,863 | 34,774 | 35,683 | 36,590 |
| Percentage retained locally | 9.18% | 9.14% | 9.12% | 8.40% | 8.47% | 8.53% |

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

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:

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.

In addition, the local NHS trusts are claiming mandatory business rate relief. This is the subject of a national dispute. Whilst this will not significantly affect Adur District Council, Worthing Borough Council has several substantial claims amounting to a potential loss of income of £584,000.

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.

It is intended to refine the forecast of the business rate income over the coming 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.
- Union Place in Worthing – A planning application is expected in November 2017. 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 2016/17, then the surplus could be used to support the budget in 2017/18. Indeed, the income for business rates in Adur exceeded expectations in 2015/16 and so Adur District Council will benefit from a share of that additional income in 2017/18.

3. Business Rate Revaluation 2017

Generally, business rate revaluations happen every 5 years. The last revaluation came into effect in England and Wales on the 1st April 2010 which was based on the rateable values from 1st April 2008. The new values are due to take effect from 1st April 2017 and will be based on the value as at 1st April 2015.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

3. Business Rate Revaluation 2017

The draft values will be available from 30th September 2017.

Overall, this will have no impact on the business rate income collected nationally as the Government will adjust the business rate multiplier, however individual areas or business will be affected.

In the 2010 revaluation, property values in the areas increased whilst the yield from business rates decreased as the result of a reducing multiplier:

| | RATEABLE VALUES | | | INCOME FROM RATES | | |
|----------|---------------------|---------------------|-----------|-------------------|------------|------------|
| | As at 31.12.2008 | As at 31.12.2008 | Increase | 2009/10 | 2010/11 | Decrease |
| Adur | 35,745,880 | 41,532,538 | 5,786,658 | 17,193,768 | 16,903,743 | -290,025 |
| Worthing | 68,481,883 | 76,350,932 | 7,869,049 | 32,939,786 | 31,074,829 | -1,864,957 |

If there is an increase then it is likely that the impact will be phased in over a number of years by the use of transitional relief. The Council should also prepare itself for an inevitable increase in the number of appeals against the business rate valuations.

It is difficult to predict what impact this change will have on the business rate retention scheme at this time, however there are indications from the Government that the implications of the changes arising from the 2017 revaluation will be 'neutralised'. An update will be provided in December.

4. Reform of the business rate system

The Chancellor announced the reform of the business rate system in the Autumn Statement 2015.

There are currently two consultations underway which are dealt with in a separate item on this agenda.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

However, it is difficult to see how the Council will benefit from this reform. Firstly, the current system is highly redistributive with both Councils keeping relatively small proportions of the overall business rate income. It is clear from the consultation documents that the Government intends to review the redistribution of business rates and there remains a risk that the Councils will end up contributing a greater proportion to the treasury for redistribution elsewhere. Secondly, the Chancellor has made it clear that local government will assume financial responsibility for a number of activities which had previously been funded by central government. For example housing benefit administration is proposed to become locally funded.

For the purposes of planning, it is assumed that the change will be neutral – we will be no better or worse off. However, there remains a risk that the councils will be worse off.

3.2.3 New Homes Bonus

The Coalition Government introduced the New Homes Bonus (NHB) in 2011/12 which is specifically targeted at rewarding increases in the Council Tax base and dealing with empty properties. The recent consultation document confirmed that the scheme would continue for the next four years, but that the scheme would be fundamentally changed with the following proposed features:

- (a) Previously NHB had been paid in 6 instalments. This is to be reduced to 4 instalments over 2 years.
- (b) NHB may be withheld if no Local Plan is submitted
- (c) Bonus may be reduced by between 50% and 100% if the scheme goes to appeal
- (d) Only growth over a certain limit will be included in the calculation (currently proposed at 0.25%)

The current forecast is based on the scheme contained within the consultation document, however there has yet to be an announcement on the final shape of the scheme.

| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|----------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur | 767 | 652 | 451 | 515 | 550 | 450 |
| Worthing | 1,599 | 1,514 | 1,484 | 1,488 | 1,220 | 860 |

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.4 Council Tax

Council Tax is now the Councils' major source of income. By 2021/22 it will be over 70% 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 kept to a minimum increases over the past 6 years, opting to freeze or reduce Council Tax whilst government support for such initiatives was available.

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

| ADUR DISTRICT COUNCIL | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax income if Council Tax is increased by 2.0% each year | 5,811 | 5,941 | 6,075 | 6,211 | 6,351 |
| Council Tax income if Council Tax is frozen each year | 5,697 | 5,710 | 5,724 | 5,738 | 5,752 |
| Income foregone | 114 | 231 | 350 | 473 | 599 |

| WORTHING BOROUGH COUNCIL | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax income if Council Tax is increased by 2.0% each year | 8,426 | 8,628 | 8,836 | 9,040 | 9,258 |
| Council Tax income if Council Tax is frozen each year | 8,260 | 8,294 | 8,327 | 8,352 | 8,385 |
| Income foregone | 166 | 334 | 509 | 688 | 873 |

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:

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:

3.0 FINANCIAL CONTEXT

3.2.4 Council Tax

Income from Council Tax is currently around 57% of the Council's general income and as part of our strategy to become self-funded by 2020, we need to ensure that Council Tax levels are set correctly.

Despite a reduction of over 40% in the amount of money made available to Adur and Worthing Councils from the Government, both Councils have frozen or reduced their proportion of the Council Tax for the past five years.

Both Councils expect a further reduction in Central Government Grant for 2016-17 of around 20% which is equivalent to £333,000 for Adur District Council and £495,000 for Worthing Borough Council.

With this in mind, would you prefer...

| | Overall |
|--|-----------------------------|
| A small increase which will help the Councils to protect priority services | 63.2% (64.1% in 2015/16) |
| To freeze Council Tax for the fourth year in a row and cut services | 36.3% (35.9% in 2015/16) |
| Not answered | 0.5% |

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2% or £5.00. At this time we do not know the referendum limit for 2017/18 but it is unlikely to be higher.

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 2017/18.

