



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11th July 2017
Agenda Item No:8

Joint Overview and Scrutiny Committee
27th July 2017
Agenda Item No: 8
Ward: All

TOWARDS A SUSTAINABLE FUTURE - BUDGET STRATEGY FOR THE 2018/19 BUDGET REPORT BY DIRECTOR FOR DIGITAL AND RESOURCES

1.0 SUMMARY

- 1.1 There has been a fundamental shift in how local Councils are funded, Adur and Worthing Councils have responded to the challenge of reducing Government support by promoting economic regeneration, investing in property, growing our commercial offer, and through business efficiency from the digitisation agendas. Despite the inevitable challenges brought by reducing resources, the Councils have continued to maintain good core services across the board and have a clear focus on customer service excellence.
- 1.2 This report aims to set out the Councils will continue to address the changing financial climate over the next 10 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 2018/19 coming forward to Joint Strategic Committee in December, this reports sets out the broader context for the detailed work that will be undertaken over the intervening months.
- 1.3 As set out in the following pages, the Councils will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our Councils have a good track record in innovation, working creatively in partnership, transforming our digital capabilities and putting the customer at the heart of our services, so that we have capacity to do far more than just 'survive'. Our new strategy, 'Platforms for our Places' approved by the Councils in February sets out how we can play an even greater role in helping to shape the future of our places.
- 1.4 The 5 'Platforms' that will provide the direction for all our work over the next 3 years are:
 - Our Financial Economies
 - Our Social Economies
 - Stewarding our Natural Resources
 - Services and Solutions for our places
 - Leadership of our Places

Platforms for our Places takes forward several of the *Surf's Up* themes and adds Stewardship of Natural Resources and Leadership of our Places to create the 5 platforms identified as essential for happy, healthy, prosperous, innovative, dynamic and sustainable communities, able to thrive independently of the State over the medium and longer term.

1.0 SUMMARY

- 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 2017 as part of the development of the 2018/19 budget.

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 the considerable financial challenges presented by the withdrawal of Government funding. The Councils have successfully kept Council Tax increases to an absolute minimum over the past few years, opting to freeze or reduce the Council tax when possible.
- 2.2 However, the financial pressure continues. Revenue support grant will disappear next year, the new conditions attached to New Homes Bonus will mean that this will reduce as a resource in future, and the councils expect a reduction in the level of retained business rates from 2020/21 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 the business rates system.
- 2.3 The recent election will inevitably have an impact on the finances of the public sector and we await the Budget in the Autumn with interest.
- 2.4 Members are being asked to consider the 2018/19 strategy at an early point in the year to enable the Councils to plan ahead. 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

Since 2010, the Councils have seen a considerable reduction in the level of funding from Government. However the Settlement of 2016/17 provided some certainty over the level of funding that the Councils can expect in the short term. Contained within the 2016/17 settlement were indicative grant allocations for the four year period 2016/17 – 2019/20. Councils were able to secure this level of funding by submitting a four year efficiency plan. The Councils efficiency plan was accepted last year, which gives us certainty for the next two years (assuming that there is no further election). However the indicative grant allocations show that the Councils will see no immediate easing of the financial pressures and from 2018/19 the Councils will receive no or very limited Revenue Support Grant.

The recent election has introduced a further degree of uncertainty over the funding for Local Government, particularly the long awaited reform of business rates and the funding formulae for Local Government.

3.0 FINANCIAL CONTEXT

The recent Queen's speech made no reference to the Local Government Finance Bill which contained the legislation required to reform Business Rates. Consequently, these reforms are likely to be significantly delayed. The Fair Funding review however is likely to progress as this does not require any change to legislation.

3.2 How Council funding from taxation is changing:

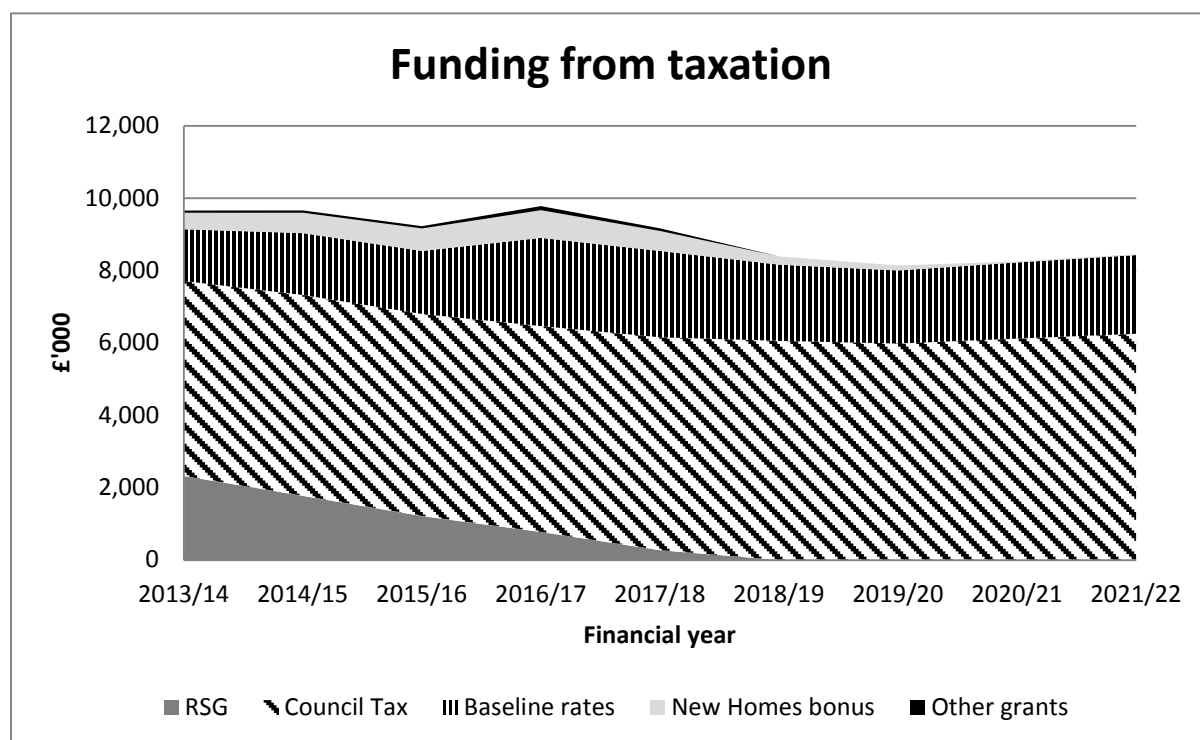
The Local Government Finance landscape has changed profoundly over the last few years due to three factors:

- The introduction of Business Rate Retention Scheme which is due to be reformed again.
- Localising Council Tax Support (Council Tax Benefit)
- The continuing reduction in all Government grants

From 2018/19, the Councils will receive three distinct funding streams from taxation which are discussed more fully later in the report:

- Business Rates;
- New Homes Bonus; and
- Council Tax

Revenue Support Grant will cease as a funding source for the Councils and the underlying make-up of funding to the Councils continues to change rapidly with increasing proportions coming from Council Tax and the Business Rate Retention Scheme. New Homes Bonus has been substantially reduced and will at some point be phased out.



(Note: Using Adur District Council as an example)

3.0 FINANCIAL CONTEXT

3.2 How Council funding from taxation 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. 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 'Platforms for our Places'.

3.2.1 Revenue Support Grant

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

3.2.2 Baseline Funding and Business Rates Retention

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

- i) The impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential 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 three aspects of this scheme which will influence the amount of business rate retained and so the Councils' budget in the medium term:

1. The 'Tariff':

Whilst the Councils are entitled to retain 40% of all business rate income, they 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 two years as part of the last Comprehensive Spending Review.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-----------------|--------------|--------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| ADUR | 4,641 | 4,790 | 4,961 | 5,060 | 5,161 | 5,264 |
| Annual increase | | | | | | |
| - Amount | | 149 | 171 | 99 | 101 | 103 |
| - Percentage | | 3.21% | 3.57% | 2.00% | 2.00% | 2.00% |
| WORTHING | 9,540 | 9,847 | 10,197 | 10,401 | 10,609 | 10,822 |
| Annual increase | | | | | | |
| - Amount | | 307 | 350 | 204 | 208 | 213 |
| - Percentage | | 3.22% | 3.55% | 2.00% | 2.00% | 2.01% |

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

Once the Revenue Support Grant has been withdrawn, the only mechanism that the Government has to redistribute or reduce local government funding is via the Business Rate retention scheme using the tariff. Consequently, it is expected that Government will then reduce the amount of business rate income retained locally, with the Councils keeping a diminishing share of the business rate income.

