



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10 July 2018
Agenda Item 8

Joint Overview and Scrutiny Committee
26 July 2018
Agenda Item 12

Key Decision: No

Ward(s) Affected: All

Achieving Financial Sustainability - Budget Strategy for 2019/20 and beyond

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

- 1.1. Over the last three years, our councils have been successfully delivering a budget strategy to address the rapid change in local government financing, preparing for the removal of central government funding in 2020.
- 1.2. This strategic effort has involved the development of new and critical capabilities in the organisation, including strategic property investment, nationally recognised digital service design, and high quality, successful commercial services.
- 1.3. It has also required careful financial management, including managed and prudent increases in council tax, and a clear focus on driving efficiency and productivity.
- 1.4. Funding received from Government grant has been significantly reduced over the last 7 years, from 2019/20 onwards the councils will no longer receive any support via Revenue Support Grant. Looking ahead to 2020/21, the level of funding from central government is likely to further reduce.
- 1.5. Adur and Worthing Councils have responded to the challenge of falling government grant by promoting economic regeneration, investing in property, growing our commercial offer, and through business efficiency from the customer and digitisation transformation programmes. 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.

- 1.6. 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 2019/20 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.
- 1.7. 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'.
- 1.8. Our strategy, 'Platforms for our Places' was approved by the Councils in February 2017 is sets out how we can play an even greater role in helping to shape the future of our places. The refresh of this strategy is elsewhere on this agenda. The 5 'Platforms' that provide the direction for all our work over the next 2 years are:
 - Our Financial Economies
 - Our Social Economies
 - Stewarding our Natural Resources
 - Services and Solutions for our places
 - Leadership of our Places
- 1.9 Over the summer and autumn, the Operational Leaders Group (Heads of Service) will be working with the Councils Leadership Team to produce new service plans designed to deliver a balanced budget over the next 3 years. The outcome of the service planning will be presented to Joint Strategic Committee for approval in December 2018 as part of the development of the 2019/20 budget.

2. Recommendations:

- 2.1 The 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 6 of the report;

(c) **Recommend** to the Councils to approve the Budget Strategy for 2019/20 outlined in Section 10 of the report.

2.2 The Joint Overview and Scrutiny Committee is asked to note the content of the report.

3. Background

- 3.1 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. Council Tax increases have been kept to a minimum over the past few years, with the Councils choosing to freeze or reduce the Council tax when possible.
- 3.2 However, the financial pressure continues. Revenue support grant has disappeared, the conditions attached to New Homes Bonus will mean that this will reduce as a resource in future potentially being phased out from 2020/21 onwards, and the Councils expect a reduction in the level of retained business rates when the business rate system is reset in 2020/21. Local Government funding has changed considerably over the last 7 years, and the pace of change is set to continue with the proposed changes to the business rates system.
- 3.3 Members are being asked to consider the budget 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.

4. Financial context

4.1 National context and external factors

Since 2010, the Councils have seen a considerable reduction in the level of funding from Government. However the Comprehensive Spending Review 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 in 2016/17, which gives us certainty in 2019/20. However the grant allocations which were confirmed as part of the 2018 Local Government Finance Settlement showed that the Councils would see no immediate easing of the financial pressures and from 2019/20 the Councils will receive no Revenue Support Grant.

4.2 How Council funding is changing:

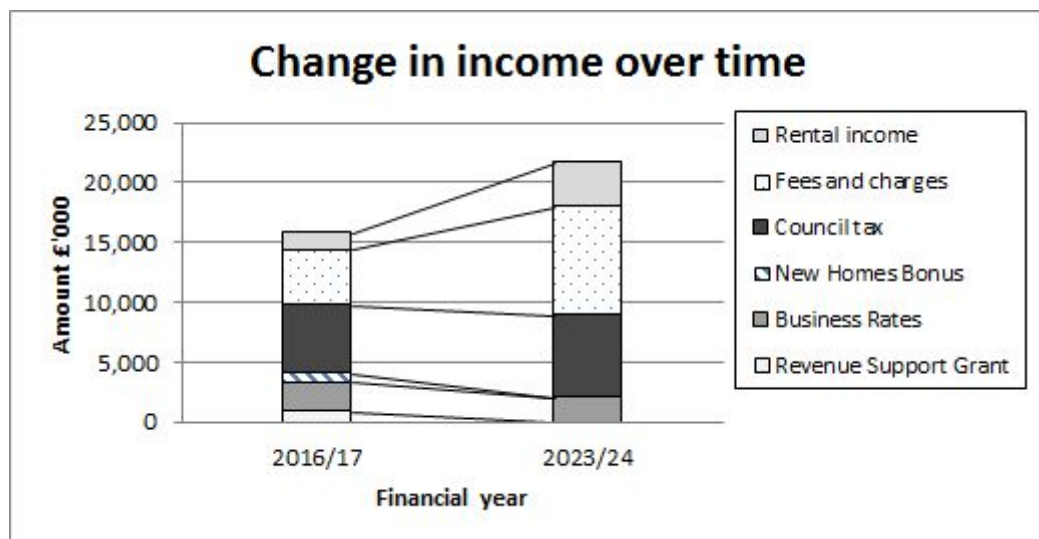
4.2.1 The Local Government Finance landscape has changed profoundly over the last few years due to three factors:

- The introduction of Business Rate Retention Scheme which is due to be reformed again for 2020/21
- Localising Council Tax Support (Council Tax Benefit)
- The continuing reduction in all Government grants

From 2019/20, 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 (RSG) has ceased to be 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 fees and charges, rental income, Council Tax and the Business Rate Retention Scheme. New Homes Bonus has been substantially reduced and will at some point be phased out.