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

| 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---------|---------|---------|---------|---------|
| 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

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 1st April 2017 is estimated to be:

| | Adur | Worthing |
|-----------------|-------|----------|
| | £'000 | £'000 |
| Working balance | 536 | 844 |
| Net budget | 9,780 | 14,039 |
| Percentage held | 5.5% | 6.0% |

With the overspend in 2014/15 and 2015/16, 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:

| | Adur District Council | | Worthing Borough Council | |
|---|-------------------------|------------------------|--------------------------|------------------------|
| | Balance as at 31-Mar-16 | Uncommitted resources* | Balance as at 31-Mar-16 | Uncommitted resources* |
| | £'000 | £'000 | £'000 | £'000 |
| Capacity Issues Reserve | 261 | 261 | 457 | 200 |
| Special and other emergency expenditure reserve | 86 | 86 | 42 | 42 |
| TOTAL | 347 | 347 | 499 | 242 |

* This allows for approvals to use the resources from 2016/17 onwards including the funding of carry forwards. 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 immediate cost pressure comes from inflation. General inflation is currently at 0.6% (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 2016/17 and gradually move back towards the 2% target rate by 2017/18. 2% was allowed in the 2016/17 budget round.

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:

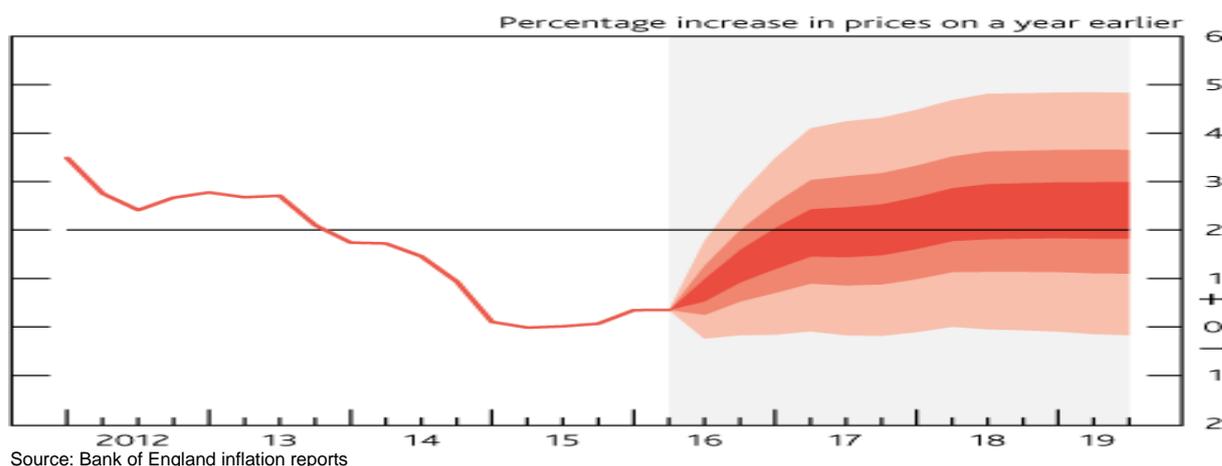
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-----------------------|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Pay* | 1 | 2 | 2 | 2 | 2 |
| Supplies and Services | 1 | 2 | 2 | 2 | 2 |
| Income | 2 | 2 | 2 | 2 | 2 |

* 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 re-gradings and moving staff to the single pay structure. This is reassessed annually.

Forecast year on year inflation (CPI) by the Bank of England as at August 2016.



4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

Overall net pay and price inflation is expected to add to the base budget in 2017/18 which will aggregate up until 2021/22 as follows:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur* | 195 | 522 | 858 | 1,198 | 1,555 |
| Worthing* | 304 | 882 | 1,480 | 2,087 | 2,723 |
| Note: | | | | | |
| Joint Services | 508 | 1,285 | 2,085 | 2,891 | 3,736 |
| * (included above) | | | | | |

Income is assumed to increase by 2.0% in 2017/18 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation at this early point in the year, inflation has remained relatively low for some time. 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 |
| Total | 12 | -15 | 216 |
| Share of joint inflation | 86 | 130 | -216 |
| OVERALL TOTAL | 98 | 115 | 0 |

4.3 Pension Costs

The pension fund is currently undergoing a revaluation. The last revaluation of the pension fund was in 2013/14. The overall funding of the pension fund has improved over the last three years and the fund is expected to be at least 90% funded with the deficit reducing from £373m to £280m.

At the moment it is difficult to predict what the outcome of the valuation will be. An update provided by the actuary indicated that whilst both the Joint Services and Adur District Council should expect an increase, Worthing Borough Council should remain stable. The Councils have agreed a 'pension increase limitation scheme' with the pension fund which limits the increase in any given year to 1%. For the purposes of this budget strategy, it is assumed that the cost of pensions will increase by 1% per year for each of the next three years for Adur District Council and the Joint Strategic Committee.

The actuary is due to release the preliminary valuations in October and so an update will be provided in the December report.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

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

| Cumulative pension increase: | 2017/18 | |
|---|---------|-------|
| | % | £'000 |
| Adur* | 1.0% | 62 |
| Worthing* | 0% | 100 |
| Note: Joint Services * (included above) | 1.0% | 165 |

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 £2.0m 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 £10,000 in the first year and £78,000 the year after, although the cost is dependent on the prevailing rate of interest and the life of the asset acquired. (Based on a 2.0% interest cost and 15 year asset life)

4.5 Interest rates

The prospects for interest rates have deteriorated recently and the Bank of England have announced a rate cut to 0.25%. There is considerable uncertainty at the moment about interest rates and our treasury advisors indicate that they will stay low for a longer period of time. Built into the 5 year forecasts are the following assumptions regarding average interest rates:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|------------------------|---------|---------|---------|---------|---------|
| Average interest rates | 0.50% | 0.50% | 0.50% | 0.75% | 1.00% |

Each 0.5% change in interest rates is equivalent to £50,000 (based on £10,000,000 investments).