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

Every year the Councils are 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:

| | 2017/ 18 | 2018/ 19 | 2019/ 20 | 2020/ 21 | 2021/ 22 | 2022/ 23 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ADUR | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Baseline funding | 1,650 | 1,703 | 1,764 | 1,799 | 1,835 | 1,872 |
| Retained surplus rates | 736 | 365 | 582 | 597 | 611 | 622 |
| Business rate income retained locally | 2,386 | 2,068 | 2,346 | 2,396 | 2,446 | 2,494 |
| Net business rate income | 17,563 | 18,193 | 18,580 | 18,966 | 19,350 | 19,732 |
| Percentage retained locally | 13.59% | 11.37% | 12.63% | 12.63% | 12.64% | 12.64% |
| WORTHING | | | | | | |
| Baseline funding | 2,514 | 2,594 | 2,688 | 2,741 | 2,796 | 2,852 |
| Retained surplus rates | 506 | 682 | 608 | 625 | 640 | 650 |
| Business rate income retained locally | 3,020 | 3,276 | 3,296 | 3,366 | 3,436 | 3,502 |
| Net business rate income | 31,133 | 32,644 | 33,338 | 34,030 | 34,719 | 35,405 |
| Percentage retained locally | 9.70% | 10.04% | 9.89% | 9.89% | 9.90% | 9.89% |

Further details can be found in **Appendix 4**.

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 (Baseline funding):

Members should be aware that there is significant volatility around aspects of the system, such as appeals, which make it difficult to forecast income with accuracy. This is particularly true of 2017/18 when there was a revaluation which generally leads to an increase in the level of appeals.

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 to the Council £719,000.

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 to the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated. For Adur District Council, there was a significant revaluation of the power station late in 2016/17 backdated to 2013 which means that there was a deficit at the end of the 2016/17 financial year which will have to be recouped in 2018/19.

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.
- New Monks Farm site in Adur – A planning application is expected later in the year. The proposal includes a new IKEA store which should be constructed over the next 2 – 3 years and will potentially benefit Adur in 2020.
- Union Place in Worthing – 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 2017/18, then the surplus could be used to support the budget in 2018/19. An update to the likely surplus or deficit will be undertaken later in the year.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

3. Reform of the business rate system

The Chancellor announced the reform of the business rate system in the Autumn Statement 2015 which took the form of two separate initiatives:

- 100% retention of business rate income by Local Government
- Fair Funding Review which considered how business rates would be distributed across the Country in future.

Since that time there have been three consultations on the proposed new system. Two last Autumn and the most recent was earlier this year.

However, the recent Queen's Speech made no reference to the legislation necessary to reform business rates. The initial proposals which were contained within the Local Government Finance Bill had already been delayed due to the General Election. Consequently, the implementation date is likely to be deferred until 2020/21 at the earliest and it may be deferred indefinitely. However, the Fairer Funding Review which influences how much business rates income the Councils can retain can continue without any changes to legislation although again this is unlikely to be implemented until 2020/21.

It is difficult to see how the Councils will benefit from these reforms. Firstly, the current system is highly redistributive with both Councils keeping relatively small proportions of the overall business rate income. The Government intends to review the redistribution of business rates (Fair Funding Review) and there remains a risk that the Councils will end up contributing a greater proportion to the treasury for redistribution elsewhere particularly in light of the pressures on Adult Social Care funding. 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 largely neutral – we will be no better or worse off. But it is evident from the recent consultations that the Councils are unlikely to keep all of the current growth from business rates and that we should expect to see a reduction of at least 50% in the surplus that the Councils will be able to retain once the system is reset.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

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 scheme has been recently reformed. Grant is now paid over 4 years rather than 6. In addition, a national baseline for housing growth of 0.4% has been introduced; growth below this level will not qualify for grant. For Adur and Worthing, this means a substantial number of houses will need to be completed each year before any grant will be awarded (102 in Adur or 181 in Worthing).

Consequently, the grant will now only benefit those Councils which have the capacity to build a significant number of new homes, and Adur, in particular, will struggle to build sufficient homes to qualify for any grant.

The current forecast is based on an estimate of the new homes to be built in the next 3 years. At present the forecast assumes that the grant will eventually be phased out as part of the next Comprehensive Spending Review.

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|----------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur | 553 | 228 | 142 | 27 | 26 | - |
| Worthing | 1,599 | 1,514 | 1,484 | 1,488 | 1,220 | 860 |

The Government had intended to consult on some further amendments to the scheme during the Summer of 2017. It was proposed that from 2018/19 the Government would withhold payments from authorities not supporting housing growth whether this is through the absence of a local plan or by not granting planning permission (which is subsequently granted on appeal). However in light of the recent election, such changes may be delayed.

3.2.4 Council Tax

Council Tax is now the Councils' major source of income. By 2018/19 it will be over 70% of the total general income received by Adur District Council and 66% of the income received by Worthing Borough Council. 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 several years, opting to freeze or reduce Council Tax where possible whilst government support for such initiatives was available. 2017/18 was the first year that the Councils opted to raise Council Tax since 2011/12.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.4 Council Tax

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 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|------------|------------|------------|------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax income if Council Tax is increased by 2.0% each year | 5,980 | 6,114 | 6,251 | 6,391 | 6,535 |
| Council Tax income if Council Tax is frozen each year | 5,862 | 5,876 | 5,891 | 5,905 | 6,037 |
| Income foregone | 118 | 238 | 360 | 486 | 498 |

| WORTHING BOROUGH COUNCIL | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|------------|------------|------------|------------|------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax income if Council Tax is increased by 2.0% each year | 8,702 | 8,912 | 9,126 | 9,346 | 9,571 |
| Council Tax income if Council Tax is frozen each year | 8,532 | 8,566 | 8,600 | 8,635 | 8,669 |
| Income foregone | 170 | 346 | 526 | 711 | 902 |

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 a Council Tax freeze. This is particularly pertinent in 2018/19 when the Councils have to find savings of over £3.2m

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:

... 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% |

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.4 Council Tax

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2% or £5.00 per Band D property. At this time we do not know the referendum limit for 2017/18 but it is unlikely to be higher. A 2% increase would be equivalent to £5.65 per Band D property in Adur and £4.49 per Band D property in Worthing.

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 £57,340 in Adur and £85,320 in Worthing for 2018/19.

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

| 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---------|---------|---------|---------|---------|
| 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.

