



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

1.0 SUMMARY

- 1.1 There has been a fundamental shift in how local Councils are funded, Adur and Worthing Councils have responded to the challenge of reducing Government support by promoting economic regeneration, investing in property, growing our commercial offer, and through business efficiency from the digitisation agendas. Despite the inevitable challenges bought by reducing resources, the Councils have continued to maintain good core services across the board and have a clear focus on customer service excellence.
- 1.2 This report aims to set out the Councils will continue to address the changing financial climate over the next 10 years, outlining the revenue forecast and setting out our strategic response, creating the conditions to be self-financing by 2020/21. With the detailed budget proposals for 2018/19 coming forward to Joint Strategic Committee in December, this reports sets out the broader context for the detailed work that will be undertaken over the intervening months.
- 1.3 As set out in the following pages, the Councils will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our Councils have a good track record in innovation, working creatively in partnership, transforming our digital capabilities and putting the customer at the heart of our services, so that we have capacity to do far more than just 'survive'. Our new strategy, 'Platforms for our Places' approved by the Councils in February sets out how we can play an even greater role in helping to shape the future of our places.
- 1.4 The 5 'Platforms' that will provide the direction for all our work over the next 3 years are:
- Our Financial Economies
 - Our Social Economies
 - Stewarding our Natural Resources
 - Services and Solutions for our places
 - Leadership of our Places

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

1.0 SUMMARY

- 1.5 Over the summer and autumn, the Operational Leaders Group (Heads of Service) will be working with the Councils Leadership Team to expand our strategic programme of work to deliver against the financial targets which are mapped out in this report. This programme will be presented to Joint Strategic Committee for approval in December 2017 as part of the development of the 2018/19 budget.

2.0 BACKGROUND

- 2.1 Members will be aware that both Councils have successfully managed to maintain a balanced budget over the recent years despite the considerable financial challenges presented by the withdrawal of Government funding. The Councils have successfully kept Council Tax increases to an absolute minimum over the past few years, opting to freeze or reduce the Council tax when possible.
- 2.2 However, the financial pressure continues. Revenue support grant will disappear next year, the new conditions attached to New Homes Bonus will mean that this will reduce as a resource in future, and the councils expect a reduction in the level of retained business rates from 2020/21 onwards. Local Government funding has changed considerably over the last 6 years, and the pace of change is set to continue with the proposed changes to the business rates system.
- 2.3 The recent election will inevitably have an impact on the finances of the public sector and we await the Budget in the Autumn with interest.
- 2.4 Members are being asked to consider the 2018/19 strategy at an early point in the year to enable the Councils to plan ahead. There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met.