4.6 Impact of re-commissioning of support services by South Downs Leisure Trust:

South Downs Leisure Trust currently pay the Council £285,270 for the provision of support services. From the 1st April 2017, SDLT will commission support services from alternative suppliers and consequently the Council will lose this income

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.6 Impact of re-commissioning of support services by South Downs Leisure Trust:

However, the Council will not be able to find equivalent cost savings as a significant proportion of the amount charged relates to the Councils' fixed costs – such as the cost of the Town Hall or the Councils' ICT systems. A breakdown of the likely net impact of this change is as follows:

| | Salary element | Other costs | Total Recharge | Salary saving identified | Net growth to Council |
|--------------|----------------|-------------|----------------|--------------------------|-----------------------|
| | £ | £ | £ | £ | £ |
| Accountancy | 2,370 | 660 | 3,030 | 0 | 3,030 |
| Cashiers | 15,950 | 8,500 | 24,450 | 0 | 24,450 |
| Exchequer | 71,540 | 34,460 | 106,000 | 58,700 | 47,300 |
| ICT* | 0 | 76,080 | 76,080 | 0 | 76,080 |
| Payroll | 41,050 | 23,750 | 64,800 | 38,970 | 25,830 |
| Web services | 6,350 | 1,370 | 7,720 | 0 | 7,720 |
| Corporate HR | 0 | 3,190 | 3,190 | 0 | 3,190 |
| | | | 285,270 | 97,670 | 187,600 |

* Charges from CenSus ICT. We are establishing whether CenSus ICT services could reduce down costs when the service transfers.

The Director for Digital & Resources is developing further plans to address the growth pressure through efficiencies, for example with the “Moving to the Cloud” strategy which will help provide more “responsive” ICT costs as we move to rental rather than ownership models.

4.7 2020 recycling targets:

By 2020, the County will need to recycle 50% of all waste which is a statutory target enshrined in UK legislation. Currently across West Sussex, 45.4% of all waste is recycled. Recently a consultant's report jointly commissioned by all West Sussex Councils from Ricardos analysed the recyclable waste to identify what still remains within the residual waste and could be collected to improve the recycling rates.

This report indicates that to achieve the 50% target, the Councils would have to extend the type of recyclable materials collected and collect food waste separately. The proposal to introduce food waste collection is under active discussion by IAWG. Food waste is the largest segment of recyclable residual waste currently not collected. The cost of maintaining weekly residual waste collections and collecting food waste weekly is likely to be substantial (in the region of £1m per year).

In addition the Adur and Worthing service is actively assessing the potential impact of reducing the quality of our recycle in order to improve tonnage of recycling collected. The service is also actively engaged in behavioural change activities to understand how we can encourage resident to recycle a higher quantity of waste.

It is unclear what will happen if the Council fails to meet the target, under EU legislation, if any member state failed to meet the target, then a fine would be

imposed. Following the EU referendum, this fine is unlikely to be levied, nevertheless the UK remains committed to meeting the 50% target.

For the purposes of planning, £1m growth has been allowed from 2020 onwards. This will be refined as the options for meeting the targets become clearer.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.8 Emergency accommodation

The Councils have recently seen a substantial increase in the demand for emergency accommodation along with many other Councils. As a consequence, the Councils are seeing a significant increase in the cost which is partially due to the increase in demand and partially due to a shortage in available cost effective accommodation. A report elsewhere on the agenda deals with the issue in detail.

4.9 Councils' Budget and Shortfall:

4.9.1 A summary of the position for 2017/18 is therefore:

| | Adur | Worthing |
|---|-------|----------|
| | £'000 | £'000 |
| Main cost pressures: | | |
| Increase in Council Tax in excess of the likely inflationary pressures | -11 | -15 |
| Changes in Government Funding: | | |
| Reduction in Revenue Support Grant | 503 | 741 |
| Loss of other government grants | 159 | 136 |
| Change in income from business rates | 51 | -210 |
| Overall change in Government Funding | 713 | 667 |
| Other items: | | |
| Net impact of the capital programme | 81 | 148 |
| Impact of reduced interest rates | 76 | 56 |
| Impact of pension fund valuation | 62 | 100 |
| Removal of Elections budget | -42 | -76 |
| Increasing cost of emergency accommodation due to increasing demand | 100 | 350 |
| Impact of SDLT commissioning support services from alternative suppliers. | - | 187 |
| Re-opening of Brooklands Golf Course | - | -98 |
| Splashpoint - Impact of sale of Aquarena site | - | -150 |
| Impact of fall out of SDLT pensions | - | -26 |
| Other minor items | 40 | 48 |
| Provision for new growth items | 60 | 90 |
| Removal of surplus on collection fund | 7 | 49 |
| Contingency | 70 | 80 |

| | | |
|--|--------------|--------------|
| Overall savings to be met from a combination of increased income from commercial activities, the digital strategy, and other savings initiatives. | 1,156 | 1,410 |
|--|--------------|--------------|

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

4.9 Councils' Budget and Shortfall:

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

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|
| ADUR* | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,156 | 2,260 | 2,747 | 3,148 | 3,395 |
| Annual shortfall | 1,156 | 1,104 | 488 | 400 | 247 |
| Total net budget | 9,228 | 8,530 | 8,614 | 8,872 | 8,974 |
| Annual savings as a percentage of overall net budget (%) | 12.53% | 12.94% | 5.66% | 4.51% | 2.76% |

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|
| WORTHING* | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,410 | 2,511 | 3,617 | 4,415 | 5,132 |
| Annual shortfall | 1,410 | 1,101 | 1,106 | 797 | 717 |
| Total net budget | 13,566 | 13,258 | 13,288 | 13,321 | 13,274 |
| Annual savings as a percentage of overall net budget (%) | 9.60% | 8.44% | 8.22% | 8.11% | 8.51% |

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|
| JOINT SERVICES** | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,460 | 2,758 | 3,763 | 4,572 | 5,420 |
| Annual shortfall | 1,460 | 1,298 | 1,005 | 809 | 848 |
| Total net budget | 20,702 | 20,184 | 19,982 | 19,982 | 19,982 |
| Annual savings as a percentage of overall net budget (%) | 7.05% | 6.43% | 5.03% | 4.05% | 4.25% |

* 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.

The full 5-year outline forecasts are shown at **Appendix 2**.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.9 Councils' Budget and Shortfall:

4.9.3 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.

4.10 Budget risks

In addition to the issues quantified above, there is also one other key risk that Members should be aware of:

i) Changes to funding for emergency accommodation

Currently housing benefit payments includes £60 per week towards the cost of emergency accommodation in recognition of the additional costs associated with this type of accommodation. With the roll out of Universal Credit, this payment will be removed to be replaced with a grant from DCLG. It is by no means certain that the grant will cover the lost income from housing benefit

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 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. The Councils reshaped the budget strategy last year, with new explicit strands of work designed to balance the budget and support the priorities outlined in the Catching the Wave strategy. The focus have been to increase income generation and reduce the savings to be delivered from cost savings – nevertheless each year efficiency savings will still need to be found, especially in the early years of the five year strategy.

