

OUTLINE FORECAST 2015/16 TO 2019/20 AND BUDGET STRATEGY

REPORT BY DIRECTOR FOR DIGITAL AND RESOURCES

1.0 SUMMARY

1.1 The purpose of this report is to outline the key financial challenges that the Councils will need to face over the next 3-5 years, propose a budget strategy for managing the emerging issues in 2015/16, and set a broad financial policy framework which will inform the Medium Term Financial Plan for the next 5 years.

2.0 BACKGROUND

2.1 Members will be aware that both Councils have successfully managed to maintain a balanced budget over the recent years despite considerable financial challenges. Both Councils have not increased Council Tax for the past four years, indeed last year Adur District Council reduced Council Tax by 1%

2.2 However, the financial pressure continues. The Councils expect to receive a further reduction in overall funding of around 15% in 2015/16, with further reductions in funding in the following four years. Local Government funding has changed substantially over the past four years. The Councils now receives four distinct major funding streams which are discussed more fully later in the report:

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

However, with a general election in 2016/17, the future of some of these funding streams is uncertain. Nevertheless, given various policy announcements, it is inevitable that overall funding from Government will reduce in future.

2.3 Members are being asked to consider the 2015/16 strategy at an early point in the year to enable the council to plan ahead. In addition, given the difficult prospects for the next five years, the focus over the coming months will be on developing a strategy to balance the budget in the medium term.

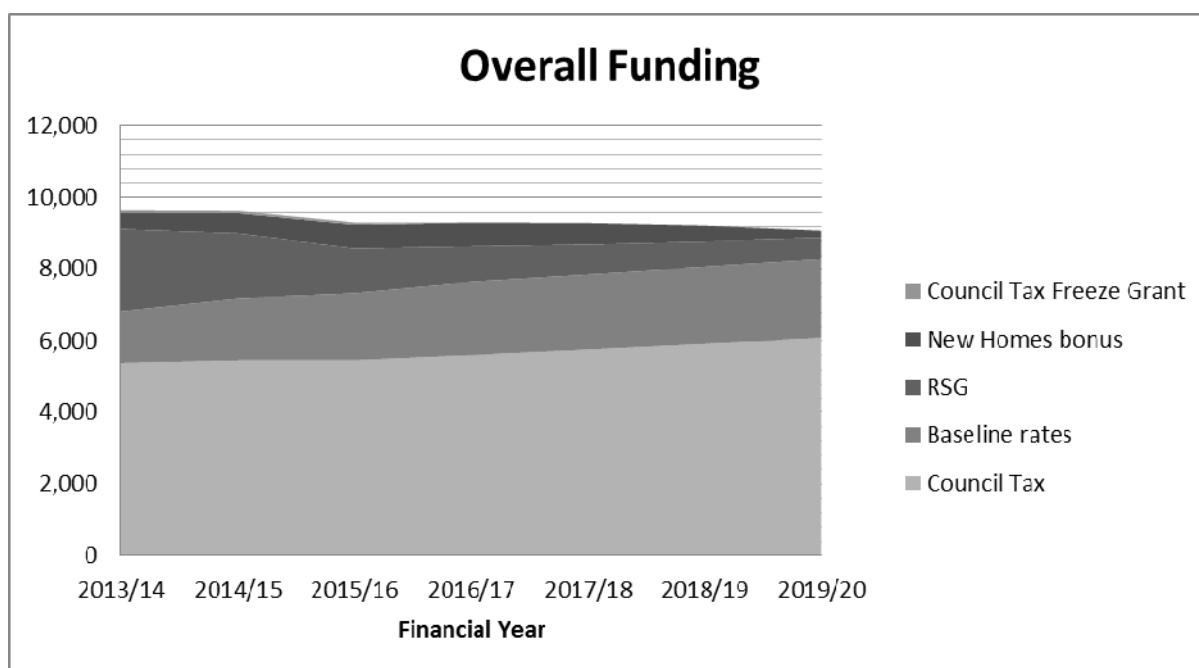
2.4 There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met.

3.0 FINANCIAL CONTEXT

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

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

The make up of funding to the Councils is changing with increasing proportions coming from Council Tax, Business Rate Retention and potentially the New Homes Bonus. Revenue Support Grant will reduce significantly over the next 5 years and by 2019/20 will form less than 10% of the Councils overall funding. Some analysts believe that by the end of the decade, the Councils will have no revenue support grant. The following chart shows these changes using Adur District Council as an example, although the pattern of change is the same for both Councils.



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 increasing importance of economic development to the Council not only informed the Councils priorities, which were refreshed last year, but is a major plank of the Chief Executive's 'Catching the Wave' initiative.

3.2 Central Government policy and funding:

3.2.1 Overall context

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

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

| | 2014-15 (£bn) | 2015-16 (£bn) | Cash reduction (-)/ increase | Real terms growth |
|---------------------------------|------------------|------------------|---------------------------------------|-------------------------|
| LG Resource DEL | 25.6 | 23.5 | -9.2% | -10.0% |
| Localised business rates | 11.2 | 11.6 | 3.6% | 1.7% |
| Total Government Funding | 36.8 | 35.1 | -4.6% | -6.5% |

The 2014 settlement in January confirmed the likely level of funding that the Councils would receive in 2015/16 and so the Council has some certainty for the forthcoming year.

The Chancellor's Budget statement in March 2014 contained no significant announcements about Local Government Funding which will impact upon the development of the Councils' budgets. However the content of the budget did reinforce the fact that we are barely halfway through the fiscal consolidation, and achieving the forecasts in the national Budget will depend both on the continuation of the growth in the UK economy, and the achievement of some significant savings targets. Consequently, there will be further savings to achieve in the next Parliament.

However, Members are reminded that the Budget in 2013 contained two announcements which will impact on the 2015/16 and 2016/17 budgets:

- The Government will extend the restraint on public sector pay for a further year by limiting increases to an average of up to 1 per cent in 2015-16. This will apply to the civil service and workforces with Pay Review Bodies. Local government and devolved administration budgets will be adjusted accordingly in the Spending Round
- The Budget 2013 confirmed that from 2016-17 the ability for members of a defined benefit occupational pension scheme to 'contract out' of the State Second Pension will end. The end of the National Insurance discount when the flat rate pensions come in is expected to cost to the public sector as a whole £1.4bn and local government will be expected to absorb its share. The cost to the Councils will be approximately 3.4% of the pay bill.