3.3 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 | 407 | 844 |
| Net budget | 9,166 | 13,468 |
| Percentage held | 4.4% | 6.3% |

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:

3.0 FINANCIAL CONTEXT

3.3 Reserves Position:

- 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-17 | Uncommitted resources* | Balance as at 31-Mar-17 | Uncommitted resources* | |
| | £'000 | £'000 | £'000 | £'000 | |
| | Capacity Issues Reserve | 194 | 151 | 1,178 | 800 |
| | Special and other emergency expenditure reserve | 86 | 86 | 42 | 42 |
| TOTAL | 280 | 237 | 1,220 | 842 | |

* This allows for approvals to use the resources from 2017/18 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 2.9% (CPI) which is above the target 2% set by the Bank of England. The Bank of England expects inflation to continue to stay above the threshold in 2017/18 and 2018/19 and gradually move back towards the 2% target rate by 2020. 2% was allowed in the 2017/18 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:

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

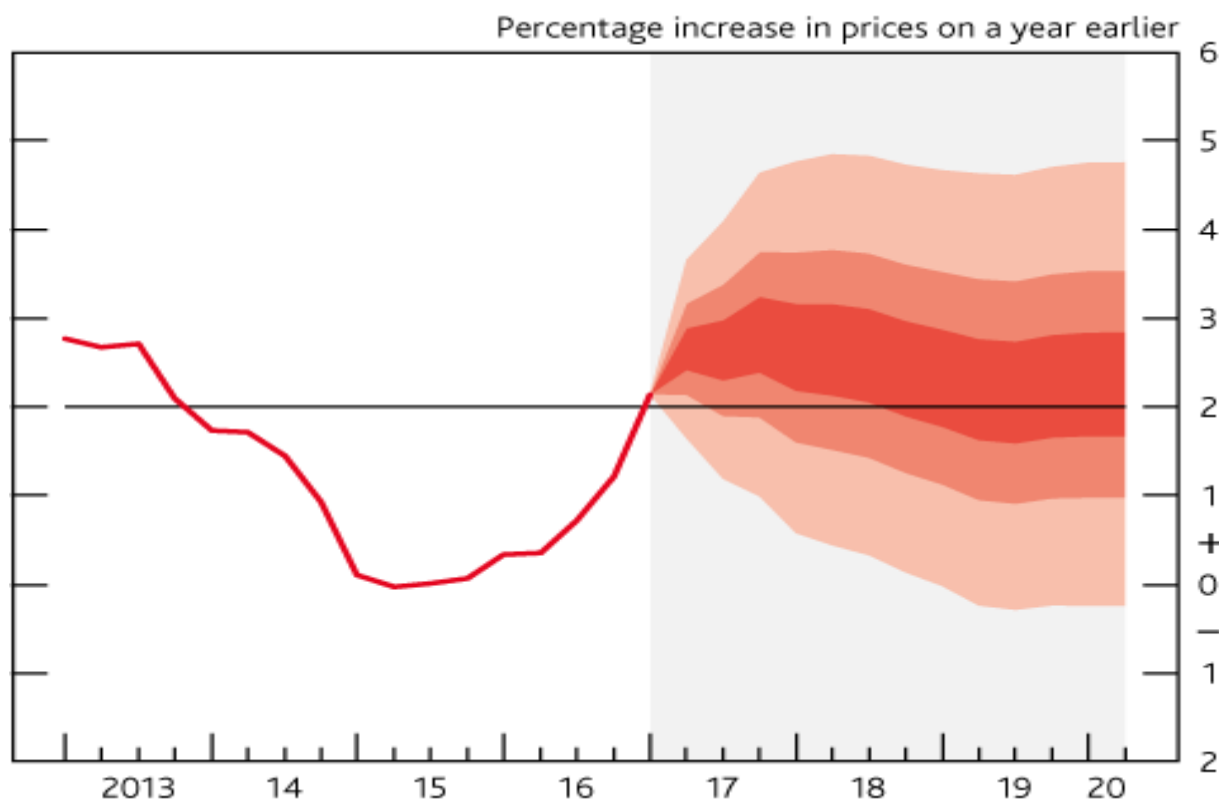
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-----------------------|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Pay* | 2 | 2 | 2 | 2 | 2 |
| Supplies and Services | 2.5 | 2.2 | 2 | 2 | 2 |
| Income | 2.5 | 2.2 | 2 | 2 | 2 |

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

| Adur | Worthing | Joint Strategic Committee |
|-------|----------|---------------------------|
| £'000 | £'000 | £'000 |
| 10 | 80 | 375 |

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 May 2017.



Source: Bank of England inflation reports

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:

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur* | 324 | 644 | 961 | 1,265 | 1,572 |
| Worthing* | 533 | 1,064 | 1,592 | 2,099 | 2,607 |
| Note: | | | | | |
| Joint Services | 677 | 1,450 | 2,212 | 2,948 | 3,691 |
| * (included above) | | | | | |

Income is assumed to increase by 2.5% 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. A 1% difference in the inflation assumptions is equivalent to:

| | Adur | Worthing | Joint |
|---------------------------------|-------|----------|-------|
| | £'000 | £'000 | £'000 |
| Pay | 3 | 37 | 216 |
| Supplies and Services | 50 | 110 | 54 |
| Income | -55 | -125 | -63 |
| Total | -2 | 22 | 207 |
| Share of joint inflation | 83 | 124 | -207 |
| OVERALL TOTAL | 81 | 146 | - |

4.3 Pension Costs

The pension fund was revalued in 2016/17. The last revaluation was in 2013/14. The overall funding of the pension fund has improved over the last three years as follows:

| | As at 31 st March 2013 | | As at 31 st March 2016 | |
|----------------|-----------------------------------|-----------------|-----------------------------------|-----------------|
| | Surplus / Deficit (-) | Funding level % | Surplus / Deficit (-) | Funding level % |
| Adur | -24,115 | 65 | -24,496 | 67 |
| Worthing | -32,128 | 56 | -29,223 | 60 |
| Joint Services | 0 | 100 | 7,649 | 112 |

Within the 2017/18 budget the Councils had assumed that the pension costs would increase by an average of 1% whilst the cash contributions towards the deficit would remain stable, however the overall contributions have changed as follows:

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.3 Pension Costs

| 2017/18 | Expected | | Actual | | Overall Financial impact |
|----------------------------------|----------|-------------------------------|--------|-------------------------------|--------------------------|
| | % | Deficit contribution £'000 | % | Deficit contribution £'000 | £'000 |
| Adur* | 21.7 | + 990 | 17.9 | +1,122 | -33 |
| Worthing* | 20.1 | +1,939 | 17.0 | +1,865 | -212 |
| Note: Joint Services * | 21.7 | 0 | 21.1 | 0 | -102 |

* (included in the financial impact above)

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 balanced with the need to invest to maintain the Councils asset stock.

In addition, within the capital strategy, Adur District Council has allocated £5.2m to the Housing Investment Programme for general maintenance of the Adur Homes stock which is reflected in the 30 year investment business plan.

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 bank interest rates have remained low for some time at 0.25% and are unlikely to rise until 2019. These will influence the returns that the Council is likely to get on any investments. 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 investment yields:

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|------------------------|---------|---------|---------|---------|---------|
| Average interest yield | 0.90% | 0.90% | 1.00% | 1.25% | 1.50% |

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.7 Funding for temporary accommodation – Flexible Homelessness Support Grant

Prior to 2017/18 the Council received an additional £60.00 management fee per week per household for people housed in emergency and temporary accommodation via housing benefit payments. From the 1st April, this was replaced by a new Flexible Homelessness Support grant. The allocations for 2017/18 and 2018/19 have already been made and it is clear from the ministerial statement that a further tranche of funding will be made available for 2019/20. However, the future of this funding is uncertain and it may well be wrapped up in the 'Fairer Funding Review' which is likely to take effect from the 1st April 2020. For the purposes of the outline forecast we have assumed that the grant will cease from 2020/21.

The grants awarded to the Councils for 2017/18 are as follows:

- Adur District Council £183,950
- Worthing Borough Council £119,710

The grant was calculated using information on homelessness caseload from 2015/16. Unfortunately since that time, Worthing in particular has seen significant growth in homeless numbers and consequently there is now an estimated shortfall between the funding that would have been generated from housing benefit payments and the new grant of £75,000 within the Worthing budget. This together with other pressures associated with caseload will mean that at least a further £100,000 needs to be allowed for within the Worthing budget.

4.8 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. 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 recyclate 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

4.9 Impact of increasing housing numbers on the Waste and Recycling service:

The Councils have seen a significant increase in housing numbers over the past 5 years as follows:

| Number of dwellings as per taxbase | 2017/18 | 2012/13 | Increase | % |
|------------------------------------|---------|---------|----------|-----|
| Adur | 28,183 | 27,613 | 570 | 2.1 |
| Worthing | 49,841 | 48,058 | 1,783 | 3.7 |

To date the Councils have accommodated within the existing waste and recycling rounds, but a tipping point has been reached and it is now necessary to invest in an additional waste and recycling round for the Councils to ensure that the Councils can accommodate future known growth in housing numbers. The cost of an additional round per year is estimated to be £254,000 broken down as follows:

| | £'000 |
|--------------------------------------|-------|
| Employees | 174 |
| Vehicle running costs | 35 |
| Borrowing costs for two new vehicles | 46 |
| | <hr/> |
| | 255 |

As the housing growth is more within the Worthing area than the Adur area, at the same time the cost allocation of waste and recycling has been reassessed which leads to a small change in the percentage allocation from 36.4 (Adur) / 63.6 (Worthing) to 36.12 (Adur) / 63.88 (Worthing).