5.2 This programme will continue to be shaped over the coming months by the Strategic Boards. The current targets for the agreed programme of work are:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
|--------------------------|---------|---------|---------|---------|---------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Main programmes: | | | | | | |
| Strategic Property Fund | 300 | 400 | 400 | 400 | 400 | 1,900 |
| Commercial income growth | 600 | 600 | 600 | 600 | 600 | 3,000 |
| Digital Programme | 200 | 200 | 0 | 0 | 0 | 400 |

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 AND BEYOND

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Other initiatives already approved: | | | | | | |
| Recommissioning of Revenue and Benefits services | 100 | 100 | 0 | 0 | 0 | 200 |
| Review of MRP | 499 | 0 | 0 | 0 | 0 | 499 |
| Demolition of the Civic Centre | 38 | 0 | 0 | 0 | 0 | 38 |
| New strategy for emergency accommodation | 225 | 0 | 0 | 0 | 0 | 225 |
| Loan to Worthing Homes | 43 | 0 | 0 | 0 | 0 | 43 |
| Saving from leisure trusts | 10 | 10 | 85 | 10 | 10 | 125 |
| Other efficiencies to be identified | 551 | 895 | 508 | 199 | 0 | 2,154 |
| Total savings to be identified | 2,566 | 2,205 | 1,593 | 1,209 | 1,010 | 8,583 |

5.2 The Councils will need to identify options to meet the budget shortfall for 2017/18 and beyond. The process follows the four stages:

1. Directors are 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 2017/18 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 2017/18 budget is attached at **Appendix 1**.

5.3 There are several strands to the budget strategy which are explored in more detail below.

1. The Major Projects Board leads on delivering projects to increase employment space and additional housing;

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 AND BEYOND

2. The Customer and Commercial Programme Board leads on the delivery of the income growth from commercial services and seeks to improve the customer experience.
3. The Digital Programme Board leads 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 leads on delivering the income growth associated with the Strategic Property Fund

5.4 These strands of work reflect the priorities identified as part of 'Catching the Wave, as follows:

A. Supporting Wealth Generators:

The Councils will:

- i) Facilitate the creation of more employment and retail space thereby increasing business rates income.
- ii) Facilitate the delivery of new homes to increase Council Tax income and lever in any government reward grant (e.g. New Homes Bonus). On average each new home built (Band C) will generate £235.04 for Adur District Council and £192.00 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.

B. 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.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 AND BEYOND

C. Adaptive Councils:

The Councils will:

a. Implement the Digital Strategy:

The Councils have embarked on a radical digital transformation programme as approved by the Joint Strategic Programme on the 2nd December 2014. The report proposed a programme of work designed to lever in significant savings over the 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 |

b. Seek to increase additional income from commercial activities:

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.

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.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 AND BEYOND

C. Adaptive Councils:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Annual Savings | 600 | 600 | 600 | 600 | 600 |
| Cumulative impact | 600 | 1,200 | 1,800 | 2,400 | 3,000 |

c. Procurement review

The Councils will continue to identify opportunities to lever in further procurement savings by:

- Working with partners to implement category management across the County and to improve contract management;
- 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.

d. Invest in Commercial Property using the Strategic Property Fund:

- 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. Adur District Council has recently approved in principle the construction of a new office building.
- 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 between 2% and 3% after allowing for any financing costs.

| Per Council | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Planned level of capital investment | 5,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Expected cumulative return (after debt charges) | 100 | 300 | 500 | 700 | 900 |

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2017/18 AND BEYOND

C. Adaptive Councils:

e. Base budget review

The Councils will undertake a base budget review to ensure that the budgets are as accurate as possible and strip out any unneeded provisions.

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 | 347 |
| Worthing | 242 |

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 2017/18, 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.

5.6 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 2018/19 AND BEYOND

6.1 The budget projections for 2017/18 to 2021/22 are also shown in **Appendix 3**. It is clear that many of the cost pressures identified in 2017/18 will continue on for the coming years and that there is a continuing need to make significant savings.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|--------------|--------------|--------------|--------------|--------------|
| Adur District Council | £'000 | £'000 | £'000 | £'000 | £'000 |
| Estimated cumulative savings required to balance the budget | 1,156 | 2,260 | 2,747 | 3,148 | 3,395 |
| Savings required each year | 1,156 | 1,104 | 488 | 400 | 247 |

6.0 2018/19 AND BEYOND

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|--------------|--------------|--------------|--------------|--------------|
| Worthing Borough Council | £'000 | £'000 | £'000 | £'000 | £'000 |
| 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 will continue to be asked to identify annual “cashable” efficiency and procurement savings to help meet the budget gap and to protect priority services. However, the focus of the new strategy is to meet a significant proportion of the challenge through income generation by:

- i) Building new homes and increasing income from Council Tax.
- ii) Increasing business rates through the development of new employment spaces.
- iii) Increasing income from commercial activity;
- iv) Investing in property using the Strategic Property Investment Fund.

6.3 Consequently, there will be a focus in 2016/17 on balancing the budget through income generation, efficiency savings, proposed changes to services arising from any 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. However, like the General Fund, the HRA is facing some significant challenges, not least the expected 1% rent reduction and the potential impact of the ‘sale of higher value properties’.

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 autumn. The final form of the consultation is not yet decided.
- 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 2017/18 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;
- Expenditure is to be increased by: 1% 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.

9.0 BUDGET STRATEGY FOR THE 2016/17 BUDGET

9.3 Capital Investment Programme

- The 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 (plus £3.6m for the Housing Investment Programme)

Worthing Borough Council: £2.0m core funding.

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 and that the programme's may need to be increased if any unavoidable expenditure that cannot be accommodated within the programme is identified.

- 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 2017/18 budget.

11.0 CONCLUSIONS

- 11.1 As usual the budget is characterised by uncertainty with a new Government in place. 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.
- 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.

11.0 CONCLUSIONS

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.

12.0 RECOMMENDATIONS

12.1 Joint Strategic Committee is recommended to:

- (a) Note the report and the outline 5-year forecasts in Appendix 2;
- (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 2017/18 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 8th February 2016 - Estimates 2016/17 and setting of 2016/17 Council Tax

Report to Worthing Borough Council Cabinet 9th February 2016 - Estimates 2016/17 and setting of 2016/17 Council Tax

Report to Joint Strategic Committee 13th July 2016 – Final Revenue Outturn for Joint, Adur and Worthing 2015/16.