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

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.2 Revenue Support Grant

Over the past 5 years the Councils have seen government funding reduce by nearly 50%, although the picture is obscured by the number of grants that have been consolidated recently into the base grant and the separation out of 'baseline' funding.

| Adur District Council | 2010/11 (adjusted) | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|-----------------------|---------|---------|---------|---------|---------|
| | £m | £m | £m | £m | £m | £m |
| Revenue Support Grant and 'baseline funding' * | 4.132 | 3.470 | 3.094 | 2.803 | 2.287 | 1.771 |
| Council Tax Freeze Grant 2011/12 | | 0.153 | 0.153 | 0.154 | 0.154 | 0.154 |
| Council Tax Freeze Grant 2013/14 | | | | | 0.062 | 0.062 |
| Homelessness grant | | | | 0.057 | 0.056 | 0.056 |
| Council Tax Support Grant | | | | 0.850 | 0.850 | 0.850 |
| | | 3.623 | 3.247 | 3.864 | 3.409 | 2.893 |
| Annual reduction | | 0.662 | 0.376 | 0.291 | 0.516 | 0.273 |
| Annual percentage reduction | | 16.02% | 10.84% | 9.41% | 16.68% | 18.41% |
| Cumulative total | | | 1.038 | 1.329 | 1.845 | 2.118 |
| | | | 25.12% | 32.16% | 44.65% | 51.28% |

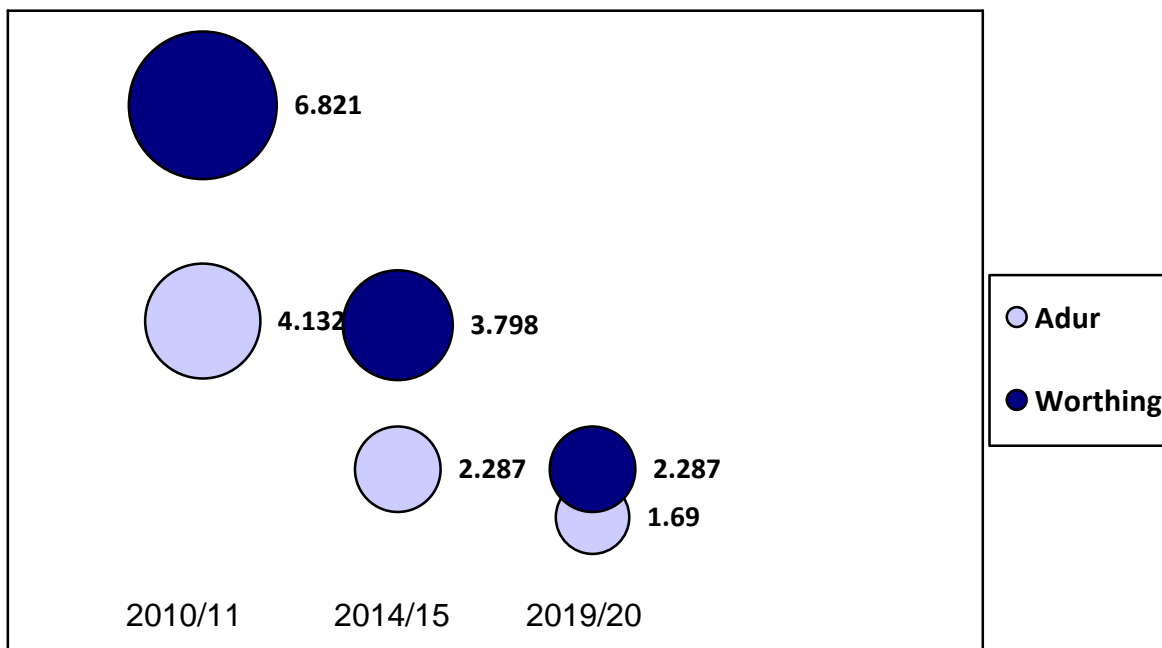
| Worthing Borough Council | 2010/11 (adjusted) | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|-----------------------|---------|---------|---------|---------|---------|
| | £m | £m | £m | £m | £m | £m |
| Revenue Support Grant and 'baseline funding' * | 6.821 | 5.720 | 5.046 | 4.582 | 3.798 | 3.020 |
| Council Tax Freeze Grant 2011/12 | | 0.212 | 0.210 | 0.210 | 0.209 | 0.209 |
| Council Tax Freeze Grant 2013/14 | | | | | 0.087 | 0.087 |
| Homelessness grant | | | | 0.149 | 0.147 | 0.146 |
| Council Tax Support Grant | | | | 0.947 | 0.947 | 0.947 |
| | | 5.932 | 5.256 | 5.888 | 5.188 | 4.409 |
| Annual reduction | | 1.101 | 0.674 | 0.464 | 0.784 | 0.778 |
| Annual percentage reduction | | 16.14% | 11.78% | 9.20% | 17.11% | 20.48% |
| Cumulative total | | | 1.775 | 2.239 | 3.023 | 3.801 |
| | | | 26.02% | 32.83% | 44.32% | 55.72% |

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

Looking further ahead, it is expected that trend of reducing Revenue Support Grant will continue:

Total core government funding (£m)



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

| 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------|---------|---------|---------|
| -20% | -15% | -15% | -15% |

However, the overall reduction is very much dependent on the forthcoming General Election and how this impacts on the future of Local Government Finance. This will be reassessed once the details of the next Comprehensive Spending Review are known which is not due until 2016/17 at the earliest.

A 1% difference in grant in 2015/16 is equivalent to £12,800 for Adur District Council and £19,500 for Worthing Borough Council.

3.2.3 Council Tax

Council Tax is now the Councils' major source of income. By 2019/20 it will be over 65% of the total general income received by the councils. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.3 Council Tax

The Councils have frozen or reduced Council Tax over the past four years in line with Government policy. In the first year, the Councils were fully reimbursed for the impact of freezing the Council Tax, however in subsequent years the Council has only received compensation of 1%. In 2012/13 and 2014/15 the council tax freeze grant was limited to two years only.

The Councils are well aware of the long term consequences of these decisions. Overall the acceptance of the Council Tax freeze grant for four years has cost the Councils significant potential additional council tax income:

| ADUR DISTRICT COUNCIL | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|--------------|--------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| If Impact of freezing Council Tax in 2012/13, 2013/14 and reducing in 2014/15 | | | | | |
| Net Council Tax income | 5,486 | 5,610 | 5,765 | 5,924 | 6,088 |
| Grant from government | 126 | 63 | 63 | 63 | 63 |
| Total income | 5,612 | 5,673 | 5,828 | 5,987 | 6,151 |
| If council tax had been increased by 2.5% in 2012/13 and 2.0% in 2013/14 and 2014/15 | | | | | |
| Net Council Tax income | 5,847 | 5,979 | 6,144 | 6,314 | 6,488 |
| Income foregone | -235 | -306 | -316 | -327 | -337 |

| WORTHING BOROUGH COUNCIL | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|--------------|--------------|--------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| If Impact of freezing Council tax in 2012/13, 2013/14 and reducing in 2014/15 | | | | | |
| Net Council Tax income | 7,777 | 7,964 | 8,196 | 8,426 | 8,671 |
| Grant from government | 175 | 175 | 87 | 87 | 87 |
| Total income | 7,952 | 8,139 | 8,283 | 8,513 | 8,758 |
| If council tax had been increased by 2.5% in 2012/13 and 2.0% in 2013/14 and 2014/15 | | | | | |
| Net Council Tax income | 8,292 | 8,491 | 8,738 | 8,984 | 9,245 |
| Income foregone | -340 | -352 | -455 | -471 | -487 |

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.3 Council Tax

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

Indeed the budget consultation last year indicated that the local communities were broadly supportive of a Council Tax increase when the following question was asked:

‘The Councils have managed to freeze Council Tax for the past three years, despite a reduction in government grant of over 32%. Both Councils expect a further reduction in a grant for 2014-15 of around 18% which is equivalent to £520,000 for Adur District Council and £790,000 for Worthing Borough Council.’