(Using Adur 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 'Platforms for our Places'.

4.2.2 Baseline Funding and Business Rates Retention

Under the business rate retention scheme, District and Borough Councils are entitled to retain a 40% share of the business rate income raised locally. However the system is complex, with the share retained being reduced by a series of nationally determined adjustments (the Tariff and the levy)..

Ultimately the Scheme allows councils to keep a small element (20%) of any growth in business rate income over a retained 'baseline' amount. The forecasting of overall business rate income is again difficult this year due to two factors which are discussed in more detail below:

- i) The continuing impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential further reform of the business rate system and the impact of the fairer funding review.

The forecasts contained within the report are based on the current business rate system. There are three aspects of this scheme which will ultimately influence the amount of business rate income retained locally and also the Councils' budgets in the medium term:

1. The 'Tariff':

Whilst the Councils are entitled to retain 40% of all business rate income, they are then obliged to pay over a substantial element of these retained business rates to the Government via an adjustment known as the Tariff. This is set to increase well above inflation next year.

Now that 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, the amount of business rate income retained locally is expected to be reduced in 2019/20, with the Councils keeping a diminishing share of the business rate income.

This is a controversial element of the settlement announced in 2017/18 and the adjustment to the tariff payments is colloquially known as 'negative RSG'. However, as part of settlement, it was announced that there would be a review of the "negative RSG" allocations for 2019-20. Whilst it is by no means certain that these adjustment will be removed it did suggest that the then Secretary of State, Sajid Javid, was minded to address the issue.

If the Government decides to reverse the adjustment relating to negative RSG, then additional funding will need to be found for the sector. The cost nationally would be £159.9m.

<u>Tariff payments</u>	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR	4,931	5,039	5,515	5,625	5,737	5,852
Negative RSG		367				
Final Tariff payment	4,931	5,406	5,515	5,625	5,737	5,852
Annual increase						
- Amount		475	109	110	112	115
- Percentage		9.6%	2.0%	2.0%	2.0%	2.0%
WORTHING	9,840	10,057	10,757	10,973	11,192	11,416
Negative RSG		490				
Final Tariff payment	9,840	10,547	10,757	10,973	11,192	11,416
Annual increase						
- Amount		707	210	216	219	224
- Percentage		7.2%	2.0%	2.0%	2.0%	2.0%

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 in addition to the baseline funding amount. 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:

	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24
ADUR	£'000	£'000	£'000	£'000	£'000	£'000
Baseline funding	1,700	1,738	1,772	1,808	1,844	1,881
Retained surplus rates	638	388	236	240	245	248
Total business rate income kept locally	2,338	2,126	2,008	2,048	2,089	2,129
Total business rate income	18,459	18,561	18,794	19,168	19,551	19,921
Percentage retained locally	12.67%	11.45%	10.68%	10.68%	10.68%	10.68%

WORTHING	2018/ 19 £'000	2019/ 20 £'000	2020/ 21 £'000	2021/ 22 £'000	2022/ 23 £'000	2023/ 24 £'000
Baseline funding	2,589	2,648	2,701	2,755	2,810	2,866
Retained surplus rates	770	574	293	299	303	306
Total business rate income kept locally	3,359	3,222	2,994	3,054	3,113	3,172
Net business rate income collected	33,005	32,833	33,531	34,202	34,870	35,534
Percentage retained locally	10.18%	9.81%	8.93%	8.93%	8.93%	8.93%

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.

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 to the Council £719,000. Worthing Borough Council has made a provision within the Collection Fund for the likely loss of income.

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 changes in the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated. Both Councils saw an increase in reliefs during 2017/18 due to changes in Government policy together with a number of appeals being settled at the end of the financial year which led to a deficit within the Collection Fund of both Councils. This will have to be recouped in 2019/20. The Councils have set up a business rate smoothing reserves to help address this issue.

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 business rate income for both Councils. These include:

- The Parcellforce site in Adur – Expected completion date is December 2018.
- New Monks Farm site in Adur – A planning application is expected to be considered by the Planning Committee in July. The proposal includes a new IKEA store which, if approved, is likely to be constructed over the next 2 – 3 years and will potentially benefit Adur in 2020.
- Free Wharf, Western Harbour Arm in Adur includes new commercial floorspace and is likely to start later in the year and be completed by 2021
- 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 2018/19, then the surplus could be used to support the budget in 2019/20. An update to the likely surplus or deficit will be undertaken later in the year.

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:

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

i) Fairer Funding Review:

The Government is undertaking a fairer funding review with the aim of introducing a more up-to-date, more transparent and fairer needs assessment formula which will be used to distribute the Business Rate income nationally and any residual Revenue Support Grant.