4.10 Councils' Budget and Shortfall:

4.10.1 A summary of the position for 2018/19 is therefore:

| | Adur | Worthing |
|--|-------|----------|
| | £'000 | £'000 |
| Main cost pressures: | | |
| Increase in Council Tax in excess of the likely inflationary pressures | 193 | 329 |
| Changes in Government Funding: | | |
| Reduction in Revenue Support Grant and other grants | 722 | 705 |
| Change in income from business rates | 68 | -257 |
| Overall change in Government Funding | 790 | 448 |
| Balance carried forward | 983 | 777 |

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.10 Councils' Budget and Shortfall:

| | Adur | Worthing |
|--|--------------|--------------|
| | £'000 | £'000 |
| Balance brought forward | 983 | 777 |
| Other items: | | |
| Net impact of the capital programme | 208 | 401 |
| Impact of changes to interest rates and investment strategy | -35 | -32 |
| Impact of pension fund valuation | -33 | -212 |
| Reinstatement of Elections budget | 43 | 76 |
| Changes to the funding of emergency accommodation and the impact of increasing demand | 0 | 100 |
| Additional waste and recycling round | 91 | 164 |
| Reduced income from parking notices | 65 | 0 |
| Impact of fall out of SDLT pensions | 0 | -18 |
| Reduction in income from planning fees | 0 | 50 |
| Provision for new growth items | 60 | 80 |
| Removal of surplus on collection fund | 34 | 9 |
| Contingency | 70 | 90 |
| Overall savings to be met from a combination of increased income from commercial activities, the digital strategy, and other savings initiatives. | 1,486 | 1,485 |

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.

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

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|---------|---------|---------|---------|---------|
| ADUR* | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 |
| Annual shortfall | 1,486 | 362 | 1,272 | 237 | 467 |
| Total net budget | 8,526 | 8,602 | 8,376 | 8,558 | 8,718 |
| Annual savings as a percentage of overall net budget (%) | 17.43% | 4.21% | 15.19% | 2.76% | 5.35% |

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.10 Councils' Budget and Shortfall:

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|--------------|--------------|--------------|--------------|--------------|
| WORTHING* | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 1,485 | 2,301 | 3,957 | 4,463 | 5,303 |
| Annual shortfall | 1,485 | 816 | 1,656 | 506 | 840 |
| Total net budget | 13,215 | 13,308 | 12,763 | 12,811 | 12,868 |
| Annual savings as a percentage of overall net budget (%) | 11.24% | 6.13% | 12.98% | 3.95% | 6.52% |

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|--------------|--------------|--------------|--------------|--------------|
| JOINT SERVICES** | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall cumulative shortfall | 2,022 | 2,887 | 4,979 | 5,515 | 6,458 |
| Annual shortfall | 2,022 | 865 | 2,092 | 536 | 943 |
| Total net budget | 20,350 | 20,757 | 19,926 | 20,125 | 19,924 |
| Annual savings as a percentage of overall net budget (%) | 9.90% | 4.20% | 10.50% | 2.70% | 4.70% |

* 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**.

4.10.3 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.

4.11 Budget risks

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

i) Pay inflation

The local government unions' have today submitted formally a pay claim for 2018/19 for 5%. Our budget assumption is currently that pay will increase by 2%.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.11 Budget risks

ii) Impact of Universal Credit and the new Homelessness Reduction Act on the cost of the housing solutions service and legal services

The new Act places additional responsibilities on local authorities which may increase demand for homeless assessments and temporary accommodation. These new duties include:

- An extension of the period during which an authority should treat someone as threatened with homelessness from 28 to 56 days, and increases of the action an authority should take when someone applies for assistance having been served with a section 8 (1) or section 21 (2) notice.
- A new duty to prevent homelessness for all eligible applicants threatened with homelessness, regardless of priority need.
- A new duty to relieve homelessness for all eligible homeless applicants, regardless of priority need.
- A new duty on public services to notify a local authority if they come into contact with someone they think may be homeless or at risk of becoming homeless.

The Councils are still awaiting a timescale for implementation, central government guidance, and to establish whether there will be additional funding for these new burdens. However, the new requirements may well impact on both caseload and the time taken to address each case.

In addition, the extension of Universal Credit to Adur and Worthing may increase the risk of homelessness, principally due to the time it takes to receive a payment which typically takes between 5 – 8 weeks.

iii) Impact of competition on commercial income

Some of the Councils commercial services have local competitors and so future income streams may be vulnerable. This is particularly true with the Crematorium where a number of local funeral directors now provide their own Chapels.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2018/19 AND BEYOND

- 5.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 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 Councils priorities. The focus has 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 2018/19 and potentially 2020/21.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2018/19 AND BEYOND

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

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|--------------------------|---------|---------|---------|---------|---------|-------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Main programmes: | | | | | | |
| Strategic Property Fund | 963 | 409 | 514 | 359 | 410 | 2,655 |
| Commercial income growth | 600 | 600 | 600 | 600 | 600 | 3,000 |
| Digital Programme | 200 | 200 | 200 | 0 | 0 | 600 |

- 5.2 The Councils will need to identify options to meet the budget shortfall for 2018/19 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 2018/19 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 2018/19 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;
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;
4. The Strategic Asset Management Board leads on delivering the income growth associated with the Strategic Property Investment Fund

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2018/19 AND BEYOND

5.4 These strands of work reflect the priorities identified as part of 'Platforms for our Places', as follows:

Platform 1: Our Financial Economies

The Councils will:

- i) Provide strategic support to the business sectors to drive growth across Adur and Worthing thereby facilitating the creation of more employment and retail space thereby increasing business rates income.
- ii) Invest in and deliver major projects and key infrastructure to increase employment space and new homes
- iii) Use the Council's Strategic Property Investment Fund to delivery new revenue streams and support investment projects. This will be achieved through the following strands of work:
 - 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 to increase the amount of funding released per year and seek opportunities that will generate a return of between 2% and 3% after allowing for any financing costs. It should be appreciated that actual spend in any given year will be dependent on successfully identifying properties to purchase. An element of the additional income from 2019/20 will be set aside each year to help fund the impact of any future void properties

| Per Council | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital budget released | 25,000 | 25,000 | 25,000 | 15,000 | 15,000 |
| Expected cumulative return (after debt charges and allowance for voids) | 216 | 416 | 666 | 866 | 1,116 |

- iv) Promote initiatives to increase employment and reduce the burden on the public purse associated with benefits and poverty.

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

Platform 2: Our Social Economies

The Councils will:

- i) provide and enable the delivery of new homes across Adur and Worthing. The delivery of new homes will 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 £239.60 for Adur District Council and £199.68 for Worthing Borough Council in Council Tax income. There are a significant number of potential developments being considered by both Councils.
- ii) Encourage social innovation, social financing and supporting community and social entrepreneurs to create and deliver solutions that work for our places. This will include:
 - a. Extension of Community self-management of facilities such as sports sites and allotments;
 - b. Extension of the TCV project to involve communities in volunteering and conservation

Platform 3: Stewarding our Natural Resources

The Councils will:

- i) Deliver solar panels on our corporate buildings and reduce, in the longer term, our energy costs.
- ii) Engage with our communities to promote and support the zero to landfill objective thereby minimising the costs associated with meeting the 2020 recycling targets.

Platform 4: Services and Solutions for our places

The Councils will identify and maximise the financial return on our services to support the Council's budgetary position by:

- a. Implementing 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 which the Council has continued to roll-out. Recently The Councils have agreed to deliver further savings by the move to cloud hosting with our CenSus partners.