Budget Statement 2013 – Report from HM Treasury

Budget Statement 2015 – Report from HM Treasury

Report to Joint Strategic Committee 2nd 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 2017/18

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

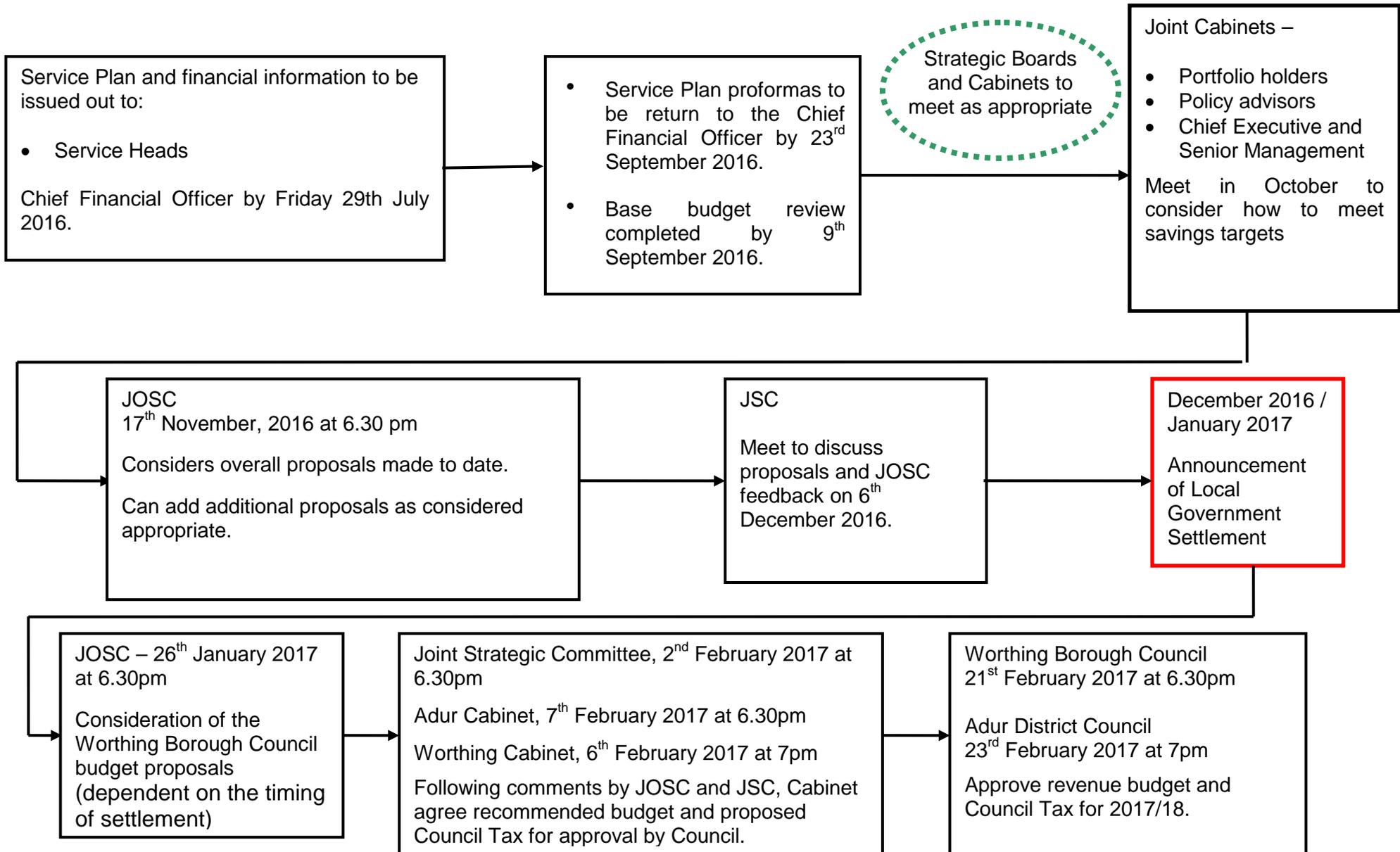
10.1 Matter considered and no issues identified

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.



| ADUR DISTRICT COUNCIL | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Budget Summary Statement 2016/17 - 2021/22 | | | | | | |
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | Base | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 9,780 | 9,780 | 9,780 | 9,780 | 9,780 | 9,780 |
| Annual Inflation | | | | | | |
| Estimated inflation | | 195 | 522 | 858 | 1,198 | 1,555 |
| Less : Over provision for pay award in previous year | | (78) | (78) | (78) | (78) | (78) |
| One -off / non-recurring items | | | | | | |
| Local Elections (held every other year) | | (42) | - | (44) | - | (46) |
| Committed Growth | | | | | | |
| Impact of Pension contribution increase | | 62 | 126 | 195 | 199 | 203 |
| Loss of Housing Benefit Administration Grant | | 40 | 80 | 120 | 160 | 200 |
| Increasing demand for emergency accomodation | | 100 | 100 | 100 | 100 | 100 |
| Impact of reprocurement of building maintenance contracts for corporate buildings | | 4 | 4 | 4 | 4 | 4 |
| Reprocurement of IT systems | | 16 | 16 | 16 | 16 | 16 |
| Temporary closure of Riverside Car Park | | 20 | 20 | - | - | - |
| New 2020 recycling targets | | - | - | 200 | 400 | 400 |
| Contingency | | 70 | 70 | 70 | 70 | 70 |
| Impact of capital programme | | | | | | |
| Financing costs | | 81 | 14 | 3 | 95 | 150 |
| Additional income | | | | | | |
| Investment income | | 76 | 76 | 77 | 16 | (45) |
| Approved Savings | | | | | | |
| Approved Growth items | | | | | | |
| Provision for new growth items | | 60 | 60 | 60 | 60 | 60 |
| Total Cabinet Member Requirements | 9,780 | 10,384 | 10,790 | 11,361 | 12,020 | 12,369 |
| Total Cabinet Member Requirements B/fwd | 9,780 | 10,384 | 10,790 | 11,361 | 12,020 | 12,369 |
| Baseline funding | 1,617 | 1,649 | 1,698 | 1,752 | 1,787 | 1,823 |
| Less: Safety net pay't / business rate shortfall | | - | - | - | - | - |
| Add: Retained additional business rates | 438 | 405 | 408 | 243 | 298 | 327 |
| Add: Share of previous year's surplus | 381 | 331 | | | | |
| Adusted Baseline funding | 2,436 | 2,385 | 2,106 | 1,995 | 2,085 | 2,150 |
| Revenue Support Grant | 774 | 271 | - | - | - | - |
| Council Tax | | | | | | |
| Adjusted Council Tax income | 5,683 | 5,811 | 5,941 | 6,075 | 6,211 | 6,351 |