With this in mind, would you prefer...

| | Adur District Council | | Worthing Borough Council | |
|--|-----------------------|---------|--------------------------|---------|
| | | | | |
| A small increase which will help the Councils to protect priority services | 434 | (58.8%) | 796 | (60.9%) |
| To freeze Council Tax for the fourth year in a row and cut services | 304 | (41.2%) | 511 | (39.1%) |

Finally, Members are reminded of the referendum limit. The Chancellor announced in June 2013 and confirmed this year that:

‘The Council Tax referendum limit will be 2% in both 14/15 and 15/16. The Government will offer a Council Tax Freeze grant in both 2014/15 and 2015/16. This is likely to be allocated as a 1% grant for two years for those that freeze in 2014/15 and separately as a 1% grant for two years for those that freeze in 2015/16.’

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 £63,000 in Adur and £87,000 in Worthing for 2014/15.

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.3 Council Tax

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

| 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------|---------|---------|---------|---------|
| 1.5% | 2.0% | 2.5% | 2.5% | 2.5% |

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

Appendix 2 compares the average Council Tax paid in the District and Borough to other district councils in West Sussex, and shows both Councils to be amongst the lowest.

3.2.4 Baseline Funding and Business Rates Retention

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

1. **Baseline funding:**

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

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur | 1,574 | 1,617 | 1,657 | 1,699 | 1,741 | 1,785 |
| Worthing | 2,398 | 2,464 | 2,526 | 2,589 | 2,653 | 2,720 |

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

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

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.4 Baseline Funding and Business Rates Retention

2. Target income from Business Rates:

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

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur | 142 | 243 | 372 | 378 | 390 | 400 |
| Worthing | 172 | 246 | 413 | 418 | 433 | 444 |

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

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

One of the features of the new system is that the Councils determine how much Business Rate 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. This is similar to how Council Tax is treated.

The Government is now compensating the Councils, via a S31 grant, for income lost as a result of changing business rate reliefs including the introduction of the retail relief. This is a particularly problematic when a new relief is announced mid-year. For example, when Business Rate Relief was doubled late last autumn, the Council was compensated via a grant paid directly to the General Fund. Whilst this provided the Council with unexpected additional income in 2013/14, it has also meant that the Collection Fund will be in deficit at the end of 2014/15 which will have to be recouped in 2015/16.

It is intended to reforecast the business rate income over the summer months and to project forward the impact of new developments where planning permission has been granted but building has not yet started. Clearly, if the income from business rate income improves in 2014/15, then the surplus could be used to support the budget in 2015/16.

3.0 FINANCIAL CONTEXT

3.2 Central Government policy and funding:

3.2.5 New Homes Bonus

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

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|----------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur | 566 | 566 | 566 | 504 | 351 | 107 |
| Worthing | 835 | 835 | 835 | 562 | 390 | 170 |

In addition, the Councils should be entitled to a fifth tranche of grant to be paid from 2015/16 onwards. An allowance is currently built into the budget based on the expected number of new homes being built in the respective areas. As members are aware, there are a significant number of new homes being built, particularly in the Worthing area. There will be a re-assessment over the summer months of any changes to entitlement.

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

The current forecast assumes that scheme will cease in 2015/16.

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 2014 was:

| | Adur | Worthing |
|-----------------|-------|----------|
| | £'000 | £'000 |
| Working balance | 859 | 844 |
| Net budget | 9,683 | 13,977 |
| Percentage held | 8.9% | 6.0% |

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 Partnership Development Fund which was set up to fund any set-up costs associated with the partnership (Adur District Council only);
- 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-14 | Uncommitted resources* | Balance as at 31-Mar-14 | Uncommitted resources* |
| | £'000 | £'000 | £'000 | £'000 |
| Capacity Issues Reserve | 1,866 | 718 | 2,015 | 742 |
| Partnership Development Fund | 52 | 52 | - | - |
| Special and other emergency expenditure reserve | 350 | 310 | 149 | 75 |
| TOTAL | 2,268 | 1,080 | 2,164 | 817 |

* This allows for approvals to use the resources from 2015/16 onwards including the funding of carry forwards, the continuing impact of the New Ways of Working project, and the funding of the new gypsy and traveller site. 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:

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

4.2.1 The largest source of cost pressure comes from inflation. General inflation is currently at 1.5% (CPI) which is below the target 2% set by the Bank of England. The Bank of England expects inflation to continue to stay just below the threshold in 2014/15 and gradually move back towards the 2% target rate in 2015/16.

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 and the announcements from the Chancellor:

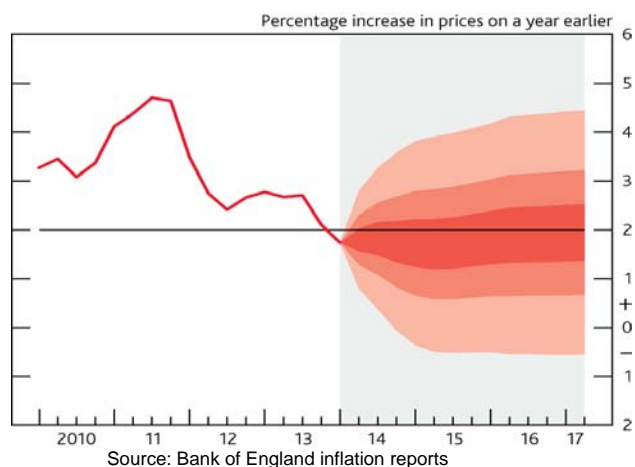
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---------------------|---------|---------|---------|---------|---------|
| | % | % | % | % | % |
| Pay* | 1 | 2 | 2 | 2 | 2 |
| Supplies & Services | 2 | 2 | 2 | 2 | 2 |
| Income | 2 | 2 | 2 | 2 | 2 |

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

| Adur | Worthing | Joint Strategic Committee |
|-------|----------|---------------------------|
| £'000 | £'000 | £'000 |
| 50 | 90 | 325 |

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

Forecast year on year inflation (CPI) as at May 2014:



Income is assumed to increase by 2.0% in 2015/16 which will help to offset the increases above.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

Overall net pay and price inflation is expected to add to the base budget in 2015/16 which will aggregate up until 2019/20 as follows:

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|--------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur* | 250 | 606 | 971 | 1,340 | 1,729 |
| Worthing* | 322 | 829 | 1,351 | 1,881 | 2,437 |
| Note: | | | | | |
| Joint Services | 604 | 1,359 | 2,135 | 2,918 | 3,739 |
| * (included above) | | | | | |

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 | 20 | 59 | 189 |
| Supplies and Services | 35 | 110 | 61 |
| Income | -55 | -181 | -45 |
| Total | - | -12 | 205 |
| Share of joint inflation | 82 | 123 | -205 |
| OVERALL TOTAL | 82 | 111 | 0 |

4.3 Pension Costs

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

Overall, the pension costs are set to increase as follows over the next two years:

| Cumulative pension increase: | 2015/16 | | 2016/17 | |
|------------------------------|---------|-------|---------|-------|
| | % | £'000 | % | £'000 |
| Adur* | 1.0% | 62 | 2.0% | 127 |
| Worthing* | 0.5% | 112 | 0.5% | 206 |
| Note: | | | | |
| Joint Services | 1.0% | 152 | 2.0% | 311 |
| * (included above) | | | | |

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

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, contributions. The five year forecast assumes a programme of £1.0m per year for Adur District Council and £1.5m for Worthing Borough Council. This reflects concerns about affordability in the medium term.