3.0 FINANCIAL CONTEXT

3.1 National context and external factors

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

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

3.0 FINANCIAL CONTEXT

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

3.2 How Council funding from taxation is changing:

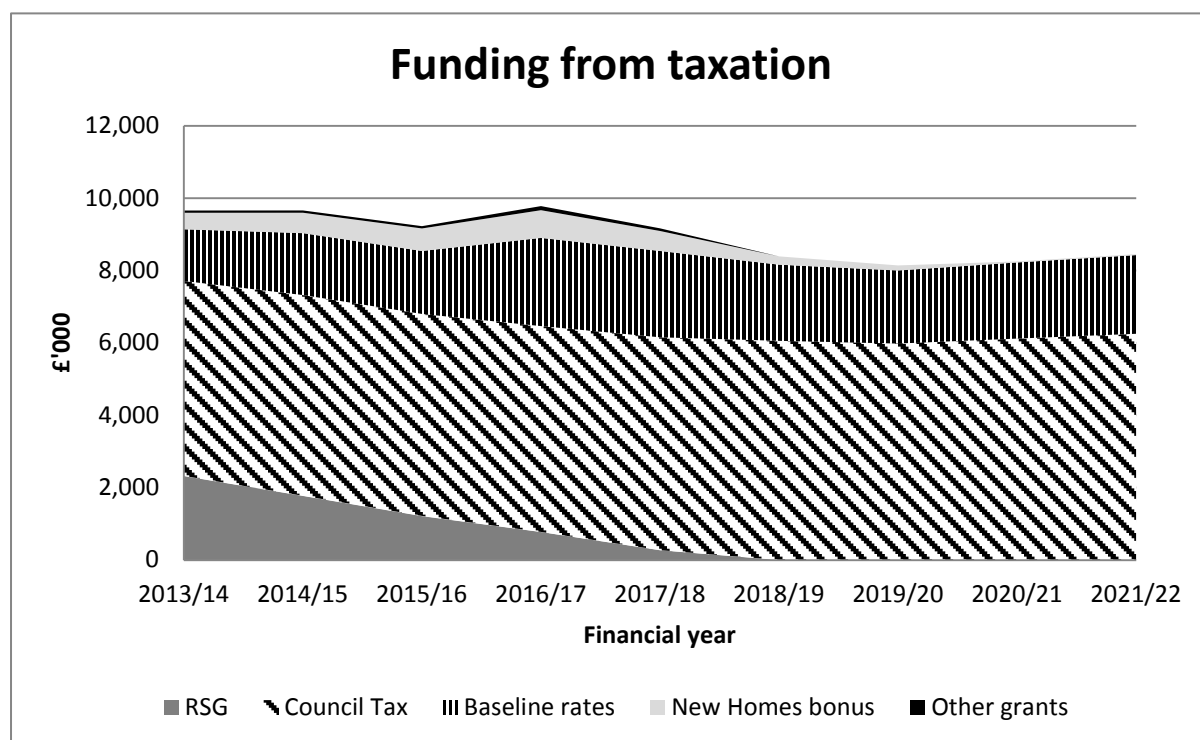
The Local Government Finance landscape has changed profoundly over the last few years due to three factors:

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

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

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

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



(Note: Using Adur District Council as an example)

3.0 FINANCIAL CONTEXT

3.2 How Council funding from taxation is changing:

These changes to local government funding have influenced how the Councils view both the building of new homes and the creation of new employment space. The Councils are taking an increasingly proactive role in stimulating the local economy, whether this is through the provision of office space to attract high quality employers or through working with business to facilitate the development of sites within the areas to stimulate the economy. The increasing importance of economic development to the Council is reflected in the priorities set out in 'Platforms for our Places'.

3.2.1 Revenue Support Grant

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

3.2.2 Baseline Funding and Business Rates Retention

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

- i) The impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential further reform of the business rate system with Local Government retaining the full income from Business Rates by the end of the current Parliament.

The forecasts are based on the current business rate system. There are three aspects of this scheme which will influence the amount of business rate retained and so the Councils' budget in the medium term:

1. The 'Tariff':

Whilst the Councils are entitled to retain 40% of all business rate income, they are obliged to pay over a substantial element of retained business rates to the Government – the Tariff. This is set to increase well above inflation over the next two years as part of the last Comprehensive Spending Review.

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

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

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

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

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

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

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

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

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

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

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

In addition, the local NHS trusts are claiming mandatory business rate relief. This is the subject of a national dispute. Whilst this will not significantly affect Adur District Council, Worthing Borough Council has several substantial claims amounting to a potential loss of income of to the Council £719,000.

One of the features of the new system is that the Councils determine how much Business Rate income that they are entitled to from the Collection Fund at the outset of the new financial year. Once set, this total cannot be changed irrespective of any changes to the net business rate income within the year. Any surplus or deficit, due to the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated. For Adur District Council, there was a significant revaluation of the power station late in 2016/17 backdated to 2013 which means that there was a deficit at the end of the 2016/17 financial year which will have to be recouped in 2018/19.

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

- The Parcellforce site in Adur – Expected completion date is June 2017.
- New Monks Farm site in Adur – A planning application is expected later in the year. The proposal includes a new IKEA store which should be constructed over the next 2 – 3 years and will potentially benefit Adur in 2020.
- Union Place in Worthing – The development will take 3 – 4 years to complete once planning permission has been granted.
- Teville Gate in Worthing – A planning application is expected by the end of the year. The development will take 3 – 4 years to complete once planning permission has been granted.