The review is considering all services provided by local Government and will determine the new starting point for local authorities under the revamped Business Rate Retention Scheme which is due to be introduced in 2020/21.

The Government will undertake a series of consultations on the new system over the coming months. The last consultation was responded to in March 2018.

However it is extremely difficult to predict the outcome of this review as insufficient details have been released. It is almost inevitable that there will be some transition arrangements in place as there will be some significant swings in how individual Councils will be funded in the future which will be difficult to address in the short term, particularly as we are unlikely to know the full financial impact of the proposals until late Autumn 2019.

ii) Business Rate Retention:

Due to the impact of Brexit on the legislative timetable, the full return of business rate income to Local Government has been deferred. The proposal is now to increase the amount retained locally by the Council and the County Council to 75% from 2020/21 onwards.

The new system must be fiscally neutral and so the increase in business rate income will be matched by the removal of grants such as Revenue Support Grant, Public Health Grant and other funding streams.

Whilst it is not clear how this change will be dealt with in two tier areas, given the requirement for new system to be cost neutral, it is likely that the County Council will be the beneficiary of the increased share of the business rate income.

As part of the new system, along with the impact of the fairer funding review, there will be a 'baseline' reset. The statement by the Secretary of State was clear that:

"Local authorities will be able to keep that same share of growth on their baseline levels from 2020 to 2021 when the system is reset. So that from 2020 to 2021 business rates will be redistributed according to the outcome of the new needs assessment subject to suitable transitional measures".

Within the 5 year forecast it is assumed that the Council will lose at least 50% of any gain in the new system along with some specific grants associated with homelessness and New Homes Bonus.

4.2.3 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% was been introduced from 2017/18 onwards; 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.

New Homes Bonus	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
Adur	202	116	1	0	0
Worthing	1,221	1,094	576	342	120

4.2.4 Council Tax

Council Tax is now the Councils' major source of general income from taxation. By 2019/20 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.

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.

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 the next two years when the Councils have to find savings of over £4.8m.

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%

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2.95% or £5.00 per Band D property. At this time we do not know the referendum limit for the 2019/20 Council Tax increase. The referendum limit was set at 2.95% when inflation was around 3.1%. Historically the limit has been set at a lower limit at around 2%. The Consumer Price Index (CPI) is currently falling and was at 2.4% in May 2018. Consequently for the purposes of planning it is assumed that the limit will revert to 2%. A 2% increase would be equivalent to £5.81 per Band D property in Adur and £4.62 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 £59,090 in Adur and £88,920 in Worthing for 2018/19.

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

2019/20	2020/21	2021/22	2022/23	2023/24
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.

4.3 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 2018 is estimated to be:

	Adur	Worthing
	£'000	£'000
Working balance	518	844
Net budget	8,628	13,517
Percentage held	6.0%	6.2%

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-18	Uncommitted resources*	Balance as at 31-Mar-18	Uncommitted resources*
	£'000	£'000	£'000	£'000
Capacity Issues Reserve	458	248	1,441	1,214
Special and other emergency expenditure reserve	81	81	34	34
Total	539	329	1,475	1,248

- * This allows for approvals to use the resources from 2018/19 onwards including the funding of carry forwards.

5. Key budget pressures in the next 5 years

5.1 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:

5.2 Pay and Prices

5.2.1 The largest source of immediate cost pressure comes from inflation. General inflation is currently at 2.4% (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 2018/19 and gradually move back towards the 2% target rate by 2020.

5.2.2 In addition to general inflation, the Council will need to allow for the recent pay award agreed by the unions. This will add on average 3.35% to inflationary pressures in 2019/20. The Council has previously assumed that pay inflation would be in line with general inflation at 2% so the newly agreed pay award will add £360k to the cost pressures

5.2.3 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:

	2018/19	2019/20	2020/21	2021/22	2022/23
	%	%	%	%	%
Pay*	3.36	2	2	2	2
Supplies and Services	2.2	2	2	2	2
Income	2.2	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 vary year on year due to the impact of re-gradings and recruitment. This is reassessed annually.

Overall net pay and price inflation is expected to add to the 2018/19 base budget over the next 5 years as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Adur*	478	813	1,142	1,460	1,780
Worthing*	749	1,240	1,725	2,196	2,672
Note:					
Joint Services * (included above)	1,115	1,875	2,628	3,360	4,103

Income is assumed to increase by 2.2% in 2019/20 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation for 2019/20 at this early point in the year. A 1% difference in the inflation assumptions is equivalent to:

	Adur	Worthing	Joint
	£'000	£'000	£'000
Pay	7	27	236
Supplies and Services	19	110	55
Income	-35	-128	-59
Total	-9	9	223
Share of joint inflation	93	139	-223
OVERALL TOTAL	84	148	-

5.3 Impact of the Capital Programme

- 5.3.1 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 £2.5m for Worthing Borough Council from 2019/20 onwards. 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 in 2019/20 and £5.5m in 2020/21 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)

5.3.2 Interest rates

The bank interest rates have continued to remain low for some time at 0.5% and are unlikely to rise until later in 2018 at the earliest. 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:

	2019/20	2020/21	2021/22	2022/23	2023/24
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).