| ADUR DISTRICT COUNCIL | | | | | | |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|
| Revenue Budget Summary Statement 2016/17 - 2021/22 | | | | | | |
| | 2016/17 Base | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Other grants | | | | | | |
| Transitional Grant | 73 | 73 | - | - | - | - |
| Council Tax Reduction Scheme Grant | 40 | 36 | 32 | 29 | 26 | 24 |
| New homes bonus (2011/12 - 2016/17) | 62 | - | - | - | - | - |
| New homes bonus (2012/13 - 2017/18) | 153 | - | - | - | - | - |
| New homes bonus (2013/14 - 2018/19) | 244 | 244 | - | - | - | - |
| New homes bonus (2014/15 - 2019/20) | 107 | 107 | - | - | - | - |
| New homes bonus (2015/16 - 2020/21) | 86 | 86 | 86 | - | - | - |
| New homes bonus (2016/17 -2019/20) | 115 | 115 | 115 | 115 | - | - |
| New homes bonus (2017/18 - 2020/21) | - | 100 | 100 | 100 | 100 | - |
| New homes bonus (2018/19- 2021/22) | - | - | 150 | 150 | 150 | 150 |
| New homes bonus (2019/20 - 2022/23) | - | - | - | 150 | 150 | 150 |
| New homes bonus (2020/21 - 2023/24) | - | - | - | - | 150 | 150 |
| Total NHB | 767 | 652 | 451 | 515 | 550 | 450 |
| Collection fund surplus/deficit (-) | 7 | - | - | - | - | - |
| Total other grants and contributions | 887 | 761 | 483 | 544 | 576 | 474 |
| Total Income from Grants and Taxation | 9,780 | 9,228 | 8,530 | 8,614 | 8,872 | 8,974 |
| (Surplus) / Shortfall in Resources | - | 1,156 | 2,260 | 2,747 | 3,148 | 3,395 |
| Contribution to (-) / Use of Reserves to Balance | | | | | | |
| Capacity issues reserve | - | - | - | - | - | - |
| Total Income from Reserves | - | - | - | - | - | - |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 1,156 | 2,260 | 2,747 | 3,148 | 3,395 |
| Initiatives in progress: | | | | | | |
| Strategic Property Investment Fund | | | | | | |
| Future property purchases | | 100 | 300 | 500 | 700 | 900 |
| Commercial activities and commissioning | | | | | | |
| Commercial and Property Board | | 180 | 360 | 540 | 720 | 900 |
| Efficiency Measures | | | | | | |
| Digital strategy | | 80 | 160 | 160 | 160 | 160 |
| Restructures and service plan savings not included above | | | | | | |
| MRP policy review | | 275 | 250 | 162 | 95 | 167 |
| Recommissioning of Revenue and Benefits service | | 100 | 200 | 200 | 200 | 200 |
| Demolish the Civic Centre | | 38 | 38 | 38 | 38 | 38 |
| New Strategy for emergency accomodation | | 50 | 50 | 50 | 50 | 50 |
| Annual reduction in ACL fees | | 10 | 20 | 30 | 40 | 50 |
| Total future initiatives identified | | 833 | 1,378 | 1,680 | 2,003 | 2,465 |

| ADUR DISTRICT COUNCIL | | | | | | |
|---|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Budget Summary Statement 2016/17 - 2021/22 | | | | | | |
| | 2016/17 Base | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cumulative savings still to be found/ (surplus) | | 323 | 882 | 1,067 | 1,145 | 930 |
| Annual savings still to be found | | 323 | 559 | 185 | 78 | (215) |
| Council Tax increase | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Average annual increase (Band D property) | | £5.42 | £5.53 | £5.64 | £5.75 | £5.87 |
| Average weekly increase (Band D property) | | £0.10 | £0.11 | £0.11 | £0.11 | £0.11 |

WORTHING BOROUGH COUNCIL
Revenue Budget Summary Statement 2016/17 - 2021/22

| | 2016/17 Base | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 14,039 | 14,039 | 14,039 | 14,039 | 14,039 | 14,039 |
| (a) Annual Inflation | | | | | | |
| Estimated inflation | | 304 | 882 | 1,480 | 2,087 | 2,723 |
| - Overprovision for pay award in 2016/17 budget | | (121) | (121) | (121) | (121) | (121) |
| (b) One-off / non-recurring items | | | | | | |
| Local Elections (not held once every four years) | | (76) | - | - | - | - |
| (c) Committed Growth / Cost reductions | | | | | | |
| Impact of Pension Fund Triennial valuation | | 100 | 204 | 315 | 321 | 327 |
| Housing condition survey - carried out once every 3 years | | 9 | - | - | 9 | - |
| Impact of pension valuation for SDLT - Fall out of pension costs. | | (26) | (52) | (78) | (104) | (130) |
| Loss of Housing Benefit Administration Grant | | 45 | 90 | 135 | 180 | 225 |
| Reopening of Brooklands Golf Course (reopens 2017/18) | | (98) | (98) | (98) | (98) | (98) |
| Net impact of SDLT commissioning support services from external providers | | 187 | 187 | 187 | 187 | 187 |
| Increasing demand for emergency accommodation | | 350 | 350 | 350 | 350 | 350 |
| Impact of reprocurement of building maintenance contracts for corporate buildings | | 14 | 14 | 14 | 14 | 14 |
| Reprocurement of IT systems | | 25 | 25 | 25 | 25 | 25 |
| New 2020 recycling targets | | - | - | 300 | 600 | 600 |
| Contingency | | 80 | 80 | 80 | 80 | 80 |
| (e) Impact of capital programme | | | | | | |
| Financing costs - General Programme | | 148 | 181 | 297 | 239 | 317 |
| (f) Additional income | | | | | | |
| Investment income | | 56 | 48 | 40 | (12) | (72) |
| (g) Agreed Savings | | | | | | |
| Splashpoint - Impact of sale of Aquarena site | | (150) | (150) | (150) | (150) | (150) |
| (h) Approved Growth items | | | | | | |
| Provision for new growth items | | 90 | 90 | 90 | 90 | 90 |
| Total Cabinet Member Requirements | 14,039 | 14,976 | 15,769 | 16,905 | 17,736 | 18,406 |
| Total Cabinet Member Requirements b/fwd | 14,039 | 14,976 | 15,769 | 16,905 | 17,736 | 18,406 |
| Baseline funding | 2,464 | 2,513 | 2,587 | 2,669 | 2,722 | 2,776 |
| Add: Net retained additional business rates | 520 | 506 | 502 | 251 | 300 | 345 |
| Add: Share of 2015/16 surplus /deficit (-) | (175) | | | | | |
| Adusted Baseline funding | 2,809 | 3,019 | 3,089 | 2,920 | 3,022 | 3,121 |