Clearly, if the business rate income improves in 2017/18, then the surplus could be used to support the budget in 2018/19. An update to the likely surplus or deficit will be undertaken later in the year.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.2 Baseline Funding and Business Rates Retention

3. Reform of the business rate system

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

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

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

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

It is difficult to see how the Councils will benefit from these reforms. Firstly, the current system is highly redistributive with both Councils keeping relatively small proportions of the overall business rate income. The Government intends to review the redistribution of business rates (Fair Funding Review) and there remains a risk that the Councils will end up contributing a greater proportion to the treasury for redistribution elsewhere particularly in light of the pressures on Adult Social Care funding. Secondly, the Chancellor has made it clear that local government will assume financial responsibility for a number of activities which had previously been funded by central government. For example housing benefit administration is proposed to become locally funded.

For the purposes of planning, it is assumed that the change will be largely neutral – we will be no better or worse off. But it is evident from the recent consultations that the Councils are unlikely to keep all of the current growth from business rates and that we should expect to see a reduction of at least 50% in the surplus that the Councils will be able to retain once the system is reset.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.3 New Homes Bonus

The Coalition Government introduced the New Homes Bonus (NHB) in 2011/12 which is specifically targeted at rewarding increases in the Council Tax base and dealing with empty properties. The scheme has been recently reformed. Grant is now paid over 4 years rather than 6. In addition, a national baseline for housing growth of 0.4% has been introduced; growth below this level will not qualify for grant. For Adur and Worthing, this means a substantial number of houses will need to be completed each year before any grant will be awarded (102 in Adur or 181 in Worthing).

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

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

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

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

3.2.4 Council Tax

Council Tax is now the Councils' major source of income. By 2018/19 it will be over 70% of the total general income received by Adur District Council and 66% of the income received by Worthing Borough Council. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

The Councils have kept to a minimum increases over the past several years, opting to freeze or reduce Council Tax where possible whilst government support for such initiatives was available. 2017/18 was the first year that the Councils opted to raise Council Tax since 2011/12.

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.4 Council Tax

The Councils are well aware of the long term consequences of these decisions. Looking ahead the decision whether or not to increase Council Tax will have inevitable consequences for the Councils

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

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

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

However, the decision whether to freeze Council Tax is a finely balanced one. The Council has a policy of keeping Council Tax low and the cost of freezing council tax in any particular year is fairly low, but the cumulative impact is growing. Therefore the Councils are faced with the dilemma of increasing Council Tax or finding additional savings to support a Council Tax freeze. This is particularly pertinent in 2018/19 when the Councils have to find savings of over £3.2m

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

... would you prefer?

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

3.0 FINANCIAL CONTEXT

3.2 How Council funding is changing:

3.2.4 Council Tax

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

So, even if the Councils were minded to increase Council Tax, there is an imposed limit on the actual increase that the Councils can make. Members should be aware that a 1% change in Council Tax is equivalent to £57,340 in Adur and £85,320 in Worthing for 2018/19.

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

2018/19	2019/20	2020/21	2021/22	2022/23
2.0%	2.0%	2.0%	2.0%	2.0%

However in recognition of the difficult financial position that many local residents experience this can be reduced if sufficient savings are found.

3.3 Reserves Position:

Both Councils have a clear policy to maintain balances at a minimum level of 6% and a maximum level of 10% of net expenditure. The level of General Fund working balance as at the 1st April 2017 is estimated to be:

	Adur	Worthing
	£'000	£'000
Working balance	407	844
Net budget	9,166	13,468
Percentage held	4.4%	6.3%

With the overspend in 2014/15 and 2015/16, Adur District Council has fallen below the target level of reserves, consequently the first call on any underspend in future years will be sufficient funding to top the working balance back up to the minimum level of 6%.

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

3.0 FINANCIAL CONTEXT

3.3 Reserves Position:

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

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

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

* This allows for approvals to use the resources from 2017/18 onwards including the funding of carry forwards. It does not allow for any contributions to reserves arising from underspend.

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

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

4.2 Pay and Prices

4.2.1 The largest source of immediate cost pressure comes from inflation. General inflation is currently at 2.9% (CPI) which is above the target 2% set by the Bank of England. The Bank of England expects inflation to continue to stay above the threshold in 2017/18 and 2018/19 and gradually move back towards the 2% target rate by 2020. 2% was allowed in the 2017/18 budget round.