5.4 2020 recycling targets:

- 5.4.1 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 report jointly commissioned by all West Sussex Councils from Ricardos has analysed waste collection and the contents of 'residual' waste across the County to assess how behaviours could be changed to reduce residual waste and improve recycling rates.
- 5.4.2 This report indicates that to achieve the 50% target, the West Sussex Councils would have to extend the range of recyclable materials collected and collect food waste separately. The proposal to introduce food waste collection is under active discussion by WSCC as this is the largest segment of recyclable residual waste currently not collected.
- 5.4.3 The service is also actively engaged in behavioural change activities and pilots across our places to understand how we can encourage residents to minimise the volume of waste produced and to encourage a higher rate of recycling achieved.

5.4.4 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 could be imposed. Whilst the EU referendum may affect this outcome the UK remains committed to meeting the 50% target and in recent months has suggested this may be extended to 65% by 2030.

5.4.5 For the purposes of planning, £1m growth has been allowed from 2020 onwards with a part year impact in 2019/20. This will be refined as the options for meeting the targets become clearer.

5.5 Councils' Budget and Shortfall:

5.5.1 A summary of the position for 2019/20 is therefore:

	Adur £'000	Worthing £'000
Main cost pressures:		
Inflationary pressures in excess of the likely increase in Council Tax	341	553
Changes in Government Funding		
Change in retained business rates	211	137
Change in New Homes Bonus	86	127
Reduction in Revenue Support Grant	0	8
Overall change to government funding	297	272
Other items:		
Impact of 2017 pension fund valuation	4	-57
Net impact of the capital programme	-85	-119
Impact of interest rates on investment income	-31	-30
Impact of 2020 recycling targets	120	180
Impact of major projects	0	200
Deletion of Elections budget	-18	0
Provision for new committed growth items	70	80
Removal of surplus / deficit on the collection fund	5	55
Removal of contribution to reserves	-10	-41
Contingency	60	90
Other changes	-4	-24
Overall savings to be met from a combination of increased income from commercial activities, the digital strategy, and other savings initiatives.	749	1,159

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.

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

	2019/20	2020/21	2021/22	2022/23	2023/24
ADUR*	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	749	1,957	2,277	2,657	2,965
Annual shortfall	749	1,208	320	380	308
Total net budget	8,463	8,370	8,551	8,738	8,927
Annual savings as a percentage of overall net budget (%)	8.85%	14.44%	3.74%	4.35%	3.45%

	2019/20	2020/21	2021/22	2022/23	2023/24
WORTHING*	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	1,159	2,931	3,946	4,894	5,518
Annual shortfall	1,159	1,772	1,015	949	624
Total net budget	13,386	12,859	12,908	12,974	13,148
Annual savings as a percentage of overall net budget (%)	8.66%	13.78%	7.86%	7.31%	4.74%

	2019/20	2020/21	2021/22	2022/23	2023/24
JOINT SERVICES**	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	1,366	3,599	4,126	4,737	5,357
Annual shortfall	1,366	2,233	527	611	620
Total net budget	22,430	21,757	22,083	22,304	22,527
Annual savings as a percentage of overall net budget (%)	6.10%	10.30%	2.40%	2.70%	2.80%

- * 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**.

5.5.3 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.

5.4 Budget risks

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

i) Impact of Universal Credit and the Homelessness Reduction Act (HR Act) on the cost of the housing solutions service and legal services

The HR Act places additional responsibilities on local authorities which may increase demand for homeless assessments and temporary accommodation. These 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 new Act came into force on the 1st April 2018. In Adur and Worthing the Act has been one of the driving forces behind much greater collaboration between agencies to identify those at risk of homelessness much earlier. However, over the medium term, the new requirements may well impact on both demand/caseload and the time taken to address each case as well as the potential for increased numbers of legal reviews.

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

be assessed and receive a payment and the potential for rent arrears to accrue. Again, multi-agency work and collaboration is at the heart of trying to address these issues locally, with the Department for Work and pensions being a key local partner.

ii) 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.

6. Options for addressing the budget gap in 2019/20 and beyond

6.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget; this is with building only limited additional capacity to deliver new or improved services. The Councils reshaped the budget strategy back in 2016/17, 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 2020/21 when it is expected that income from government and business rates will fall.

6.2 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:

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Main programmes:						
Strategic Property Investment Fund	350	555	300	300	100	1,605
Commercial income growth	600	600	600	600	600	3,000
Digital service redesign Programme	200	200	200	200	200	1,000

6.3 The Councils will need to identify options to meet the budget shortfall for 2019/20 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 Reference Group” (joint Executives) 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 2019/20 budget is attached at Appendix 1.

6.4 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 Commercial Activity working group leads on the delivery of the income growth from commercial services and seeks to improve the customer experience.
3. The Service Redesign Board leads on the delivery of business transformation and 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

6.5 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, funding is released each year for 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 will be set aside each year to help fund the impact of any future void properties

Per Council	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Expected cumulative return (after debt charges and allowance for voids)	200	505	605	755	905

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

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. There is an ongoing programme of work designed to lever in significant savings which the Council has continued to roll-out. The Councils have agreed to deliver further savings by the move to cloud hosting.