In addition, within the capital strategy, Adur District Council has allocated £3.6m to the Housing Investment Programme for Adur Homes

Each £1m of borrowing is estimated to cost £22,500 in the first year and £110,000 the year after, although the cost is dependent on the prevailing rate of interest and the life of the asset acquired. (Based on a 4.50% interest cost and 15 year asset life)

4.5 Interest rates

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

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|------------------------|---------|---------|---------|---------|---------|
| Average interest rates | 1.00% | 1.50% | 1.75% | 2.00% | 2.25% |

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

4.6 Summary of Cost Pressures

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

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|------------------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur* | | | | | |
| Overall cumulative shortfall | 498 | 1,289 | 1,686 | 2,252 | 2,805 |
| Annual shortfall | 498 | 791 | 397 | 566 | 553 |
| Total income estimate | 9,316 | 9,314 | 9,301 | 9,231 | 9,094 |
| Annual Shortfall (%) | 5.35% | 8.50% | 4.27% | 6.13% | 6.09% |

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.6 Summary of Cost Pressures

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|------------------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Worthing* | | | | | |
| Overall cumulative shortfall | 476 | 1,308 | 2,044 | 2,770 | 3,470 |
| Annual shortfall | 476 | 832 | 736 | 726 | 700 |
| Total income estimate | 13,704 | 13,683 | 13,477 | 13,416 | 13,350 |
| Annual Shortfall (%) | 3.47% | 6.08% | 5.46% | 5.41% | 5.25% |

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|------------------------------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Joint Services** | | | | | |
| Overall cumulative shortfall | 902 | 2,488 | 3,588 | 4,788 | 6,018 |
| Annual shortfall | 902 | 1,586 | 1,100 | 1,200 | 1,230 |
| Total income estimate | 20,487 | 20,333 | 20,028 | 19,628 | 19,236 |
| Annual Shortfall (%) | 4.40% | 7.80% | 5.49% | 6.11% | 6.40% |

* 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 3**.

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

4.7 Budget risks

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.7 Budget risks

(i) Non-achievement of existing saving commitments

At the time of preparing the 2014/15 budget, the plans for savings included the following items:

- **Grounds Maintenance Review:**
Members had previously asked that the overall budget for Grounds Maintenance be reduced by £63,000 for Adur District Council and £500,000 for Worthing Borough Council. The service struggled to make this level of saving in 2014/15, overspending by £416,000 in the 2014/15 Worthing Borough Council accounts. The budget was partially restated by £300,000 in 2014/15 and there are clear plans to produce the remaining savings required. Progress will be reviewed throughout the year.
- **Theatres:**
Contained within Worthing Borough Council budget is assumed an overall improvement in the performance of the theatres of £154,000 per year following the theatres review. However, the outturn report revealed that the theatre operations had overspent by £222,000 in 2012/13 and £484,000 in 2013/14. Consequently, the progress of the theatres is being closely monitored with a detailed management action plan in place and preliminary indications are that the position is improving in the current financial year.

(ii) Pay inflation

Whilst the 5 year forecast assumes a 1% pay increase for 2015/16, Members should be aware that this will be the fifth successive year of only limited pay increases for staff (other than increments for some). The Unions are becoming increasingly discontent at such limited pay increases and this year there will be some industrial action. There is likely to be increasing pressure from the unions for higher increases in the future

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2015/16

- 5.1 The Councils will need to identify significant savings over the next 5 years; this is without building any additional capacity to deliver new or improved services. The Councils also wish to keep future Council Tax increases low.
- 5.2 However, the two Councils are well aware of this challenge and embarked on developing a strategy to balance the budget without reliance on reserves. With this in mind, both Councils commissioned several reviews which have been progressed and are now coming to an end.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2015/16

5.3 With a new Council Leadership Team now in place, there will be an opportunity to develop new initiatives and it is intended to report later in the year on any proposed changes to the strategy. In the interim, the budget strategy will finish the current strands of work and develop a new focus on commercial activities as follows:

1. **Major Service reviews** previously commissioned by the Budget Advisory Groups.

There are still two service reviews with outstanding work to complete:

a. Leisure provision (Worthing only)

The recent report to JSC approved the transfer of Worthing Borough Council's Leisure Services to a trust with effect from the 1st April 2015. There will be significant potential financial benefit to Worthing Borough Council arising from the transfer, however there is still the need to invest in Worthing Leisure Centre and so part of the saving will be required to fund the works needed. Consequently, the outline forecast assumes a net saving of £250,000.

b. Grounds maintenance (Worthing only)

The Grounds Maintenance budget was restated by £300,000 in recognition of the difficulty of meeting the savings target of £500,000. However, there is an expectation that the service will gradually reduce its costs over the next few years towards the original savings target set.

2. **Efficiency reviews**

The major reviews still being implemented include:

a. Accommodation strategy (NWoW project):

There are still two outstanding strands of the project to complete, namely:

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

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

b. Administrative arrangements - a pilot project is currently underway in Customer Services to redesign, automate and centralise routine administrative activities.

A new programme of review work is being developed by the Head of Productivity and Innovation.

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2015/16

3. Base budget review

Adur District Council under spent considerably in 2013/14 (either by controlling expenditure or increasing income), and whilst Worthing Borough Council overspent, once the cost pressures associated with the overspend in Theatres and Grounds Maintenance are stripped out, there was an underlying underspend in the rest of the services.

| | Under / Over (-) spend |
|----------|------------------------|
| | £'000 |
| Adur | 539 |
| Worthing | -300 |

* £600,000 underspend excluding theatres and grounds maintenance.

Whilst a considerable proportion of these savings have already been built into the 2014/15 budget, there are still areas of under spend and additional income which can be used to contribute to the overall budget shortfall. As part of this work, the current vacancy saving target will be revisited.

4. Procurement review

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

- Reviewing the current Procurement strategy;
- Undertaking a detailed financial analysis of the Councils' external spend and indications of where procurement savings are likely;
- Identifying the potential for negotiating existing contracts to realise efficiencies.

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

5.5 However, to balance the budget in 2015/16 it is proposed to develop a new strand of budget work is introduced to promote a greater emphasis on income generation.

Commercial Services:

There are three elements to this new area of work:

- Existing fee earning services will be reviewed:

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2015/16

Commercial Services:

- Services which either have fees set by central government or can only breakeven by statute will be reviewed to ensure that income is sufficient to cover costs. This includes Land Charges, Building Control and Development Management.
- Services which have an agreed public subsidy (e.g. theatres) will be reviewed to ensure that the net cost of the service can be contained within the agreed subsidy and that the subsidy is reduced over time.
- Services which operate on a commercial basis will be encourage to maximise profit margins where possible.
- The Council will look for new income generating opportunities. Examples of potential projects include the construction of an AD plant and the construction of a pet crematorium.
- 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 which could be rented out to generate an income stream which potentially could exceed that generated through investment of any sale proceeds.