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

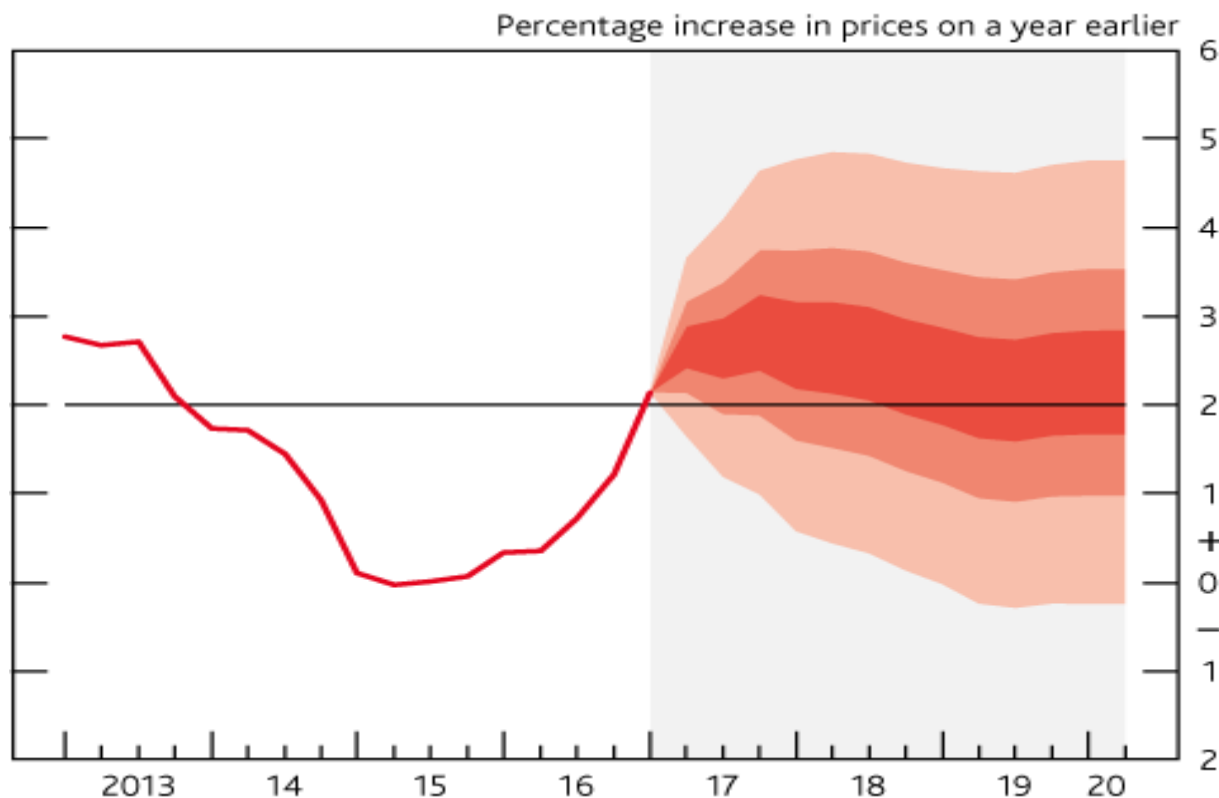
	2018/19	2019/20	2020/21	2021/22	2022/23
	%	%	%	%	%
Pay*	2	2	2	2	2
Supplies and Services	2.5	2.2	2	2	2
Income	2.5	2.2	2	2	2

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

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

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

Forecast year on year inflation (CPI) by the Bank of England as at May 2017.



Source: Bank of England inflation reports

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.2 Pay and Prices

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

Income is assumed to increase by 2.5% in 2017/18 which will help to offset the inflationary pressures.

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

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

4.3 Pension Costs

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

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

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.3 Pension Costs

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

* (included in the financial impact above)

4.4 Impact of the Capital Programme

The General Fund capital programmes are currently funded through a combination of prudential borrowing and capital receipts supplemented by specific grants and contributions. The five year forecast assumes a programme of £1.0m per year for Adur District Council and £2.0m for Worthing Borough Council. This reflects concerns about affordability in the medium term balanced with the need to invest to maintain the Councils asset stock.