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

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 and beyond |
|-------------------|---------|---------|---------|--------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Annual Savings | 200 | 200 | 200 | - |
| Cumulative impact | 200 | 400 | 600 | 600 |

b. Identify options for commercialisation across all Directorates:

There are two 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 break-even 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.

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.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|-------------------|---------|---------|---------|---------|---------|
| | £'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

The Councils will continue to identify opportunities to lever in further procurement savings by implementing a category management approach to procurement with partners, working with other organisations to pool both specialist procurement resources and aggregate contracts to deliver value for money. The clear intention is to identify potential 'procurement savings' within existing budgets where possible thereby protecting front-line services.

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

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.

5.5 The Councils currently have uncommitted reserves of:

| | £'000 |
|----------|-------|
| Adur | 237 |
| Worthing | 842 |

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 2018/19, 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 2019/20 AND BEYOND

6.1 The budget projections for 2018/19 to 2022/23 are also shown in **Appendix 2**. It is clear that many of the cost pressures identified in 2018/19 will continue on for the coming years and that there is a continuing need to make significant savings.

| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|---------|---------|---------|---------|---------|
| Adur District Council | £'000 | £'000 | £'000 | £'000 | £'000 |
| Estimated cumulative savings required to balance the budget | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 |
| Savings required each year | 1,486 | 362 | 1,272 | 237 | 467 |
| Worthing Borough Council | | | | | |
| Estimated cumulative savings required to balance the budget | 1,485 | 2,301 | 3,957 | 4,463 | 5,303 |
| Savings required each year | 1,485 | 816 | 1,656 | 506 | 840 |

6.0 2018/19 AND BEYOND

- 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 This strategy will have long term benefits. Shown at Appendix 3 is a 10 year forecast which considers whether the current strategy will result in a more sustainable budget for the future based on known cost pressures. Whilst 2018/19 is very challenging, if the Councils are successful in delivering the strategy detailed above, the financial issues faced in the future should be manageable with one exception, 2020/21 when the Councils may have to invest in new waste and recycling methodology to meet the targets set out in the 2020
- 6.4 Challenging times are ahead, however if the Council focus on delivering the strategy and continue to target limited resources on priorities, then we are in a good position to respond to the inevitable budget shortfalls.

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 (tenants’ forum) will be consulted on regarding any proposed changes to the HRA.

9.0 BUDGET STRATEGY FOR THE 2018/19 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 2018/19 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 fees and charges, commercial rents, 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 (2.5%) or such higher increase as the individual markets can bear;
- Expenditure is to be increased by: 2% for pay (plus an allowance has been made for increments which are a contractual commitment) and 2.5% 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

- The maximum level of funding to 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.

9.0 BUDGET STRATEGY FOR THE 2018/19 BUDGET

9.3 Capital Investment Programme

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 Councils' assets continue to be a cause for concern and that the programmes 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 2018/19 budget.

11.0 CONCLUSIONS

- 11.1 As usual the budget is characterised by uncertainty with a recent election. Whilst the financial challenges continue, the budget strategy embarked upon last year will help the Councils meet these challenges head on. The need to limit Council Tax increases coupled with a continued reduction in Government support means that the Councils will have to focus on generating significant additional income for the next few years or be faced with the unpalatable prospect of reducing services to the public.
- 11.2 The new Platforms for our Places strategy builds on 'Catching the Wave' and is helping Adur and Worthing Councils play a vital place-shaping role in our communities. By focusing on our financial economies, social economies, natural resources, services and solutions and leadership, 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 improve our customer services and digitise our services will ultimately drive out efficiencies. And as we take opportunities to procure and commission more effectively and generate income from more of our services, we will increasingly be able to meet the financial challenge as central government grants and our share of business rate income is reduced.

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 2018/19 outlined in Section 9 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 7th February 2017 - Estimates 2017/18 and setting of 2017/18 Council Tax

Report to Worthing Borough Council Cabinet 6th February 2017 - Estimates 2017/18 and setting of 2017/18 Council Tax

Report to Joint Strategic Committee 11th July 2017 – Final Revenue Outturn for Joint, Adur and Worthing 2016/17.

Budget Statement 2015 – Report from HM Treasury

Budget Statement 2017 – 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.

Report to the Joint Strategic Committee 6th December 2017 – “Platforms for our Places” – Unlocking the power of people, communities and our local geographies.

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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

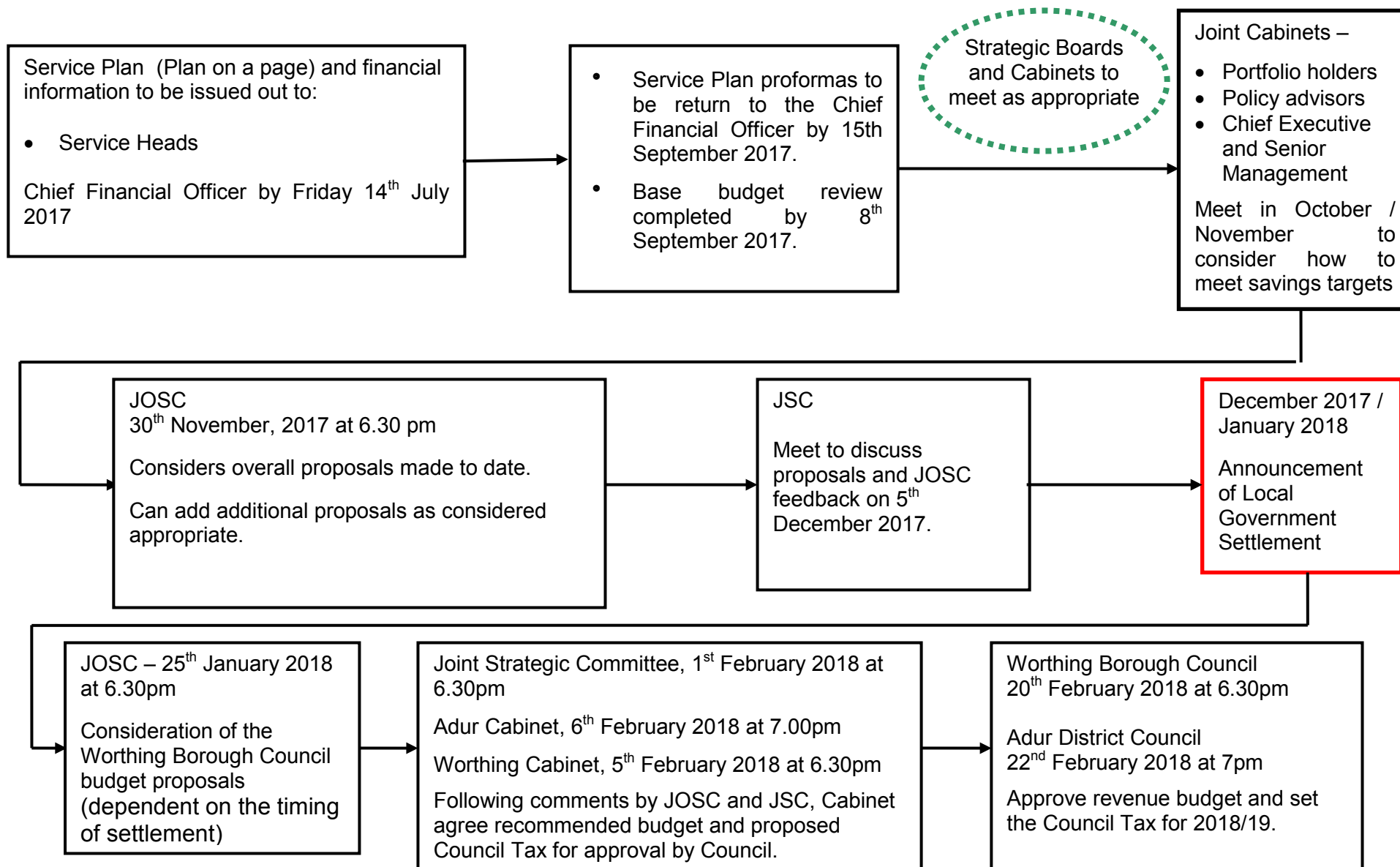
11. PROCUREMENT STRATEGY

- 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.