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

5.7 The Councils currently have uncommitted reserves of:

| | £'000 |
|----------|-------|
| Adur | 1,080 |
| Worthing | 817 |

So, there remains the 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 in 2015/16, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Council has a clearer understanding of the financial challenges ahead.

5.8 A summary of the position for 2015/16 is therefore:

5.0 OPTIONS FOR ADDRESSING THE BUDGET GAP IN 2015/16

| | Adur | Worthing |
|--|------------|------------|
| | £'000 | £'000 |
| Main cost pressures: | | |
| Inflationary pressures in excess of the likely increase in Council Tax | 167 | 176 |
| Changes in Government Funding | | |
| Reduction in Revenue Support Grant | 559 | 845 |
| Increase in New Homes Bonus | -87 | -389 |
| Increase in baseline funding | -144 | -140 |
| Overall change to government funding | 328 | 316 |
| Other items: | | |
| Net impact of the capital programme | 68 | 101 |
| Fall out of early retirement costs | -25 | -46 |
| Impact of reduced interest rates | -91 | -55 |
| Impact of pension fund valuation | 62 | 112 |
| Contingency | 100 | 120 |
| Removal of one-off contribution to reserves | -105 | 196 |
| Removal of surplus / deficit on collection fund | 82 | 43 |
| Savings identified as part of the 2014/15 budget round | -54 | -293 |
| Leisure Trust status | 0 | -250 |
| Other items | -34 | 56 |
| Overall savings to be met from a combination of efficiency savings and reductions in lower priority services. | 498 | 476 |

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.

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

6.0 2016/17 AND BEYOND

- 6.1 The budget projections for 2016/17 to 2019/20 are also shown in **Appendix 3**. It is clear that many of the cost pressures identified in 2015/16 will continue on for the coming years and that there is a need to make significant savings.

6.0 2016/17 AND BEYOND

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur District Council | | | | | |
| Estimated cumulative savings required to balance the budget | 498 | 1,289 | 1,686 | 2,252 | 2,805 |
| Savings required each year | 498 | 791 | 397 | 566 | 553 |
| Worthing Borough Council | | | | | |
| Estimated cumulative savings required to balance the budget | 476 | 1,308 | 2,044 | 2,770 | 3,470 |
| Savings required each year | 476 | 832 | 736 | 726 | 700 |

- 6.2 It is an inherent feature of the budget strategy that officers are asked to identify annual “cashable” efficiency and procurement savings to help meet the budget gap and to protect priority services. But the scale of the problem continues to be significant and efficiency savings will only meet part of the shortfall.
- 6.3 Through the work Budget Advisory Groups, there have been a number of significant projects and fundamental service reviews which have led to savings that have helped bridge the gap over the last five years. However, looking forward, with a new Council Leadership Team in place, there now needs to be a series of new initiatives put in place to meet the challenges for the next five years.
- 6.4 Consequently, there will be a focus in 2015/16 on balancing the budget through efficiency savings, proposed changes to services arising from the current service reviews, focussing resources on priority areas and possibly through the use of reserves.
- 6.5 Challenging times are ahead and the Councils will need to continue to critically review the services, to focus limited resources on priorities, and to ensure the savings continue to be delivered.

7.0 HOUSING REVENUE ACCOUNT

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

8.0 BUDGET PROCESS FOR 2014/15

- 8.1 The intention is to manage the budget process in an open and transparent manner as last year.
- 8.2 The Council will need to identify options to meet the budget shortfall for 2015/16. The process will follow the three stages:
1. The “Budget Review Group” (joint cabinets) will identify options to meet the 2015/16 budget shortfall which fit with the Council’s priorities. This work will be underpinned by a detailed consideration by the Council Leadership Team of options for budget savings.
 2. 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.
 3. 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 2015/16 budget is attached at **Appendix 1**.

9.0 CONSULTATION

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

10.0 BUDGET STRATEGY FOR 2014/15

- 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 2015/16 revenue and capital budgets:
- 10.2 **Revenue Budget Strategy**
- The Councils will aim to keep Council Tax increases to a minimum;

10.0 BUDGET STRATEGY FOR 2014/15

10.2 Revenue Budget Strategy

- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Council's Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (2.0%) or such higher increase as the individual markets can bear;
- Expenditure is to be increased by: 1% for pay (but an allowance has been made for increments which are a contractual commitment) and 2.0% 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

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

Adur District Council: £1m (plus £3.6m for the Housing Investment Programme)

Worthing Borough Council: £1.5m

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

11.0 LEGAL IMPLICATIONS

11.1 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 2015/16 budget.

12.0 CONCLUSIONS

12.1 As usual the budget is characterised by uncertainty, not so much for 2015/16, but for 2016/17 and beyond as a result of the impending election in 2015. However it is inevitable that the Councils will continue to face significant reductions in expenditure year on year irrespective of which party wins the general election. The need to limit Council Tax increases coupled with a continued reduction in Government support means that the Council will need to identify significant savings in the next 5 years to balance the budget. This is without building additional capacity to deliver some key new aims.

12.2 The need to generate savings on an on-going basis has meant that the Council has moved away from an annual savings exercise towards a programme of actions designed to generate efficiency savings on a rolling basis over 5 years. This work needs to be reinvigorated and to continue, if the Council is to successfully meet the challenges ahead. This should not only be to balance the budget but to help build capacity to deliver key aims and improve core services in line with the Corporate Plan.

12.3 However, there are opportunities in the new business rate retention scheme which mean that there needs to be a focus on economic regeneration over the next few years to ensure that the Council protects its financial interests in the longer term.

13.0 RECOMMENDATIONS

13.1 Joint Strategic Committee is recommended to:

- (a) Note the report and the outline 5-year forecast in Appendix 3;**
- (b) Approve the proposed budget process as set out in section 8 of the report;**
- (c) Recommend to the Councils to approve the Budget Strategy for 2015/16 outlined in Section 10 of the report.**

Local Government Act 1972
Background Papers:

Report to Adur District Council Cabinet 4th February 2014 - Estimates 2014/15 and setting of 2014/15 Council Tax

Report to Worthing Borough Council Cabinet 3rd February 2014 - Estimates 2014/15 and setting of 2014/15 Council Tax

Report to Joint Strategic Committee 24th June 2014 – Final Revenue and Capital Outturn for Joint, Adur and Worthing 2014/15.

