



ADUR DISTRICT C O U N C I L

24 January 2022

| Adur Executive | |
|----------------|----------------------------|
| Date: | 1 February 2022 |
| Time: | 7.00 pm |
| Venue: | QEII Room, Shoreham Centre |

Committee Membership: Councillors Neil Parkin (Leader), Angus Dunn (Deputy Leader), Carson Albury, Brian Boggis, Emma Evans and Kevin Boram

Agenda

Part A

1. Declarations of Interest

Members and officers must declare any disclosable pecuniary interests in relation to any business on the agenda. Declarations should also be made at any stage such an interest becomes apparent during the meeting.

If in doubt contact the Legal or Democratic Services representative for this meeting.

2. Public Questions

To receive any questions from members of the public.

Questions should be submitted by **noon on Friday 28 January 2022** to Democratic Services, democratic.services@adur-worthing.gov.uk

(Note: Public Question Time will operate for a maximum of 30 minutes.)

3. Items Raised Under Urgency Provisions

To consider any items the Chairman of the meeting considers to be urgent.

4. Housing Revenue Account: 2022/23 Budget
(Pages 1 - 34)

To consider a joint report from the Director for Digital, Sustainability & Resources and the Director for Communities, a copy is attached as item 4.

5. Budget Estimates 2022/23 and setting of the 2022/23 Council Tax (Pages 35 - 78)

To consider a report from the Director for Digital, Sustainability & Resources, a copy is attached as item 5.

Part B - Not for Publication – Exempt Information Reports

None.

Recording of this meeting

The Council will be live streaming the meeting, including public question time. A recording will be available on the Council's website as soon as practicable after the meeting. The Council will not be recording any discussions in Part B of the agenda (where the press and public have been excluded).

| For Democratic Services enquiries relating to this meeting please contact: | For Legal Services enquiries relating to this meeting please contact: |
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ADUR DISTRICT COUNCIL

Adur Executive
1 February 2022
Agenda Item 4

Key Decision [Yes/~~No~~]

Ward(s) Affected: All

Housing Revenue Account: 2022/23 Budget

Report by the Director for Digital, Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 This report sets out the current and future financial prospects for the Housing Revenue Account and requests that Members agree to set the rent levels and service charges for 2022/23 as set out in the report. The report also considers some of the strategic challenges facing the Housing Revenue Account over the next few years and the impact that these will have over the next 30 years.
- 1.2 Members will be very aware that the rent limitation announced in 2015/16 has significantly affected the financial viability of the Housing Revenue Account for the past few years which has been in deficit for four years. However, the Council is now permitted to increase rents on social rent properties by up to the September CPI +1% each year from 2020. It is the Government's intention that this arrangement should remain in place for a period of at least five years.
- 1.3 The following appendices have been attached to this report:
 - (i) **Appendix 1** Proposed budget for 2022/23
 - (ii) **Appendix 2** 30 year financial forecast
 - (iii) **Appendix 3** HRA Treasury Management Strategy

2. Recommendations

2.1 The Executive is recommended to:

- (i) consider and approve the Housing Revenue Account estimates for 2022/23 as set out in Appendix 1;
- (ii) approve that the rents of Council Dwellings will increase by 4.1% increasing the average council dwelling rent by £3.86 to £97.98 per week (average rent currently £94.12 per week) – (Paragraph 6.2);
- (iii) determine the level of associated rents and charges with effect from week one of 2022/23:
 - (a) **Rents of Council garages** – agree an increase of 4.1% to £11.17. (currently £10.73 per week, plus VAT for non-Council tenants) (Paragraph 6.5)
 - (b) **Service Charges** - delegate to the Head of Housing and Chief Financial Officer in consultation with the Executive Member for Customer Services, the setting of the service charges (paragraph 9.2)
- (iv) To approve the HRA Treasury Management Strategy contained in Appendix 3.

3.0 CONTEXT

- 3.1 This report seeks to explain the current challenges impacting the budgets for the Housing Revenue Account to enable Members to set rent levels for 2022/23.
- 3.2 The Housing Revenue Account (HRA) represents the total costs and income of the Council in its provision of the Housing Landlord Service. This account is ring-fenced and is separate from all other income and expenditure of the Council.
- 3.3 From 1 April 2012 the Localism Act replaced the former complicated HRA subsidy system with a new self-financing regime. The regime allows the Council more freedom to determine its own budget, albeit some financial restrictions still apply, most notably around the use of Right To Buy (RTB) capital receipts and limitations on the level of rent that can be levied.