APPENDIX 1



| ADUR DISTRICT COUNCIL - APPENDIX 2 Revenue Budget Summary Statement 2017/18 - 2022/23 | | | | | | |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|
| Net Spending to be Financed from Taxation | 2017/18 Base | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base budget | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 |
| Annual Inflation | | | | | | |
| Estimated inflation | | 324 | 644 | 961 | 1,265 | 1,572 |
| One -off / non-recurring items | | | | | | |
| Local Elections (held every other year) | | 43 | (25) | 45 | (26) | 47 |
| Committed Growth | | | | | | |
| Impact of Pension contribution changes | | (33) | (30) | (31) | (32) | (33) |
| Loss of Housing Benefit Administration Grant | | 53 | - | - | - | - |
| Impact of new arrangements for funding homelessness | | - | - | 184 | 184 | 184 |
| Reduction in PCN income | | 65 | 65 | 65 | 65 | 65 |
| New 2020 recycling targets | | - | 200 | 400 | 400 | 400 |
| Additional waste and recycling round | | 91 | 91 | 91 | 91 | 91 |
| Contingency | | 70 | 140 | 210 | 280 | 350 |
| Impact of capital programme | | | | | | |
| Financing costs | | 208 | 133 | 297 | 397 | 559 |
| Additional income | | | | | | |
| Investment income | | (35) | (34) | (52) | (95) | (140) |
| Reopening of Riverside Car Park | | - | (20) | (20) | (20) | (20) |
| Approved Growth items | | | | | | |
| Provision for new growth items | | 60 | 120 | 180 | 240 | 300 |
| Total Cabinet Member Requirements | 9,166 | 10,012 | 10,450 | 11,496 | 11,915 | 12,541 |
| Total Cabinet Member Requirements B/fwd | 9,166 | 10,012 | 10,450 | 11,496 | 11,915 | 12,541 |
| Baseline funding | 1,650 | 1,703 | 1,764 | 1,799 | 1,835 | 1,872 |
| Add: Retained additional business rates | 405 | 615 | 582 | 299 | 305 | 311 |
| Add: Share of previous year's surplus / (deficit) | 331 | | | | | |
| Adjusted Baseline funding | 2,386 | 2,318 | 2,346 | 2,098 | 2,140 | 2,182 |
| Revenue Support Grant | 271 | - | - | - | - | - |
| Council Tax | | | | | | |
| Adjusted Council Tax income | 5,849 | 5,980 | 6,114 | 6,251 | 6,391 | 6,535 |
| Other grants | | | | | | |
| Transitional Grant | 73 | - | - | - | - | - |
| New homes bonus (2013/14 - 2018/19) | 244 | - | - | - | - | - |
| New homes bonus (2014/15 - 2019/20) | 107 | - | - | - | - | - |
| New homes bonus (2015/16 - 2020/21) | 86 | 86 | - | - | - | - |
| New homes bonus (2016/17 - 2019/20) | 115 | 115 | 115 | - | - | - |
| New homes bonus (2017/18 - 2020/21) | 1 | 1 | 1 | 1 | - | - |
| New homes bonus (2018/19- 2021/22) | - | 26 | 26 | 26 | 26 | - |
| Total NHB | 553 | 228 | 142 | 27 | 26 | - |
| Collection fund surplus/deficit (-) | 34 | - | - | - | - | - |
| Total other grants and contributions | 660 | 228 | 142 | 27 | 26 | - |
| Total Income from Grants and Taxation | 9,166 | 8,526 | 8,602 | 8,376 | 8,558 | 8,717 |

| ADUR DISTRICT COUNCIL - APPENDIX 2 Revenue Budget Summary Statement 2017/18 - 2022/23 | | | | | | |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|
| Net Spending to be Financed from Taxation | 2017/18 Base | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| (Surplus) / Shortfall in Resources | - | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 |
| Contribution to (-) / Use of Reserves to Capacity issues reserve | - | - | - | - | - | - |
| Total Income from Reserves | - | - | - | - | - | - |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 |
| Initiatives in progress: | | | | | | |
| Strategic Property Investment Fund | | | | | | |
| Recent Acquisitions | | 77 | 77 | 77 | 77 | 77 |
| Future property purchases | | 216 | 516 | 816 | 1,066 | 1,366 |
| Proposed increase to 2017/18 programme | | 200 | 200 | 200 | 200 | 200 |
| New office block | | - | - | 55 | 55 | 55 |
| Provision for future voids | | | (100) | (150) | (200) | (250) |
| Commercial activities and commissioning | | | | | | |
| Commercial and Property Board | | 180 | 360 | 540 | 720 | 900 |
| Efficiency Measures | | | | | | |
| Digital strategy | | 80 | 160 | 240 | 240 | 240 |
| Restructures and service plan savings not included above | | | | | | |
| Recommissioning of Revenue and Benefits service | | 17 | 17 | 17 | 17 | 17 |
| Annual reduction in ACL fees | | 10 | 20 | 30 | 40 | 50 |
| Total future initiatives identified | | 780 | 1,250 | 1,825 | 2,215 | 2,655 |
| Cumulative savings still to be found/ (surplus) | | 706 | 598 | 1,295 | 1,142 | 1,169 |
| Annual savings still to be found | | 706 | (108) | 697 | (153) | 27 |
| Council Tax increase | | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Average annual increase (Band D property) | | £5.65 | £5.76 | £5.88 | £5.99 | £6.11 |
| Average weekly increase (Band D property) | | £0.11 | £0.11 | £0.11 | £0.12 | £0.12 |

WORTHING BOROUGH COUNCIL - APPENDIX 2
Revenue Budget Summary Statement 2017/18 - 2022/23

| | 2017/18 Base | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 |
| (a) Annual Inflation | | | | | | |
| Estimated inflation | | 533 | 1,064 | 1,592 | 2,099 | 2,607 |
| (b) One -off / non-recurring items | | | | | | |
| Local Elections (not held once every four years) | | 76 | 78 | 80 | (50) | 83 |
| (c) Committed Growth / Cost reductions | | | | | | |
| Impact of Pension Fund Triennial valuation | | (212) | (272) | (275) | (281) | (287) |
| Impact of pension valuation for SDLT - Fall out of pension costs. | | (18) | (36) | (54) | (72) | (72) |
| Additional waste and recycling round | | 164 | 164 | 164 | 164 | 164 |
| Impact of new arrangements for funding homelessness | | 100 | 100 | 220 | 220 | 220 |
| Planning income shortfall | | 50 | 50 | 50 | 50 | 50 |
| New 2020 recycling targets | | - | 300 | 600 | 600 | 600 |
| Contingency | | 80 | 160 | 240 | 320 | 400 |
| (d) Impact of capital programme | | | | | | |
| Financing costs - General Programme | | 401 | 397 | 433 | 512 | 660 |
| (e) Additional income | | | | | | |
| Investment income | | (32) | (44) | (68) | (116) | (173) |
| (f) Approved Growth items | | | | | | |
| Provision for new growth items | | 90 | 180 | 270 | 360 | 450 |
| Total Cabinet Member Requirements | 13,468 | 14,700 | 15,609 | 16,720 | 17,274 | 18,170 |
| Baseline funding | 2,514 | 2,595 | 2,687 | 2,741 | 2,796 | 2,852 |
| Add: Net retained additional business rates | 506 | 682 | 607 | 312 | 319 | 325 |
| Add: Share of surplus /deficit (-) | - | | | | | |
| Adjusted Baseline funding | 3,020 | 3,277 | 3,294 | 3,053 | 3,115 | 3,177 |
| Revenue Support Grant | 453 | 8 | - | - | - | - |
| Council Tax income | | | | | | |
| Adjusted Council Tax income | 8,498 | 8,702 | 8,912 | 9,126 | 9,346 | 9,571 |
| Transitional Grant | 100 | - | - | - | - | - |
| New homes bonus (2013/14 - 2018/19) | 220 | - | - | - | - | - |
| New homes bonus (2014/15 - 2019/20) | 170 | - | - | - | - | - |
| New homes bonus (2015/16 - 2020/21) | 246 | 246 | - | - | - | - |
| New homes bonus (2016/17 -2019/20) | 518 | 518 | 518 | - | - | - |
| New homes bonus (2017/18 - 2020/21) | 234 | 234 | 234 | 234 | - | - |
| New homes bonus (2018/19- 2021/22) | - | 230 | 230 | 230 | 230 | - |
| New homes bonus (2019/20 - 2022/23) | - | - | 120 | 120 | 120 | 120 |
| Total New Homes Bonus | 1,388 | 1,228 | 1,102 | 584 | 350 | 120 |
| Collection fund surplus/deficit (-) | 9 | - | - | - | - | - |
| Total other grants and contributions | 1,497 | 1,228 | 1,102 | 584 | 350 | 120 |
| Total Income from Taxation | 13,468 | 13,215 | 13,308 | 12,763 | 12,811 | 12,868 |