| WORTHING BOROUGH COUNCIL Revenue Budget Summary Statement 2016/17 - 2021/22 | | | | | | |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2016/17 Base | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Revenue Support Grant | 1,194 | 453 | 8 | - | - | - |
| Council Tax income | | | | | | |
| Adjusted Council Tax income | 8,228 | 8,426 | 8,628 | 8,836 | 9,040 | 9,258 |
| Transitional Grant | 100 | 100 | - | - | - | - |
| Council Tax Reduction Scheme Grant | 60 | 54 | 49 | 44 | 39 | 35 |
| Total New Homes Bonus | 1,599 | 1,514 | 1,484 | 1,488 | 1,220 | 860 |
| Collection fund surplus/deficit (-) | 49 | - | - | - | - | - |
| Total other grants and contributions | 1,808 | 1,668 | 1,533 | 1,532 | 1,259 | 895 |
| Total Income from Taxation | 14,039 | 13,566 | 13,258 | 13,288 | 13,321 | 13,274 |
| (Surplus) / Shortfall in Resources | - | 1,410 | 2,511 | 3,617 | 4,415 | 5,132 |
| Use of / (contribution to) Res'ves to Balance | | | | | | |
| Capacity issues reserve | - | - | - | - | - | - |
| Total Income from Reserves | - | - | - | - | - | - |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 1,410 | 2,511 | 3,617 | 4,415 | 5,132 |
| Strategic Initiatives to balance the budget | | | | | | |
| Strategic Property Investment Fund | | | | | | |
| 85 - 91 Montegue Street | | 99 | 99 | 99 | 99 | 99 |
| Montegue Street - 2nd property | | 49 | 49 | 49 | 49 | 49 |
| Future property purchases | | 52 | 252 | 452 | 652 | 852 |
| Commercial activities and commissioning | | | | | | |
| Commercial and Customer Board | | 420 | 840 | 1,260 | 1,680 | 2,100 |
| Efficiency Measures | | | | | | |
| Digital Strategy Board | | 120 | 240 | 240 | 240 | 240 |
| Restructures and service plan savings not included above | | | | | | |
| MRP policy review | | 224 | 248 | 304 | 299 | 341 |
| New Strategy for emergency accomodation | | 175 | 175 | 175 | 175 | 175 |
| Annual reduction in SDLT fees | | - | - | 75 | 75 | 75 |
| Improvement in overpayment recovery | | 100 | 100 | 100 | 100 | 100 |
| Loan to Worthing Homes | | 43 | 43 | 43 | 43 | 43 |
| | | 1,282 | 2,046 | 2,797 | 3,412 | 4,074 |
| Cumulative savings still to be found | | 128 | 465 | 820 | 1,003 | 1,058 |
| Annual savings still to be found | | 128 | 337 | 483 | 520 | 538 |
| Council Tax increase | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Average annual increase (Band D property) | | £4.23 | £4.31 | £4.40 | £4.49 | £4.58 |
| Average weekly increase (Band D property) | | £0.08 | £0.08 | £0.08 | £0.09 | £0.09 |

JOINT STRATEGIC COMMITTEE - APPENDIX 1
Revenue Budget Summary Statement 2016/17 - 2021/22

| | 2016/17 Base | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|-----------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 24,666 | 24,666 | 24,666 | 24,666 | 24,666 | 24,666 |
| (a) Annual Inflation | | | | | | |
| Estimated inflation | | 508 | 1,285 | 2,085 | 2,891 | 3,736 |
| Less : Over provision for pay award in previous year | | (166) | (166) | (166) | (166) | (166) |
| (b) Committed Growth | | | | | | |
| Impact of Pension contribution increase | | 165 | 168 | 171 | 174 | 177 |
| Reprocurement of IT systems | | 41 | 41 | 41 | 41 | 41 |
| Contingency | | 50 | 50 | 50 | 50 | 50 |
| Total Budget Requirements | 24,666 | 25,264 | 26,044 | 26,847 | 27,656 | 28,504 |
| Less: Recharges within the Joint Strategic Committee | (3,102) | (3,102) | (3,102) | (3,102) | (3,102) | (3,102) |
| Net cost to be reallocated to the Councils | 21,564 | 22,162 | 22,942 | 23,745 | 24,554 | 25,402 |
| Adur District Council | 8,528 | 8,187 | 7,982 | 7,902 | 7,902 | 7,902 |
| Worthing Borough Council | 13,036 | 12,515 | 12,202 | 12,080 | 12,080 | 12,080 |
| Total income for services provided to the constituent councils | 21,564 | 20,702 | 20,184 | 19,982 | 19,982 | 19,982 |
| (Surplus) / Shortfall in Resources | | 1,460 | 2,758 | 3,763 | 4,572 | 5,420 |
| Strategic Initiatives to balance the budget | | | | | | |
| Commercial activities and commissioning | | | | | | |
| Commercial and Customer Board | | 600 | 600 | 600 | 600 | 600 |
| Efficiency Measures | | | | | | |
| Digital Strategy Board | | 200 | 200 | 200 | 200 | 200 |
| Total savings identified | | 800 | 800 | 800 | 800 | 800 |
| Savings still to be found/ (surplus) | | 660 | 1,958 | 2,963 | 3,772 | 4,620 |