Budget Statement 2013 – Report from HM Treasury
Budget Statement 2014 – Report from HM Treasury

Contact Officer:

Sarah Gobey

Chief Financial Officer

(01903) 221221

sarah.gobey@adur-worthing.gov.uk

SCHEDULE OF OTHER MATTERS

1. COUNCIL PRIORITY

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

2. SPECIFIC ACTION PLANS

2.1 The report sets the targets for the achievement of a balanced budget for 2015/16.

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

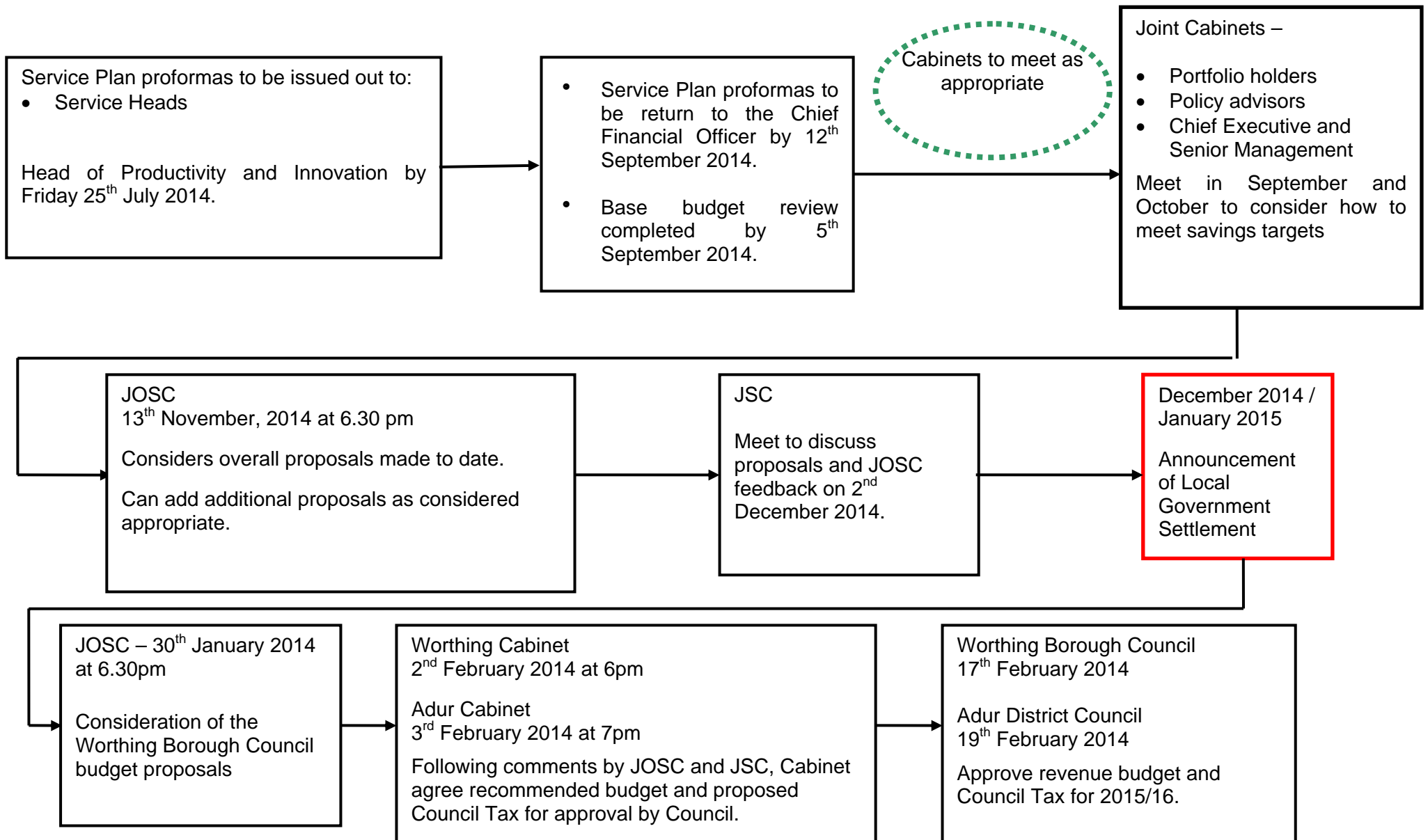
10.1 Matter considered and no issues identified

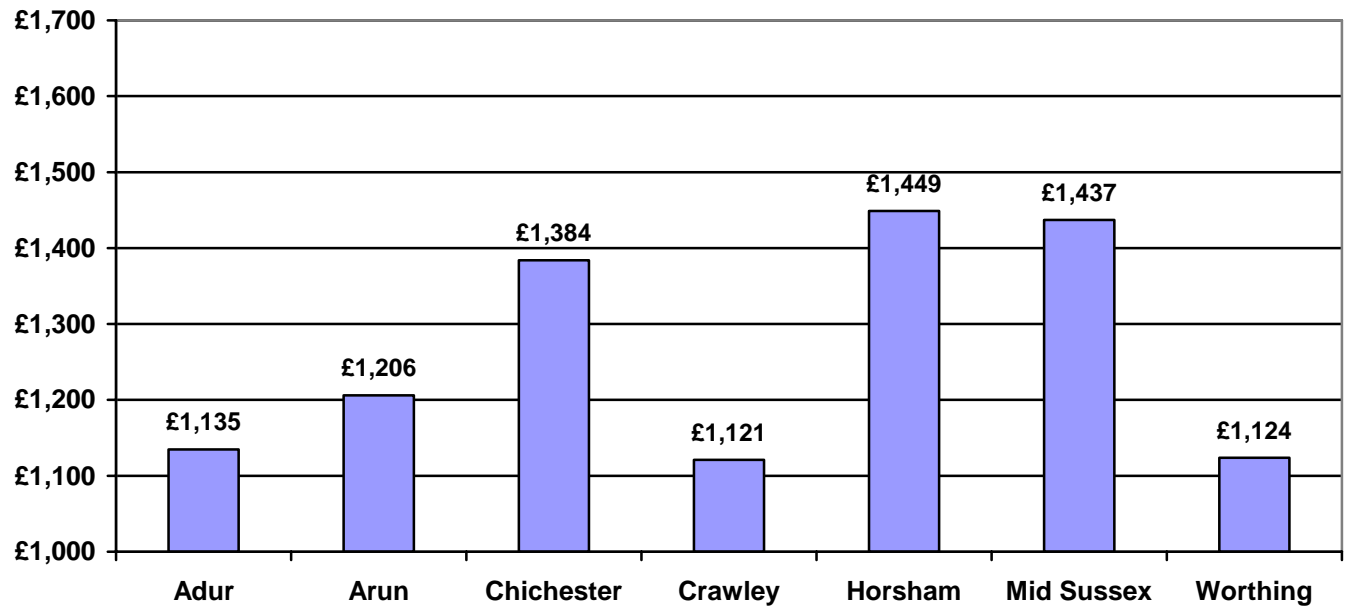
11. PROCUREMENT STRATEGY

11.1 Matter considered and no issues identified

12. PARTNERSHIP WORKING

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



AVERAGE 2014/15 COUNCIL TAX PER DWELLING

This is the combined Council Tax for West Sussex County Council, Sussex Police Authority and the district Councils.