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

Each £1m of borrowing is estimated to cost £10,000 in the first year and £78,000 the year after, although the cost is dependent on the prevailing rate of interest and the life of the asset acquired. (Based on a 2.0% interest cost and 15 year asset life)

4.5 Interest rates

The bank interest rates have remained low for some time at 0.25% and are unlike to rise until 2019. These will influence the returns that the Council is likely to get on any investments. There is considerable uncertainty at the moment about interest rates and our treasury advisors indicate that they will stay low for a longer period of time. Built into the 5 year forecasts are the following assumptions regarding average investment yields:

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

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.7 Funding for temporary accommodation – Flexible Homelessness Support Grant

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

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

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

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

4.8 2020 recycling targets:

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

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

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

It is unclear what will happen if the Council fails to meet the target, under EU legislation, if any member state failed to meet the target, then a fine would be imposed. Following the EU referendum, this fine is unlikely to be levied, nevertheless the UK remains committed to meeting the 50% target.

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

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

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

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

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

	£'000
Employees	174
Vehicle running costs	35
Borrowing costs for two new vehicles	46
	255

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

4.10 Councils' Budget and Shortfall:

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

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.10 Councils' Budget and Shortfall:

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

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

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

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.10 Councils' Budget and Shortfall:

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

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

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

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

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

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

4.11 Budget risks

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

i) Pay inflation

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

4.0 KEY BUDGET PRESSURES IN THE NEXT 5 YEARS

4.11 Budget risks

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

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

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

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

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

iii) Impact of competition on commercial income

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

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

5.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget; this is without building any additional capacity to deliver new or improved services. The Councils reshaped the budget strategy last year, with new explicit strands of work designed to balance the budget and support the Councils priorities. The focus has been to increase income generation and reduce the savings to be delivered from cost savings – nevertheless each year efficiency savings will still need to be found, especially in 2018/19 and potentially 2020/21.

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

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

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

5.2 The Councils will need to identify options to meet the budget shortfall for 2018/19 and beyond. The process follows the four stages:

1. Directors are responsible for identifying proposals to meet a significant proportion of the savings targets to be considered by Council Leadership Team.
2. The “Budget Review Group” (joint cabinets) will consider the proposals to meet the 2018/19 budget shortfall which fit with the Councils’ priorities.
3. Consideration by Joint Overview and Scrutiny Committee of the options put forward with a view to commenting on the proposed savings than impact on the Worthing Borough Council budget. Joint Overview and Scrutiny Committee can also add to the list of proposed savings with additional options as considered appropriate.
4. Consideration by Joint Strategic Committee of which of the savings are to be used to fund the budget shortfall.

A flowchart with outline timescales for the 2018/19 budget is attached at **Appendix 1**.

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

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

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

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

Platform 1: Our Financial Economies

The Councils will:

- i) Provide strategic support to the business sectors to drive growth across Adur and Worthing thereby facilitating the creation of more employment and retail space thereby increasing business rates income.
- ii) Invest in and deliver major projects and key infrastructure to increase employment space and new homes
- iii) Use the Council's Strategic Property Investment Fund to delivery new revenue streams and support investment projects. This will be achieved through the following strands of work:
 - a) The Council will look for development opportunities for owned land. For example both Councils own land which could be developed in partnership to provide accommodation or commercial property which could be rented out to generate an income stream which potentially could exceed that generated through investment of any sale proceeds. Adur District Council has recently approved in principle the construction of a new office building.
 - b) The Councils will look for the opportunity to acquire or develop new commercial properties. To facilitate this, within the capital strategy, it is proposed to increase the amount of funding released per year and seek opportunities that will generate a return of between 2% and 3% after allowing for any financing costs. It should be appreciated that actual spend in any given year will be dependent on successfully identifying properties to purchase. An element of the additional income from 2019/20 will be set aside each year to help fund the impact of any future void properties

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

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

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

Platform 2: Our Social Economies

The Councils will:

- i) provide and enable the delivery of new homes across Adur and Worthing. The delivery of new homes will increase Council Tax income and lever in any government reward grant (e.g. New Homes Bonus). On average each new home built (Band C) will generate £239.60 for Adur District Council and £199.68 for Worthing Borough Council in Council Tax income. There are a significant number of potential developments being considered by both Councils.
- ii) Encourage social innovation, social financing and supporting community and social entrepreneurs to create and deliver solutions that work for our places. This will include:
 - a. Extension of Community self-management of facilities such as sports sites and allotments;
 - b. Extension of the TCV project to involve communities in volunteering and conservation

Platform 3: Stewarding our Natural Resources

The Councils will:

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

Platform 4: Services and Solutions for our places

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

- a. Implementing the Digital Strategy:

The Councils have embarked on a radical digital transformation programme as approved by the Joint Strategic Programme on the 2nd December 2014. The report proposed a programme of work designed to lever in significant savings which the Council has continued to roll-out. Recently The Councils have agreed to deliver further savings by the move to cloud hosting with our CenSus partners.

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

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

b. Identify options for commercialisation across all Directorates:

There are two elements to this area of work:

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

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

	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000
Annual Savings	600	600	600	600	600
Cumulative impact	600	1,200	1,800	2,400	3,000

c. Procurement

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

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

e. Base budget review

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

5.5 The Councils currently have uncommitted reserves of:

	£'000
Adur	237
Worthing	842

So, there remains a limited option to use some reserves to smooth the impact of the savings required. However, any use of reserves can only be regarded as a short-term and non-sustainable solution and should have due regard to the level of reserves available. At this point of time in the budget cycle, it is not proposed to use reserves to balance the budget for 2018/19, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Councils have a clearer understanding of the financial challenges ahead.

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

6.0 2019/20 AND BEYOND

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

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

6.0 2018/19 AND BEYOND

6.2 It is an inherent feature of the budget strategy that officers will continue to be asked to identify annual “cashable” efficiency and procurement savings to help meet the budget gap and to protect priority services. However, the focus of the new strategy is to meet a significant proportion of the challenge through income generation by:

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

6.3 This strategy will have long term benefits. Shown at Appendix 3 is a 10 year forecast which considers whether the current strategy will result in a more sustainable budget for the future based on known cost pressures. Whilst 2018/19 is very challenging, if the Councils are successful in delivering the strategy detailed above, the financial issues faced in the future should be manageable with one exception, 2020/21 when the Councils may have to invest in new waste and recycling methodology to meet the targets set out in the 2020

6.4 Challenging times are ahead, however if the Council focus on delivering the strategy and continue to target limited resources on priorities, then we are in a good position to respond to the inevitable budget shortfalls.

7.0 HOUSING REVENUE ACCOUNT

7.1 The Housing Revenue Account (HRA) has a 30-year financial plan which was included in the rent setting report considered in February this year. It is not intended to replicate those financial projections within this report but update the forecast later once the asset management plan has been refreshed. However, like the General Fund, the HRA is facing some significant challenges, not least the expected 1% rent reduction and the potential impact of the ‘sale of higher value properties’.

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

8.0 CONSULTATION

8.1 The budget consultation this year will be undertaken over the autumn. The final form of the consultation is not yet decided.

8.2 The Adur Consultative Forum (tenants’ forum) will be consulted on regarding any proposed changes to the HRA.

9.0 BUDGET STRATEGY FOR THE 2018/19 BUDGET

9.1 A detailed budget strategy now needs to be agreed, to underpin the preparation of the budget throughout the coming months and to reflect the discussion outlined above. The following are recommended as principles to be used in the preparation of the 2018/19 revenue and capital budgets:

9.2 Revenue Budget Strategy

- The Councils aim to be self-sufficient by 2020/21 and reliant only on income from fees and charges, commercial rents, Council Tax and Business Rates
- The Councils will aim to keep Council Tax increases to a minimum;
- The Councils will seek to increase income from business rates and council tax by facilitating the creation of new homes and employment space.
- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Councils' Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (2.5%) or such higher increase as the individual markets can bear;
- Expenditure is to be increased by: 2% for pay (plus an allowance has been made for increments which are a contractual commitment) and 2.5% for all other expenditure (except for inflation arising from contractual indexation provisions and energy for which an appropriate provision is to be made);
- The Council aims to set a balanced budget. Any proposed use of reserves is to have regard to the adequacy of such reserves and any such policy must be sustainable in the longer term. In addition, the Council aims not to have any planned call upon the General Fund Working Balance;
- Officers are to identify 'cashable' efficiency savings, options for reducing non-priority services, and undertake a critical review of income.