- 3.4 The Council is required to operate the HRA on a sustainable basis at no detriment to the General Fund (and vice versa). To facilitate this the Council, as with all housing authorities, was required to produce a thirty year financial Business Plan showing how the HRA could be run on a self-financing basis. This report updates the Financial Plan which forms part of the overall business plan and informs members of the key budgetary assumptions which underpin the financial projections from 2022/23 onwards.
- 3.5 The challenge of creating a sustainable business plan was made more difficult by the announcement by the Chancellor in the Spring Budget 2015 that rent levels would be reduced by 1% for four years from 2016/17. This is now at an end and a new rental regime was introduced for 2020/21 onwards. Nevertheless the impact of the rental limitation is still felt on the HRA and it is not expected that the account will return to financial health until 2023/24 at the earliest.
- 3.6 The setting of rent levels is now an integral part of the financial planning decision making process. The Council can now increase rents by up to CPI + 1% for a period of at least 5 years. Consequently, officers are recommending the maximum increase of 4.1% to allow the HRA to gradually return to financial stability.
- 3.7 The Adur Homes Management Board has been briefed on the proposed rent increase. The Adur Tenants Forum members are invited to attend the Executive meeting to relay their views on the budgetary proposals.

4.0 STRATEGIC RISKS AND CHALLENGES

- 4.1 There are some specific challenges faced by the Housing Revenue Account over the next 5 years which will influence the 30 year business plan.
- Government rent policy and the legacy of rent limitation
 - Impact of Right to Buy
 - Changes to Housing Benefit and Welfare Reform
 - Outcome of the condition survey (including fire protection works)
 - Impact of new developments

4.2 Government rent policy

- 4.2.1 The rent limitation measures announced by the Chancellor in 2015 has had a profound impact on the HRA and still continues to impact on the HRA's future financial sustainability. Over the period of the reduction, the Council has lost and continues to lose a substantial amount of annual rental income of around £2m per year.

This lost income has compromised the financial stability of the HRA, and more importantly, affected the amount that can be invested both in existing homes and in the development of new homes.

- 4.2.2 However, Council rents have been under the remit of the Regulator of Social Housing who has set Rent Standards since April 2020. Consequently the Council now has greater freedom in setting the rent for at least the next 5 years. The key features of the current rental arrangements are:

- Local authority registered providers will be able to increase formula rents by up to CPI + 1% (as at September of the previous year) each year for a period of at least five years. Any affordable rent can only be increased by CPI.
- Local authorities have the same rent standard as registered providers.
- Formula rent (with a 5% flexibility level) will be the limit on the initial rent that can be charged for a social rent property.
- The Council can let property at an affordable rent with the agreement of the Secretary of State or Homes England. Affordable rent is defined as a rent that must not exceed 80% of gross market rent.
- With the introduction of Universal Credit, not all local authority tenants will receive Housing Benefit. Consequently, limit rent (the maximum chargeable for which the HRA will be reimbursed via the Housing Benefit system) has been abolished.

- 4.2.3 The fall in income resulting from rent limitation to the HRA has limited the scope to address both the issues raised by the condition surveys and the ability to invest in new properties. The Council is committed to the redevelopment of Albion Street, Cecil Norris House and small scale development using the land owned by the HRA. In addition, the council is seeking other opportunities to increase the number of homes within the HRA provided that there is a business case for such development.

- 4.2.4 However, the Council is faced yet again with setting a deficit budget, and will therefore rely on the use of reserves in the coming year, as it grapples with the legacy of the fall in rental income and the need to invest in our council owned homes. Every opportunity will be taken to reduce costs in the interim to limit the call on reserves over the next 5 years.

4.3 Impact of Right to Buy

- 4.3.1 Council housing stock numbers have reduced over the past few years and will continue to decline in the short term as follows:

| | Stock at 1 st April | Plus: Additions | Less: Sites being redeveloped | Less: Right to Buy sales | Stock at 31 st March |
|--------------------|-----------------------------------|--------------------|-------------------------------------|-----------------------------------|---------------------------------------|
| 2014/15 - Actual | 2,631 | 2 | | 16 | 2,617 |
| 2015/16 - Actual | 2,617 | 1 | | 9 | 2,609 |
| 2016/17 - Actual | 2,609 | 0 | | 10 | 2,599 |
| 2017/18 - Actual | 2,599 | 0 | | 8 | 2,591 |
| 2018/19 - Actual | 2,591 | | 30 | 9 | 2,552 |
| 2019/20 - Actual | 2,552 | 2 | | 12 | 2,542 |
| 2020/21 - Actual | 2,542 | | | 4 | 2,537 |
| 2021/22 - Estimate | 2,537 | 15 | | 15 | 2,537 |
| 2022/23 - Estimate | 2,537 | | | 10 | 2,527 |

- 4.3.2 For 2022/23 the signs are that interest from tenants in the possible take up of RTB sales continues. The consequential loss of rental income from these sales may in future be partly mitigated by the aim to purchase or develop additional dwellings each year.
- 4.3.3 A depleting housing stock base means that the fixed costs per property increase and rental income available to fund these costs reduces. The level of capital receipts retained by the Council to replace the reducing housing stock base is limited due to the increase in the level of discount offered and the DLUCH restrictions placed under the new RTB arrangements. Underpinning this constraint are the principles contained in the 2012 CLG publication “Reinvigorating Right To Buy and One For One Replacement – Information for Local Authorities”