APPENDIX 3

| ADUR DISTRICT COUNCIL | | | | | | |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| Revenue Budget Summary Statement 2014/15 - 2019/20 | | | | | | |
| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | Base | | | | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 9,538 | 9,538 | 9,538 | 9,538 | 9,538 | 9,538 |
| Annual Inflation | | | | | | |
| Estimated inflation | | 250 | 606 | 971 | 1,340 | 1,729 |
| One -off / non-recurring items | | | | | | |
| Local Elections (held every other year) | | (49) | | (51) | | (53) |
| Committed Growth | | | | | | |
| Changes to National Insurance Contributions | | - | 227 | 232 | 237 | 242 |
| Impact of Pension contribution increase | | 62 | 127 | 131 | 134 | 137 |
| Contribution to Gypsy and Traveller site | | 15 | 15 | 15 | 15 | 15 |
| Contingency | | 100 | 100 | 100 | 100 | 100 |
| Compensatory savings | | | | | | |
| Fall out of early retirement costs | | (25) | (25) | (25) | (25) | (25) |
| Savings identified as part of 2014/15 budget round (tbc) | | (54) | (54) | (54) | (54) | (54) |
| Impact of capital programme | | | | | | |
| Financing costs | | 68 | 219 | 341 | 469 | 602 |
| Additional income | | | | | | |
| Investment income | | (91) | (150) | (211) | (271) | (332) |
| Total Cabinet Member Requirements | 9,538 | 9,814 | 10,603 | 10,987 | 11,483 | 11,899 |
| Baseline funding | 1,574 | 1,617 | 1,657 | 1,699 | 1,741 | 1,785 |
| Less: Safety net payment / business rate shortfall | | - | - | - | - | - |
| Add: Retained additional business rates | 79 | 243 | 372 | 378 | 390 | 400 |
| Add: Share of 2013/14 surplus | 63 | | | | | |
| Adusted Baseline funding | 1,716 | 1,860 | 2,029 | 2,077 | 2,131 | 2,185 |
| Revenue Support Grant | 1,835 | 1,276 | 1,021 | 868 | 738 | 627 |
| Council Tax | | | | | | |
| Adjusted Council Tax income | 5,403 | 5,486 | 5,610 | 5,765 | 5,924 | 6,088 |
| Other grants | | | | | | |
| Council Tax Freeze grant 2014/15 | 63 | 63 | - | - | - | - |
| New homes bonus (2011/12 - 2016/17) | 62 | 62 | 62 | - | - | - |
| New homes bonus (2012/13 - 2017/18) | 153 | 153 | 153 | 153 | - | - |
| New homes bonus (2013/14 - 2018/19) | 244 | 244 | 244 | 244 | 244 | - |
| New homes bonus (2014/15 - 2019/20) | 107 | 107 | 107 | 107 | 107 | 107 |
| New homes bonus (2015/16 - 2020/21) | - | 87 | 87 | 87 | 87 | 87 |
| Collection fund surplus/deficit (-) | 60 | (22) | - | - | - | - |
| Total other grants and contributions | 689 | 694 | 653 | 591 | 438 | 194 |
| Total Income from Grants and Taxation | 9,643 | 9,316 | 9,314 | 9,301 | 9,231 | 9,094 |

| ADUR DISTRICT COUNCIL | | | | | | |
|---|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Budget Summary Statement 2014/15 - 2019/20 | | | | | | |
| | 2014/15 Base | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| (Surplus) / Shortfall in Resources | (105) | 498 | 1,289 | 1,686 | 2,252 | 2,805 |
| Contribution to (-) / Use of Reserves to Balance | | | | | | |
| Capacity issues reserve | (105) | - | - | - | - | - |
| Total Income from Reserves | (105) | - | - | - | - | - |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 498 | 1,289 | 1,686 | 2,252 | 2,805 |
| | | | | | | |
| Council Tax increase | | 1.50% | 2.00% | 2.50% | 2.50% | 2.50% |
| Savings required in each year | | 498 | 791 | 397 | 566 | 553 |

WORTHING BOROUGH COUNCIL - APPENDIX 1
Revenue Budget Summary Statement 2014/15 - 2019/20

| | 2014/15 Base | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 14,113 | 14,113 | 14,113 | 14,113 | 14,113 | 14,113 |
| (a) Annual Inflation | | | | | | |
| Estimated inflation | | 322 | 829 | 1,351 | 1,881 | 2,437 |
| (b) One -off / non-recurring items | | | | | | |
| Local Elections (not held once every four years) | | - | - | (76) | - | - |
| (c) Committed Growth | | | | | | |
| Changes to National Insurance Contributions | | - | 466 | 466 | 466 | 466 |
| Impact of Pension contribution increase | | 112 | 206 | 212 | 216 | 220 |
| Contingency | | 120 | 120 | 120 | 120 | 120 |
| Housing condition survey - carried out once every 3 years | | (9) | (9) | - | (9) | (9) |
| Provision for job evaluation | | 50 | 50 | 50 | 50 | 50 |
| Contribution to Gypsy and Traveller site | | 15 | 15 | 15 | 15 | 15 |
| (d) Compensatory savings | | | | | | |
| Fall out of early retirement costs | | (46) | (46) | (46) | (46) | (46) |
| (e) Impact of capital programme | | | | | | |
| Financing costs | | 101 | 234 | 362 | 493 | 644 |
| (f) Additional income | | | | | | |
| Investment income | | (55) | (105) | (164) | (231) | (308) |
| (g) Agreed Savings | | | | | | |
| Savings identified as part of 2014/15 budget round (tbc) | | (263) | (452) | (452) | (452) | (452) |
| Splashpoint - Impact of sale of Aquarena site | | - | (150) | (150) | (150) | (150) |
| Grounds Maintenance budget | | (30) | (30) | (30) | (30) | (30) |
| Leisure Trust (tbc) | | (250) | (250) | (250) | (250) | (250) |
| Total Cabinet Member Requirements | 14,113 | 14,180 | 14,991 | 15,521 | 16,186 | 16,820 |
| Baseline funding | 2,398 | 2,464 | 2,526 | 2,589 | 2,653 | 2,720 |
| Less: Safety net payment/business rate sh'fall | - | - | - | - | - | - |
| Add: Net retained additional business rates | 144 | 246 | 413 | 418 | 433 | 444 |
| Add: Share of 2013/14 surplus | 28 | | | | | |
| Adjusted Baseline funding | 2,570 | 2,710 | 2,939 | 3,007 | 3,086 | 3,164 |
| Revenue Support Grant | 2,790 | 1,945 | 1,556 | 1,323 | 1,125 | 956 |