| WORTHING BOROUGH COUNCIL - APPENDIX 2 Revenue Budget Summary Statement 2017/18 - 2022/23 | | | | | | |
|---|-----------------|--------------|--------------|--------------|--------------|--------------|
| | 2017/18 Base | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 1,485 | 2,301 | 3,957 | 4,463 | 5,303 |
| CLT - Strategic Initiatives to balance the budget | | | | | | |
| Strategic Property Investment Fund | | | | | | |
| Recent Acquisitions | | 54 | 63 | 72 | 81 | 91 |
| Future property purchases | | 216 | 516 | 766 | 966 | 1,166 |
| Proposed increase to 2017/18 programme | | 200 | 200 | 200 | 200 | 200 |
| Provision for future voids | | - | (100) | (150) | (200) | (250) |
| Commercial activities and commissioning | | | | | | |
| Commercial and Customer Board | | 420 | 840 | 1,260 | 1,680 | 2,100 |
| Efficiency Measures | | | | | | |
| Digital Strategy Board | | 120 | 240 | 360 | 360 | 360 |
| Restructures and service plan savings not included above | | | | | | |
| Development of temporary accommodation supply (15 units of 1/2 bed) | | - | - | 59 | 118 | 118 |
| Potential annual reduction in SDLT fees | | - | 75 | 75 | 75 | 75 |
| | | 1,010 | 1,834 | 2,642 | 3,280 | 3,860 |
| Cumulative savings still to be found | | 475 | 467 | 1,315 | 1,183 | 1,443 |
| Annual savings still to be found | | 475 | (8) | 848 | (132) | 260 |

| JOINT STRATEGIC COMMITTEE - APPENDIX 2 Revenue Budget Summary Statement 2017/18 - 2022/23 | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|--------|
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | |
| | Base | | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | | |
| Base budget | 24,495 | 24,495 | 24,495 | 24,495 | 24,495 | 24,495 | 24,495 |
| Budgets transferred in from Adur and Worthing Councils | | | | | | | |
| (a) Annual Inflation | | | | | | | |
| Estimated inflation | | 677 | 1,450 | 2,212 | 2,948 | 3,691 | |
| (b) Committed Growth | | | | | | | |
| Impact of Pension contribution increase | | (53) | (54) | (55) | (56) | (57) | |
| New 2020 recycling targets | | - | 500 | 1,000 | 1,000 | 1,000 | |
| Additional waste and recycling round | | 255 | 255 | 255 | 255 | 255 | |
| Contingency | | 100 | 100 | 100 | 100 | 100 | |
| Total Budget Requirements | 24,495 | 25,474 | 26,746 | 28,007 | 28,742 | 29,484 | |
| Less: Recharges within the Joint Strategic Committee | (3,751) | (3,102) | (3,102) | (3,102) | (3,102) | (3,102) | |
| Net cost to be reallocated to the Councils | 20,744 | 22,372 | 23,644 | 24,905 | 25,640 | 26,382 | |
| Adur District Council | 8,464 | 8,303 | 8,469 | 8,130 | 8,211 | 8,129 | |
| Worthing Borough Council | 12,280 | 12,047 | 12,288 | 11,796 | 11,914 | 11,795 | |
| Total income for services provided to the constituent councils | 20,744 | 20,350 | 20,757 | 19,926 | 20,125 | 19,924 | |
| | | | | | | | |
| (Surplus) / Shortfall in Resources | - | 2,022 | 2,887 | 4,979 | 5,515 | 6,458 | |
| CLT - Strategic Initiatives to balance the budget | | | | | | | |
| Commercial activities and commissioning | | | | | | | |
| Commercial and Customer Board | | 150 | 150 | 150 | 150 | 150 | |
| Efficiency Measures | | | | | | | |
| Digital Strategy Board | | 200 | 400 | 600 | 600 | 600 | |
| Total savings identified | | 350 | 550 | 750 | 750 | 750 | |
| Savings still to be found/ (surplus) | | 1,672 | 2,337 | 4,229 | 4,765 | 5,708 | |
| Savings required in each year | | 2,022 | 865 | 2,092 | 536 | 943 | |

APPENDIX 3

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Base | | | | | | | | | | |
| Adur District Council | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 | 9,166 |
| Inflation | | 324 | 644 | 961 | 1,265 | 1,572 | 1,876 | 2,176 | 2,475 | 2,773 | 3,070 |
| Impact of capital programme | | 208 | 133 | 297 | 397 | 559 | 682 | 686 | 786 | 912 | 1,083 |
| Net growth | | 314 | 507 | 1,072 | 1,087 | 1,244 | 1,116 | 1,320 | 1,373 | 1,580 | 1,631 |
| Net expenditure funded by taxation | 9,166 | 10,012 | 10,450 | 11,496 | 11,915 | 12,541 | 12,840 | 13,348 | 13,800 | 14,431 | 14,950 |
| Income from taxation | | | | | | | | | | | |
| Revenue support grant | 271 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Business rates | 2,386 | 2,318 | 2,346 | 2,098 | 2,140 | 2,182 | 2,225 | 2,272 | 2,319 | 2,365 | 2,411 |
| Council Tax | 5,883 | 5,980 | 6,114 | 6,251 | 6,391 | 6,535 | 6,681 | 6,831 | 6,984 | 7,141 | 7,301 |
| Other grants | 626 | 228 | 142 | 27 | 26 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total income from taxation | 9,166 | 8,526 | 8,602 | 8,376 | 8,558 | 8,717 | 8,906 | 9,103 | 9,303 | 9,506 | 9,712 |
| Cumulative budget shortfall | 0 | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 | 3,934 | 4,245 | 4,497 | 4,925 | 5,238 |
| Budget strategy initiatives | | | | | | | | | | | |
| Investment in commercial property | | 493 | 693 | 998 | 1,198 | 1,448 | 1,598 | 1,748 | 1,938 | 2,088 | 2,238 |
| Development of commercial income | | 180 | 360 | 540 | 720 | 900 | 1,080 | 1,260 | 1,440 | 1,620 | 1,800 |
| Impact of digital strategy | | 80 | 160 | 240 | 240 | 240 | 240 | 240 | 240 | 240 | 240 |
| Other initiatives in place | | 27 | 37 | 47 | 57 | 67 | 77 | 87 | 97 | 107 | 117 |
| Total savings initiatives identified | | 780 | 1,250 | 1,825 | 2,215 | 2,655 | 2,995 | 3,335 | 3,715 | 4,055 | 4,395 |
| Remaining savings to be identified | | 706 | 598 | 1,295 | 1,142 | 1,169 | 939 | 910 | 782 | 870 | 843 |
| Savings per year to be identified | | 706 | -108 | 697 | -153 | 26 | -230 | -29 | -128 | 88 | -28 |