	2019/20	2020/21	2021/22	2022/23 and beyond
	£'000	£'000	£'000	£'000
Annual Savings	200	200	200	200
Cumulative impact	200	400	600	800

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.

	2019/20	2020/21	2021/22	2022/23	2023/34
	£'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.

d. 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.

6.6 The Councils currently have uncommitted reserves of:

	£'000
Adur	329
Worthing	1,248

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 2019/20, 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.

6.7 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.

7. 2020/21 and beyond

7.1 The budget projections for 2019/20 to 2023/24 are also shown in Appendix 2. It is clear that many of the cost pressures identified in 2019/20 will continue on for the coming years and that there is a continuing need to make significant savings.

	2019/20	2020/21	2021/22	2022/23	2023/24
Adur District Council	£'000	£'000	£'000	£'000	£'000
Estimated cumulative savings required to balance the budget	749	1,957	2,277	2,657	2,965
Savings required each year	749	1,208	320	380	308
Worthing Borough Council					
Estimated cumulative savings required to balance the budget	1,159	2,931	3,946	4,894	5,518
Savings required each year	1,159	1,772	1,015	949	624

- 7.2 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.
- 7.3 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 2019/20 is 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 and address the implications of the fairer funding review.

- 7.4 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.

8. Housing Revenue Account

- 8.1 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.
- 8.2 Nevertheless, the HRA will be subject to the same budget process and strategy as outlined below.

9. Engagement and Communication

- 9.1 The budget proposals will be the subject of internal officer consultation.
- 9.2 All savings proposals will be scrutinised by the Joint Overview and Scrutiny Committee at its meeting of November 2018.
- 9.3 All members will participate in the setting of the annual budget at the Council meetings in February.
- 9.4 If appropriate the budget consultation this year will be undertaken over the autumn. The final form of the consultation is not yet decided.
- 9.5 The Adur Consultative Forum (tenants' forum) will be consulted on regarding any proposed changes to the HRA.

10. Budget Strategy for the 2019/20 Budget

- 10.1 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 2019/20 revenue and capital budgets:

10.2 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 (2.0%) 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.

10.3 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 £5.2m in 2019/20 and £5.5m in 2020/21 for the Housing Investment Programme)

Worthing Borough Council: £2.5m core funding, an increase of £0.5m from the 2018/19 allocation (see the capital strategy for details).

The funding of the programme is to be comprised of prudential borrowing, capital grants 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.

Financial Implications

11.1 There are no other financial implications other than those outlined above.

Finance Officer: Sarah Gobey

Date: 17th June 2018

Legal Implications

12.1 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 2019/20 budget round.

Legal Officer:

Date:

Background Papers

Report to Adur District Council Executive 6th February 2018 - Estimates 2018/19 and setting of 2018/19 Council Tax

Report to Worthing Borough Council Executive 5th February 2018 - Estimates 2018/19 and setting of 2018/19 Council Tax

Report to Joint Strategic Committee 10th July 2018 – Final Revenue Outturn for Joint, Adur and Worthing 2017/18.

Budget Statement 2015 – Report from HM Treasury
Budget Statement 2018 – 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.

Officer Contact Details:-

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Sustainability & Risk Assessment

1. Economic

The budget contains funding for commitments made under Platform 1: Our Financial Economies.

2. Social

2.1 Social Value

Matter considered and no issues identified.

2.2 Equality Issues

Matter considered and no issues identified.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

Matter considered and no issues identified.