APPENDIX 3

| WORTHING BOROUGH COUNCIL - APPENDIX 1 Revenue Budget Summary Statement 2014/15 - 2019/20 | | | | | | |
|--|-----------------|---------------|---------------|---------------|---------------|---------------|
| | 2014/15 Base | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax income | | | | | | |
| Adjusted Council Tax income | 7,631 | 7,777 | 7,964 | 8,196 | 8,426 | 8,671 |
| Council Tax Freeze grant 2014/15 | 88 | 88 | - | - | - | - |
| New homes bonus (2011/12 - 2016/17) | 273 | 273 | 273 | - | - | - |
| New homes bonus (2012/13 - 2017/18) | 172 | 172 | 172 | 172 | - | - |
| New homes bonus (2013/14 - 2018/19) | 220 | 220 | 220 | 220 | 220 | - |
| New homes bonus (2014/15 - 2019/20) | 170 | 170 | 170 | 170 | 170 | 170 |
| New homes bonus (2015/16 - 2020/21) | - | 389 | 389 | 389 | 389 | 389 |
| Collection fund surplus/deficit (-) | 3 | (40) | - | - | - | - |
| Total other grants and contributions | 926 | 1,272 | 1,224 | 951 | 779 | 559 |
| Total Income from Taxation | 13,917 | 13,704 | 13,683 | 13,477 | 13,416 | 13,350 |
| (Surplus) / Shortfall in Resources | 196 | 476 | 1,308 | 2,044 | 2,770 | 3,470 |
| Use of / (contribution to) Reserves to Balance Budget | | | | | | |
| Capacity issues reserve | 196 | - | - | - | - | - |
| Total Income from Reserves | 196 | - | - | - | - | - |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 476 | 1,308 | 2,044 | 2,770 | 3,470 |
| Savings agreed in December | | | | | | |
| Savings agreed in January | | | | | | |
| Final adjustments to the allocation of the December savings between the two Councils Removal of no detriment | | | | | | |
| Total savings identified | | - | - | - | - | - |
| Savings still to be found/ (surplus) | | 476 | 1,308 | 2,044 | 2,770 | 3,470 |
| Council Tax increase | | 1.50% | 2.00% | 2.50% | 2.50% | 2.50% |
| Savings required in each year | | 476 | 832 | 736 | 726 | 700 |

| JOINT STRATEGIC COMMITTEE | | | | | | |
|--|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Budget Summary Statement 2014/15 - 2019/20 | | | | | | |
| | 2014/15 Base | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Net Spending to be Financed from Taxation | | | | | | |
| Base budget | 23,933 | 23,933 | 23,933 | 23,933 | 23,933 | 23,933 |
| (a) Annual Inflation Estimated inflation | | 547 | 1,302 | 2,078 | 2,861 | 3,682 |
| (b) Committed Growth Changes to National Insurance Contributions | | - | 518 | 528 | 539 | 550 |
| Impact of Pension contribution increase | | 152 | 311 | 320 | 326 | 333 |
| Contingency | | 100 | 100 | 100 | 100 | 100 |
| (c) Agreed Savings | | | | | | |
| (d) Accounting adjustments | | | | | | |
| Total Budget Requirements | 23,933 | 24,732 | 26,164 | 26,959 | 27,759 | 28,597 |
| Less: Recharges within the Joint Strategic Committee | (3,343) | (3,343) | (3,343) | (3,343) | (3,343) | (3,343) |
| Net cost to be reallocated to the Councils | 20,590 | 21,389 | 22,821 | 23,616 | 24,416 | 25,254 |
| Adur District Council | 8,244 | 8,203 | 8,141 | 8,019 | 7,859 | 7,702 |
| Worthing Borough Council | 12,346 | 12,284 | 12,192 | 12,009 | 11,769 | 11,534 |
| Total income for services provided to the constituent councils | 20,590 | 20,487 | 20,333 | 20,028 | 19,628 | 19,236 |
| | | | | | | |
| (Surplus) / Shortfall in Resources | - | 902 | 2,488 | 3,588 | 4,788 | 6,018 |
| Savings required in each year | | 902 | 1,586 | 1,100 | 1,200 | 1,230 |

| BUSINESS RATE FORECAST | | | | | |
|--|------------|------------|------------|------------|------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Adur District Council | | | | | |
| Total business rate income | 21,366 | 21,897 | 22,428 | 23,003 | 23,578 |
| Less: Business rate reliefs awarded | -2,812 | -2,882 | -2,954 | -3,028 | -3,104 |
| Net business rate income | 18,554 | 19,015 | 19,474 | 19,975 | 20,474 |
| Less: | | | | | |
| Write offs | -231 | -237 | -243 | -249 | -256 |
| Appeals | -379 | -388 | -398 | -408 | -418 |
| Net income | 17,944 | 18,390 | 18,833 | 19,318 | 19,800 |
| Less: Share of income paid to Council for administration costs | -88 | -90 | -93 | -95 | -97 |
| Net income for purpose of income share calculation | 17,856 | 18,300 | 18,740 | 19,223 | 19,703 |
| Council share of income (40%) | 7,142 | 7,320 | 7,496 | 7,689 | 7,881 |
| Less: Tariff | -5,203 | -5,333 | -5,466 | -5,603 | -5,743 |
| Retained business rates | 1,939 | 1,987 | 2,030 | 2,086 | 2,138 |
| Add : S151 grants paid directly to the General Fund | 405 | 415 | 425 | 436 | 446 |
| Total income eligible for levy/safety net calculation | 2,344 | 2,402 | 2,455 | 2,522 | 2,584 |
| Baseline funding | -1,617 | -1,658 | -1,699 | -1,742 | -1,785 |
| Surplus/(deficit) business rates | 727 | 744 | 756 | 780 | 799 |
| Less: Levy @ 50% | -364 | -372 | -378 | -390 | -399 |
| Retained additional business rates | 363 | 372 | 378 | 390 | 400 |
| Share of estimated 2014/15 deficit | -120 | 0 | 0 | 0 | 0 |
| Estimated surplus/deficit (-) | 243 | 372 | 378 | 390 | 400 |

APPENDIX 4

| BUSINESS RATE FORECAST | | | | | |
|---|------------|------------|------------|------------|------------|
| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Worthing Borough Council | | | | | |
| Total business rate income | 37,689 | 38,625 | 39,561 | 40,576 | 41,590 |
| Less: Business rate reliefs awarded | -5,750 | -5,893 | -6,041 | -6,192 | -6,347 |
| Net business rate income | 31,939 | 32,732 | 33,520 | 34,384 | 35,243 |
| Less: | | | | | |
| Write offs | -396 | -406 | -415 | -426 | -437 |
| Appeals | -603 | -618 | -633 | -649 | -665 |
| Net income | 30,940 | 31,708 | 32,472 | 33,309 | 34,141 |
| Less: Share of income paid to Council for administration costs | -136 | -139 | -143 | -146 | -150 |
| Net income for purpose of income share calculation | 30,804 | 31,569 | 32,329 | 33,163 | 33,991 |
| Council share of income (40%) | 12,322 | 12,628 | 12,932 | 13,265 | 13,596 |
| Less: Tariff | -10,079 | -10,331 | -10,590 | -10,854 | -11,126 |
| Retained business rates | 2,243 | 2,297 | 2,342 | 2,411 | 2,470 |
| Add : S151 grants paid directly to the General Fund | 1,030 | 1,056 | 1,082 | 1,110 | 1,137 |
| Total income eligible for levy / safety net calculation | 3,273 | 3,353 | 3,424 | 3,521 | 3,607 |
| Baseline funding | -2,464 | -2,526 | -2,589 | -2,653 | -2,720 |
| Surplus/(deficit) business rates | 809 | 827 | 835 | 868 | 887 |
| Less: Levy @ 50% | -405 | -414 | -417 | -435 | -443 |
| Retained additional business rates | 404 | 413 | 418 | 433 | 444 |
| Share of estimated 2014/15 deficit | -159 | 0 | 0 | 0 | 0 |
| Estimated surplus / deficit (-) | 245 | 413 | 418 | 433 | 444 |