9.3 Capital Investment Programme

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

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

Worthing Borough Council: £2.0m core funding.

9.0 BUDGET STRATEGY FOR THE 2018/19 BUDGET

9.3 Capital Investment Programme

The funding of the programme is to be comprised of prudential borrowing and capital receipts. This reflects concerns about affordability; however members need to be aware that the number, age and condition of the Councils' assets continue to be a cause for concern and that the programmes may need to be increased if any unavoidable expenditure that cannot be accommodated within the programme is identified.

- Additional capital expenditure to be only agreed where additional funding from capital grants, contributions, earmarked receipts, approved additional prudential borrowing or use of reserves has been secured.

10.0 LEGAL IMPLICATIONS

10.1 The Council is required to set a robust budget under the Local Government Act 2003. This report is the first step towards the Council achieving this aim for the 2018/19 budget.

11.0 CONCLUSIONS

11.1 As usual the budget is characterised by uncertainty with a recent election. Whilst the financial challenges continue, the budget strategy embarked upon last year will help the Councils meet these challenges head on. The need to limit Council Tax increases coupled with a continued reduction in Government support means that the Councils will have to focus on generating significant additional income for the next few years or be faced with the unpalatable prospect of reducing services to the public.

11.2 The new Platforms for our Places strategy builds on 'Catching the Wave' and is helping Adur and Worthing Councils play a vital place-shaping role in our communities. By focusing on our financial economies, social economies, natural resources, services and solutions and leadership, the Councils are fulfilling their civic roles as well as helping to secure their own future to help maintain key services. Increases in employment and business growth directly affect Councils' income through increased Council Tax take and Business Rate growth, underlining the importance of the growth agenda which is central to our strategy.

11.3 Our ambitious programme to improve our customer services and digitise our services will ultimately drive out efficiencies. And as we take opportunities to procure and commission more effectively and generate income from more of our services, we will increasingly be able to meet the financial challenge as central government grants and our share of business rate income is reduced.

12.0 RECOMMENDATIONS

12.1 Joint Strategic Committee is recommended to:

- (a) Note the report and the outline 5-year forecasts in Appendix 2;
- (b) Approve the proposed budget process as set out in section 8 of the report;
- (c) Recommend to the Councils to approve the Budget Strategy for 2018/19 outlined in Section 9 of the report.

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

Local Government Act 1972

Background Papers:

Report to Adur District Council Cabinet 7th February 2017 - Estimates 2017/18 and setting of 2017/18 Council Tax