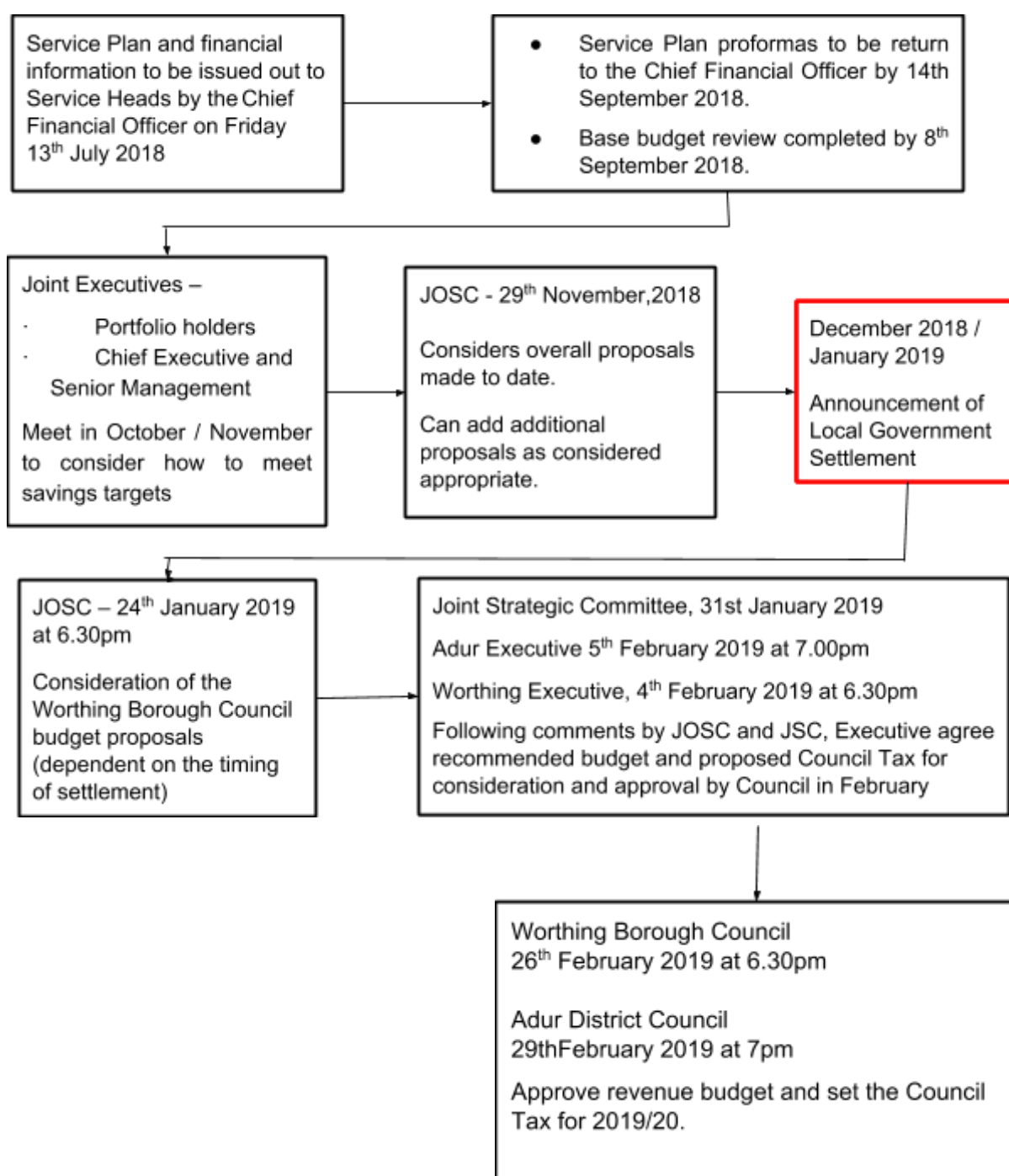
3. Environmental

Matter considered and no issues identified.

4. Governance

Matter considered and no issues identified.

Appendix 1



ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2018/19 - 2023/24						
	2018/19 Base	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	8,618	8,618	8,618	8,618	8,618	8,618
Annual Inflation						
Estimated inflation		478	813	1,142	1,460	1,780
One -off / non-recurring items						
Local Elections (held every other year)		(18)	-	(19)	-	(20)
Committed Growth						
Impact of Pension contribution changes		4	4	4	4	4
Impact of new arrangements for funding homelessness		-	184	184	184	184
New 2020 recycling targets		120	400	400	400	400
Deletion of one-off savings in 2018/19		39	39	39	39	39
Contingency		70	140	210	280	350
Impact of capital programme						
Financing costs		(85)	84	163	307	417
Additional income						
Investment income		(31)	(32)	(50)	(94)	(138)
Reopening of Riverside Car Park		(20)	(20)	(20)	(20)	(20)
Approved Growth items						
Provision for new growth items		60	120	180	240	300
Fall out of growth items		(23)	(23)	(23)	(23)	(23)
Total Cabinet Member Requirements	8,618	9,212	10,327	10,828	11,395	11,891
Total Cabinet Member Requirements B/fwd	8,618	9,212	10,327	10,828	11,395	11,891
Baseline funding	1,700	1,738	1,773	1,808	1,844	1,881
Add: Retained additional business rates	591	488	236	240	245	248
Add: Share of previous year's surplus / (deficit)	46	(100)				
Adjusted Baseline funding	2,337	2,126	2,009	2,048	2,089	2,129
Revenue Support Grant	-	-	-	-	-	-
Council Tax						
Adjusted Council Tax income	6,084	6,221	6,360	6,503	6,649	6,798
Other grants						
New homes bonus (2015/16 - 2020/21)	86	-	-	-	-	-
New homes bonus (2016/17 - 2019/20)	115	115	-	-	-	-
New homes bonus (2017/18 - 2020/21)	1	1	1	-	-	-
New homes bonus (2018/19- 2021/22)	-	-	-	-	-	-
Total NHB	202	116	1	-	-	-
Collection fund surplus/deficit (-)	5	-	-	-	-	-
Total other grants and contributions	207	116	1	-	-	-
Total Income from Grants and Taxation	8,628	8,463	8,370	8,551	8,738	8,927
(Surplus) / Shortfall in Resources	(10)	749	1,957	2,277	2,657	2,965
Contribution to (-) / Use of Reserves to						
Capacity issues reserve	(10)		-	-	-	-
Total Income from Reserves	(10)	-	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	-	749	1,957	2,277	2,657	2,965