APPENDIX 3

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Base | | | | | | | | | | |
| Worthing Borough Council | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 | 13,468 |
| Inflation | | 533 | 1,064 | 1,592 | 2,099 | 2,607 | 3,108 | 3,602 | 4,091 | 4,577 | 5,059 |
| Impact of capital programme | | 401 | 397 | 433 | 512 | 660 | 836 | 938 | 1,042 | 1,194 | 1,418 |
| Net growth | | 298 | 680 | 1,227 | 1,195 | 1,435 | 1,511 | 1,677 | 1,701 | 2,009 | 2,175 |
| Net expenditure funded by taxation | 13,468 | 14,700 | 15,609 | 16,720 | 17,274 | 18,170 | 18,923 | 19,685 | 20,302 | 21,248 | 22,120 |
| Income from taxation | | | | | | | | | | | |
| Revenue support grant | 453 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Business rates | 3,020 | 3,277 | 3,294 | 3,053 | 3,115 | 3,177 | 3,238 | 3,307 | 3,375 | 3,443 | 3,511 |
| Council Tax | 8,507 | 8,702 | 8,912 | 9,126 | 9,346 | 9,571 | 9,802 | 10,038 | 10,279 | 10,527 | 10780 |
| Other grants | 1,488 | 1,228 | 1,102 | 584 | 350 | 120 | 0 | 0 | 0 | 0 | 0 |
| Total income from taxation | 13,468 | 13,215 | 13,308 | 12,763 | 12,811 | 12,868 | 13,040 | 13,345 | 13,654 | 13,970 | 14,291 |
| Cumulative budget shortfall | 0 | 1,485 | 2,301 | 3,957 | 4,463 | 5,303 | 5,884 | 6,341 | 6,649 | 7,278 | 7,829 |
| Budget strategy initiatives | | | | | | | | | | | |
| Investment in commercial property | 31.65% | 470 | 679 | 888 | 1,047 | 1,207 | 1,367 | 1,528 | 1,688 | 1,849 | 2,011 |
| Development of commercial income | | 420 | 840 | 1,260 | 1,680 | 2,100 | 2,520 | 2,940 | 3,360 | 3,780 | 4,200 |
| Impact of digital strategy | | 120 | 240 | 360 | 360 | 360 | 360 | 360 | 360 | 360 | 360 |
| Other initiatives in place | | 0 | 75 | 134 | 193 | 193 | 193 | 193 | 193 | 193 | 193 |
| Total savings initiatives identified | | 1,010 | 1,834 | 2,642 | 3,280 | 3,860 | 4,440 | 5,021 | 5,601 | 6,182 | 6,764 |
| Remaining savings to be identified | | 475 | 467 | 1,315 | 1,183 | 1,443 | 1,444 | 1,320 | 1,048 | 1,096 | 1,065 |
| Savings per year to be identified | | 475 | -8 | 848 | -132 | 260 | 1 | -124 | -272 | 49 | -31 |

APPENDIX 3

| | | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Overall | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall budget shortfall | | | | | | | | | | | |
| Adur | | 1,486 | 1,848 | 3,120 | 3,357 | 3,824 | 3,934 | 4,245 | 4,497 | 4,925 | 5,238 |
| Worthing | | 1,485 | 2,301 | 3,957 | 4,463 | 5,303 | 5,884 | 6,341 | 6,649 | 7,278 | 7,829 |
| Total | | 2,971 | 4,149 | 7,077 | 7,820 | 9,126 | 9,817 | 10,586 | 11,146 | 12,203 | 13,067 |
| Budget strategy initiatives | | | | | | | | | | | |
| Investment in commercial property | | 963 | 1,372 | 1,886 | 2,245 | 2,655 | 2,965 | 3,276 | 3,626 | 3,937 | 4,249 |
| Development of commercial income | | 600 | 1,200 | 1,800 | 2,400 | 3,000 | 3,600 | 4,200 | 4,800 | 5,400 | 6,000 |
| Impact of digital strategy | | 200 | 400 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 |
| Other initiatives in place | | 27 | 112 | 181 | 250 | 260 | 270 | 280 | 290 | 300 | 310 |
| Total budget strategy initiatives | | 1,790 | 3,084 | 4,467 | 5,495 | 6,515 | 7,435 | 8,356 | 9,316 | 10,237 | 11,159 |
| Remaining cumulative savings to be identified | | 1,181 | 1,065 | 2,610 | 2,325 | 2,611 | 2,382 | 2,230 | 1,830 | 1,966 | 1,908 |
| Annual savings still to be identified | | 1,181 | -116 | 1,545 | -285 | 286 | -229 | -153 | -400 | 137 | -59 |

| BUSINESS RATE FORECAST | | | | | |
|---|------------|------------|------------|------------|------------|
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur District Council | | | | | |
| Total business rate income | 22,631 | 23,107 | 23,584 | 24,060 | 24,536 |
| Less: Business rate reliefs awarded | -3,334 | -3,401 | -3,469 | -3,538 | -3,609 |
| Net business rate income | 19,297 | 19,706 | 20,115 | 20,522 | 20,927 |
| Less: | | | | | |
| Write offs | -41 | -42 | -43 | -44 | -45 |
| Appeals | -970 | -990 | -1,010 | -1,030 | -1,050 |
| Net income | 18,286 | 18,674 | 19,062 | 19,448 | 19,832 |
| Less: Share of income paid to Council for administration costs | -93 | -94 | -96 | -98 | -100 |
| Net income for purpose of income share calculation | 18,193 | 18,580 | 18,966 | 19,350 | 19,732 |
| Council share of income (40%) | 7,277 | 7,432 | 7,586 | 7,740 | 7,893 |
| Less: Tariff | -4,790 | -4,961 | -5,060 | -5,161 | -5,264 |
| Retained business rates | 2,487 | 2,471 | 2,526 | 2,579 | 2,629 |
| Add : S151 grants paid directly to the General Fund | 446 | 455 | 465 | 474 | 483 |
| Total income eligible for levy/safety net calculation | 2,933 | 2,926 | 2,991 | 3,053 | 3,112 |
| Baseline funding | -1,703 | -1,764 | -1,799 | -1,835 | -1,872 |
| Surplus/(deficit) business rates | 1,230 | 1,162 | 1,192 | 1,218 | 1,240 |
| Less: Levy @ 50% | -615 | -580 | -595 | -609 | -620 |
| Retained additional business rates | 615 | 582 | 597 | 609 | 620 |
| Reduction in retained business rates as part of fair funding review | | | -298 | -304 | -310 |
| Estimated surplus/deficit (-) | 615 | 582 | 299 | 305 | 310 |

APPENDIX 4

| BUSINESS RATE FORECAST | | | | | |
|---|------------|------------|------------|------------|------------|
| | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Worthing Borough Council | | | | | |
| Total business rate income | 39,299 | 40,127 | 40,954 | 41,781 | 42,609 |
| Less: Business rate reliefs awarded | -5,701 | -5,815 | -5,931 | -6,049 | -6,170 |
| Net business rate income | 33,598 | 34,312 | 35,023 | 35,732 | 36,439 |
| Less: | | | | | |
| Write offs | -68 | -70 | -71 | -72 | -74 |
| Appeals | -750 | -765 | -780 | -796 | -812 |
| Net income | 32,780 | 33,477 | 34,172 | 34,864 | 35,553 |
| Less: Share of income paid to Council for administration costs | -136 | -139 | -142 | -145 | -148 |
| Net income for purpose of income share calculation | 32,644 | 33,338 | 34,030 | 34,719 | 35,405 |
| Council share of income (40%) | 13,058 | 13,335 | 13,612 | 13,888 | 14,162 |
| Less: Tariff | -9,847 | -10,197 | -10,401 | -10,609 | -10,822 |
| Retained business rates | 3,211 | 3,138 | 3,211 | 3,279 | 3,340 |
| Add : S151 grants paid directly to the General Fund | 749 | 764 | 779 | 795 | 811 |
| Total income eligible for levy / safety net calculation | 3,960 | 3,902 | 3,990 | 4,074 | 4,151 |
| Baseline funding | -2,594 | -2,688 | -2,741 | -2,796 | -2,852 |
| Surplus/(deficit) business rates | 1,366 | 1,214 | 1,249 | 1,278 | 1,299 |
| Less: Levy @ 50% | -684 | -607 | -624 | -638 | -649 |
| Retained additional business rates | 682 | 607 | 625 | 640 | 650 |
| Reduction in retained business rates as part of fair funding review | 0 | 0 | -313 | -320 | -325 |
| Estimated surplus / deficit (-) | 682 | 607 | 312 | 319 | 325 |