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

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

Budget Statement 2015 – Report from HM Treasury

Budget Statement 2017 – Report from HM Treasury

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

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

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SCHEDULE OF OTHER MATTERS

1. **COUNCIL PRIORITY**

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

2. **SPECIFIC ACTION PLANS**

2.1 The report sets the targets for the achievement of a balanced budget for 2017/18

3. **SUSTAINABILITY ISSUES**

3.1 Matter considered and no issues identified

4. **EQUALITY ISSUES**

4.1 Matter considered and no issues identified

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

5.1 Matter considered and no issues identified

6. **HUMAN RIGHTS ISSUES**

6.1 Matter considered and no issues identified

7. **REPUTATION**

7.1 Matter considered and no issues identified

8. **CONSULTATIONS**

8.1 Matter considered and no issues identified

9. **RISK ASSESSMENT**

9.1 Matter considered and no issues identified

10. **HEALTH and SAFETY ISSUES**

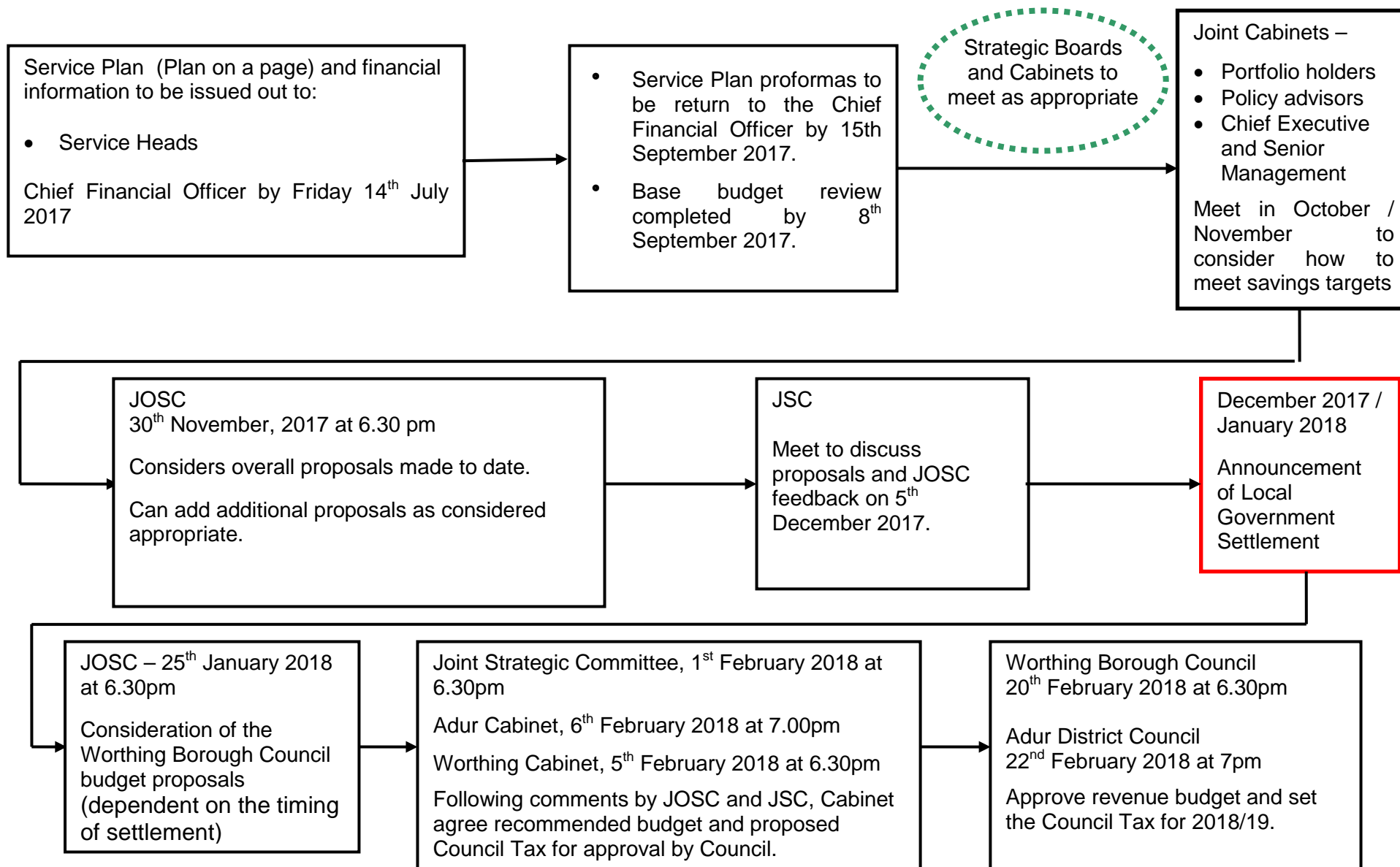
10.1 Matter considered and no issues identified

11. **PROCUREMENT STRATEGY**

11.1 Matter considered and no issues identified

12. **PARTNERSHIP WORKING**

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



ADUR DISTRICT COUNCIL - APPENDIX 2
Revenue Budget Summary Statement 2017/18 - 2022/23

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

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

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

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

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

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

APPENDIX 3

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

APPENDIX 3

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

APPENDIX 3

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

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

APPENDIX 4

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