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET	749	1,957	2,277	2,657	2,965
Savings strategy to date:					
Strategic Property Investment Fund					
Future property purchases	300	600	800	1,000	1,200
New office block	-	55	55	55	55
Provision for future voids	(100)	(150)	(250)	(300)	(350)
Commercial activities and commissioning					
Commercial and Customer Activities	170	340	510	680	850
Efficiency Measures					
Digital strategy	80	160	240	320	400
Total future initiatives identified	450	1,005	1,355	1,755	2,155
Cumulative savings still to be found/ (surplus)	299	952	922	902	810
Annual savings still to be found	299	653	(30)	(20)	(92)
Council Tax increase	2.00%	2.00%	2.00%	2.00%	2.00%
Annual increase (Band D property)	£5.82	£5.93	£6.05	£6.17	£6.30
Weekly increase (Band D property)	£0.11	£0.11	£0.12	£0.12	£0.12
Average annual increase (Band C property)	£1.65	£0.00	£0.00	£0.00	£0.00
Average weekly increase (Band C property)	£0.03	£0.00	£0.00	£0.00	£0.00

WORTHING BOROUGH COUNCIL Revenue Budget Summary Statement 2018/19 - 2023/24						
	2018/19 Base	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	13,476	13,476	13,476	13,476	13,476	13,476
(a) Annual Inflation						
Estimated inflation		749	1,240	1,725	2,196	2,672
(b) One -off / non-recurring items						
Local Elections (not held once every four years)		-	-	(50)	-	-
(c) Committed Growth / Cost reductions						
Impact of Pension Fund Triennial valuation		(57)	(57)	(57)	(57)	(57)
Fall out of SDLT pension costs.		(18)	(36)	(54)	(54)	(54)
Reduction in grant for homelessness		-	120	120	120	120
New 2020 recycling targets		180	600	600	600	600
Deletion of one-off savings in 2018/19		34	34	34	34	34
Contingency		80	160	240	320	400
(d) Impact of capital programme						
Financing costs - General Programme		(189)	(151)	(46)	133	348
Provision for additional cost of new burial spaces		32	32	32	32	32
Increase in capital programme from £2m to £2.5m		38	76	76	76	76
Impact of land acquisitions and new developments at Union Place, Grafton, town hall car park and other major projects.		200	200	600	800	800
(e) Additional income						
Investment income		(30)	(45)	(73)	(128)	(192)
(f) Approved Growth items						
Provision for new growth items		90	180	270	360	450
Fall out of one-off growth items		(40)	(40)	(40)	(40)	(40)
Total Cabinet Member Requirements	13,476	14,545	15,789	16,853	17,868	18,665
Baseline funding	2,590	2,648	2,701	2,755	2,810	2,866
Add: Net retained additional business rates	764	574	293	299	303	306
Add: Share of surplus /deficit (-)	5	-	-	-	-	-
Adjusted Baseline funding	3,359	3,222	2,994	3,054	3,113	3,172
Revenue Support Grant	8	-	-	-	-	-
Council Tax income						
Adjusted Council Tax income	8,874	9,070	9,289	9,512	9,741	9,976
New homes bonus (2015/16 - 2020/21)	247	-	-	-	-	-
New homes bonus (2016/17 - 2019/20)	518	518	-	-	-	-
New homes bonus (2017/18 - 2020/21)	234	234	234	-	-	-
New homes bonus (2018/19- 2021/22)	222	222	222	222	-	-
New homes bonus (2019/20 - 2022/23)	-	120	120	120	120	-
Total New Homes Bonus	1,221	1,094	576	342	120	-
Collection fund surplus/deficit (-)	55	-	-	-	-	-
Total other grants and contributions	1,276	1,094	576	342	120	-
Total Income from Taxation	13,517	13,386	12,859	12,908	12,974	13,148
(Surplus) / Shortfall in Resources	(41)	1,159	2,931	3,946	4,894	5,518
Use of / (contribution to) Res'ves to Balance Budget						
Capacity issues reserve	(41)	-	-	-	-	-
Total Income from Reserves	(41)	-	-	-	-	-
AMOUNT REQUIRED TO BALANCE BUDGET	-	1,159	2,931	3,946	4,894	5,518

		2019/20	2020/21	2021/22	2022/23	2023/24
		£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET		1,159	2,931	3,946	4,894	5,518
Savings identified to date:						
Strategic Property Investment Fund						
Future property purchases		250	550	800	1,000	1,000
Provision for future voids		(100)	(150)	(200)	(250)	(300)
Commercial activities and commissioning						
Commercial and Customer Activities		430	860	1,290	1,720	2,150
Efficiency Measures						
Service and Digital redesign		120	240	360	480	600
Restructures and service plan savings not included above						
Development of temporary accomodation supply (15 units of 1/2 bed)		-	-	-	59	118
Total savings initiatives identified to date		700	1,500	2,250	3,009	3,568
Cumulative savings still to be found		459	1,431	1,696	1,885	1,950
Annual savings still to be found		459	972	265	190	65
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Annual increase (Band D property)		£4.64	£4.72	£4.81	£4.91	£5.01
Weekly increase (Band D property)		£0.09	£0.09	£0.09	£0.09	£0.10
Average annual increase (Band C property)		£4.12	£4.19	£4.28	£4.36	£4.45
Average weekly increase (Band C property)		£0.08	£0.08	£0.08	£0.08	£0.09