| BUSINESS RATE FORECAST | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur District Council | | | | | |
| Total business rate income | 21,947 | 22,563 | 23,145 | 23,861 | 24,443 |
| Less: Business rate reliefs awarded | -3,156 | -3,219 | -3,283 | -3,349 | -3,416 |
| Net business rate income | 18,791 | 19,344 | 19,862 | 20,512 | 21,027 |
| Less: | | | | | |
| Write offs | -94 | -97 | -99 | -103 | -105 |
| Appeals | -264 | -269 | -274 | -280 | -285 |
| Net income | 18,433 | 18,978 | 19,489 | 20,129 | 20,637 |
| Less: Share of income paid to Council for administration costs | -91 | -93 | -94 | -96 | -98 |
| Net income for purpose of income share calculation | 18,342 | 18,885 | 19,395 | 20,033 | 20,539 |
| Council share of income (40%) | 7,337 | 7,554 | 7,758 | 8,013 | 8,216 |
| Less: Tariff | -5,305 | -5,492 | -6,003 | -6,123 | -6,246 |
| Retained business rates | 2,032 | 2,062 | 1,755 | 1,890 | 1,970 |
| Add : S151 grants paid directly to the General Fund | 428 | 437 | 446 | 456 | 466 |
| Total income eligible for levy/safety net calculation | 2,460 | 2,499 | 2,201 | 2,346 | 2,436 |
| Baseline funding | -1,650 | -1,683 | -1,716 | -1,751 | -1,786 |
| Surplus/(deficit) business rates | 810 | 816 | 485 | 595 | 650 |
| Less: Levy @ 50% | -405 | -408 | -242 | -297 | -324 |
| Retained additional business rates | 405 | 408 | 243 | 298 | 326 |
| Share of estimated 2016/17 surplus | 331 | 0 | 0 | 0 | 0 |
| Estimated surplus/deficit (-) | 736 | 408 | 243 | 298 | 327 |

| BUSINESS RATE FORECAST | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Worthing Borough Council | | | | | |
| Total business rate income | 38,455 | 39,399 | 40,422 | 41,444 | 42,466 |
| Less: Business rate reliefs awarded | -4,739 | -4,834 | -4,930 | -5,029 | -5,129 |
| Net business rate income | 33,716 | 34,565 | 35,492 | 36,415 | 37,337 |
| Less: | | | | | |
| Write offs | -55 | -56 | -58 | -59 | -61 |
| Appeals | -500 | -510 | -520 | -531 | -541 |
| Net income | 33,161 | 33,999 | 34,914 | 35,825 | 36,735 |
| Less: Share of income paid to Council for administration costs | -134 | -136 | -139 | -142 | -145 |
| Net income for purpose of income share calculation | 33,027 | 33,863 | 34,775 | 35,683 | 36,590 |
| Council share of income (40%) | 13,211 | 13,545 | 13,910 | 14,273 | 14,636 |
| Less: Tariff | -10,278 | -10,581 | -11,409 | -11,637 | -11,870 |
| Retained business rates | 2,933 | 2,964 | 2,501 | 2,636 | 2,766 |
| Add : S151 grants paid directly to the General Fund | 592 | 604 | 617 | 631 | 644 |
| Total income eligible for levy / safety net calculation | 3,525 | 3,568 | 3,118 | 3,267 | 3,410 |
| Baseline funding | -2,513 | -2,563 | -2,615 | -2,667 | -2,721 |
| Surplus/(deficit) business rates | 1,012 | 1,005 | 503 | 600 | 689 |
| Less: Levy @ 50% | -506 | -504 | -251 | -299 | -344 |
| Retained additional business rates | 506 | 501 | 252 | 301 | 345 |
| Share of estimated 2015/16 deficit | 0 | 0 | 0 | 0 | 0 |
| Estimated surplus / deficit (-) | 506 | 501 | 252 | 301 | 345 |

PROPOSED EFFICIENCY STATEMENT

The Councils face an expected shortfall in resourcing over the next 5 years of:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|
| ADUR DISTRICT COUNCIL | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,156 | 2,260 | 2,747 | 3,148 | 3,395 |
| Annual shortfall | 1,156 | 1,104 | 488 | 400 | 247 |
| Total net budget | 9,228 | 8,530 | 8,614 | 8,872 | 8,974 |
| Annual savings as a percentage of overall net budget (%) | 12.53% | 12.94% | 5.66% | 4.51% | 2.76% |

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|--|--------------|--------------|--------------|--------------|--------------|
| WORTHING* | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,410 | 2,511 | 3,617 | 4,415 | 5,132 |
| Annual shortfall | 1,410 | 1,101 | 1,106 | 797 | 717 |
| Total net budget | 13,566 | 13,258 | 13,288 | 13,321 | 13,274 |
| Annual savings as a percentage of overall net budget (%) | 9.60% | 8.44% | 8.22% | 8.11% | 8.51% |

To meet the challenge, the Councils are proposing to:

1. Generate increased income from Council Tax and Business rates by:
 - i) Facilitate the creation of more employment and retail space thereby increasing business rates income ;
 - ii) Facilitate the delivery of new homes to increase Council Tax income and lever in any government reward grant (e.g. New Homes Bonus). On average each new home built (Band C) will generate £235.04 for Adur District Council and £192.00 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. Commission services differently by:
 - 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.

PROPOSED EFFICIENCY STATEMENT

2. Commission services differently by:

iii) The Councils will commission services in the most cost-effective manner and will investigate co-commissioning with other partner organisations.

1. Transform how the Council work and generate new income by:

i). Implementing the Digital Strategy:

The Councils have embarked on a radical digital transformation. The proposed programme of work designed to lever in significant savings over the 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 |

ii) Generating additional income from commercial activities:

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 encouraged to maximise profit margins where possible.
- The Councils will look for new income generating opportunities.

PROPOSED EFFICIENCY STATEMENT

2. Commission services differently by:

ii) Generating additional income from commercial activities:

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.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|-------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Annual Savings | 600 | 600 | 600 | 600 | 600 |
| Cumulative impact | 600 | 1,200 | 1,800 | 2,400 | 3,000 |

iii) Procurement review

The Councils will continue to identify opportunities to lever in further procurement savings by:

- Working with partners to implement category management across the County and to improve contract management;
- 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.

iv) Invest in Commercial Property using the Strategic Property Fund:

- a) 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. Adur District Council has recently approved in principle the construction of a new office building.
- b) 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 between 2% and 3% after allowing for any financing costs.

PROPOSED EFFICIENCY STATEMENT

2. Commission services differently by:

iv) Invest in Commercial Property using the 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 | 5,000 | 10,000 | 10,000 | 10,000 | 10,000 |
| Expected cumulative return (after debt charges) | 100 | 300 | 500 | 700 | 900 |