10-year forecast

Appendix 3

	2018/19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027 /28	2028 /29
Adur District Council	Base £'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Base	8,618	8,618	8,618	8,618	8,618	8,618	8,618	8,618	8,618	8,618	8,618
Inflation		478	813	1,142	1,460	1,780	2,098	2,413	2,727	3,039	3,351
Impact of capital programme		-85	84	163	307	417	436	534	669	832	988
Net other growth		201	812	905	1,010	1,076	1,226	1,336	1,486	1,596	1,747
Net expenditure funded by taxation	8,618	9,212	10,327	10,828	11,395	11,891	12,378	12,901	13,500	14,085	14,704
Income from taxation											
Revenue support grant	0	0	0	0	0	0	0	0	0	0	0
Business rates	2,337	2,126	2,009	2,048	2,089	2,129	2,173	2,218	2,261	2,305	2,351
Council Tax	6,089	6,221	6,360	6,503	6,649	6,798	6,950	7,106	7,265	7,428	7,594
Other grants	202	116	1	0	0	0	0	0	0	0	0
Total income from taxation	8,628	8,463	8,370	8,551	8,738	8,927	9,124	9,324	9,526	9,733	9,945
Cumulative budget shortfall	-10	749	1,957	2,277	2,657	2,964	3,254	3,577	3,974	4,352	4,759
Budget strategy initiatives											
Investment in commercial property		200	505	605	755	905	1,055	1,205	1,395	1,545	1,695
Development of commercial income		170	340	510	680	850	1,020	1,190	1,360	1,530	1,700
Impact of digital strategy		80	160	240	320	400	400	400	400	400	400
Total savings initiatives identified		450	1,005	1,355	1,755	2,155	2,475	2,795	3,155	3,475	3,795
Remaining savings to be identified		299	952	922	902	809	779	782	819	877	964
Savings per year to be identified		299	653	-30	-20	-92	-30	3	36	58	87

	2018/19 Base £'000	2019/ 20 £'000	2020/ 21 £'000	2021/ 22 £'000	2022/ 23 £'000	2023/ 24 £'000	2024/ 25 £'000	2025/ 26 £'000	2026/ 27 £'000	2027 /28 £'000	2028 /29 £'000
Worthing Borough Council											
Base	13,476	13,476	13,476	13,476	13,476	13,476	13,476	13,476	13,476	13,476	13,476
Inflation		749	1,240	1,725	2,196	2,672	3,110	3,580	4,050	4,518	4,988
Impact of capital programme		81	157	662	1,041	1,256	1,455	1,634	1,846	2,385	2,642
Net growth		239	916	990	1,155	1,261	1,510	1,759	2,008	2,257	2,506
Net expenditure funded by taxation	13,476	14,545	15,789	16,853	17,868	18,665	19,551	20,449	21,380	22,636	23,612
Income from taxation											
Revenue support grant	8	0	0	0	0	0	0	0	0	0	0
Business rates	3,359	3,222	2,994	3,054	3,113	3,172	3,229	3,296	3,364	3,431	3,498
Council Tax	8,929	9,070	9,289	9,512	9,741	9,976	10,216	10,462	10,714	10,972	11,236
Other grants	1,221	1,094	576	342	120	0	0	0	0	0	0
Total income from taxation	13,517	13,386	12,859	12,908	12,974	13,148	13,445	13,758	14,078	14,403	14,734
Cumulative budget shortfall	-41	1,159	2,931	3,946	4,894	5,518	6,107	6,691	7,302	8,233	8,879
Budget strategy initiatives:											
Investment in commercial property		150	400	600	750	700	850	1,000	1,150	1,300	1,450
Development of commercial income		430	860	1,290	1,720	2,150	2,580	3,010	3,440	3,870	4,300
Impact of digital strategy		120	240	360	480	600	600	600	600	600	600
Other initiatives in place		0	0	0	59	118	118	118	118	118	118
Total savings initiatives identified		700	1,500	2,250	3,009	3,568	4,148	4,728	5,308	5,888	6,468
Remaining savings to be identified		459	1,431	1,696	1,885	1,950	1,983	1,987	2,018	2,369	2,435
Savings per year to be identified		459	972	265	190	65	33	5	31	351	66
Overall											
Adur		749	1,957	2,277	2,657	2,964	3,254	3,577	3,974	4,352	4,759
Worthing		1,159	2,931	3,946	4,894	5,518	6,107	6,691	7,302	8,233	8,879
Total		1,908	4,888	6,222	7,551	8,482	9,361	10,268	11,276	12,585	13,637
Budget strategy initiatives											
Investment in commercial property		350	905	1,205	1,505	1,605	1,905	2,205	2,545	2,845	3,145
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	800	1,000	1,000	1,000	1,000	1,000	1,000
Other initiatives in place		0	0	0	59	118	118	118	118	118	118
Total budget strategy initiatives		1,150	2,505	3,605	4,764	5,723	6,623	7,523	8,463	9,363	10,263
Remaining cumulative savings to be identified		758	2,383	2,617	2,787	2,759	2,762	2,769	2,837	3,246	3,398
Annual savings still to be identified		758	1,625	235	170	-28	3	7	67	409	152