- 4.3.4 The RTB scheme applies to all secure tenants who have been tenants for more than 3 years. The maximum percentage discount for a property is 70% up to a maximum cash value (the current maximum discount is £84,600). The cash cap increases in April every year in line with the Consumer Price Index.
- 4.3.5 As a condition of being able to retain capital receipts arising from RTB sales, the Council entered into an agreement with the Secretary of State in 2012 whereby:
- (i) the retention of receipts only applies to the RTB sales above the number assumed each year in the HRA self-financing settlement. For Adur the original 75% central pooling arrangement continued for the first 4 properties sold post 1 April 2012, and thereafter is calculated in accordance with a DLUCH formula
 - (ii) the Council use the receipts for the provision of “affordable” rented homes (i.e. those with rents up to 80% of market rents), albeit that in practice the Council may exercise discretion to set rent below this figure;
 - (iii) the retained share of receipts constitute no more than 30% of total investment in such homes (net of any contribution from another public body)
 - (iv) the retained receipts are used within 3 years to provide new affordable homes, otherwise they will be required to be paid into the CLG pool plus accrued compound interest of 4%. Currently due to the impact of the pandemic, the requirement to repay within 3 years has been suspended.
- 4.3.6 Properties may be built by Adur Homes or another Registered Provider. Receipts from RTB will be returned to the Government if we cannot allocate the receipts to any new homes.
- 4.3.8 The impact of the Right to Buy policy has significant implications for both the HRA and the wider housing strategy. The Council will see a fall in the number of social housing units for rent in the area as the policy applies equally to all social housing providers. The limitation on land availability makes it difficult to build additional units to replace those lost whether these are built directly by the Council or via others. Current

demand for affordable housing far outstrips supply which has inevitable consequences for the local community. The loss of units will also compromise the financial viability of the HRA as outlined in paragraph 4.3.3.

4.4 Changes to Housing Benefit and Welfare Reform

4.4.1 The Welfare Reform Act received Royal Assent in 2012 and introduced the most significant changes in the welfare system in over 60 years. The reforms reflect the Government's aim to reduce the cost of welfare benefits generally, and is being implemented across the Country. In 2018 Adur residents were included in the full roll out of Universal Credit for new claimants. The Government expects to have fully implemented the change by September 2024.

4.4.2 Experience from other areas suggests that the reforms can increase the financial pressures on some of the most vulnerable people of society, due to the introduction of caps within the Housing Benefit System on the total amount of weekly benefit paid and introducing further reductions for the under occupation of homes.

4.4.3 For working age people, a Universal Credit has replaced a number of former out of work benefits, including housing benefit, income support, job seekers allowance, income related employment and support allowance, child benefit, child tax credit, and carer's allowance. Universal Credit will be paid directly to claimants rather than the current arrangement of direct payment to the Local Authority as landlord unless an Alternative Payment Arrangement is agreed. Consequently, the decision that any funds will be spent on rent, as opposed to other expenditure, is in the hands of the individual recipient.

4.4.5 Research undertaken by the London Councils who own 13% of all social housing stock in England indicates that:

'for the majority of tenants the experience of claiming Universal Credit is accompanied by a significant increase in rent arrears. Arrears rise sharply in the weeks immediately following a Universal Credit claim, before plateauing after approximately 12 weeks. Although arrears generally stop increasing further, they do not get paid down, suggesting that the five-week wait creates a spike in claimant debt that they are then unable to pay off.'

The impact of Universal credit on the level of arrears will present the Council with financial challenges as the level of bad debt will need to be addressed. This will continue to be a key focus of work for 2022.

- 4.4.6 The recent trend in Adur District Council shows that overall arrears have been increasing since the welfare changes:

| As at 31st March | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 (as at 31/12) |
|---|-------|-------|-------|-------|-------|--------------------|
| Current tenant arrears (as % of rent due) | 3.36% | 3.37% | 3.57% | 3.63% | 3.90% | 3.79% |

Approximately 1,024 or 40% of Adur Homes tenants are in receipt of Housing Benefit. This has fallen in recent years due to the impact of Universal Credit. The Council does not know how many of it's tenants are in receipt of Universal Credit.

- 4.4.7 The benefit changes continue to present a challenge. There is a continuing risk that more households will fall into arrears. This will impact on the levels of rent collected and subsequently the overall position of the Housing Revenue Account. No tenancies were terminated in 2020/21. 3 tenancies have been terminated to date this year. Recent data analysis work with Policy in Practice has produced data at a granular level that can help the Councils provide targeted support for Adur Homes households. This includes support for self-employed tenants and for non-dependants who are unemployed.
- 4.4.8 Some mitigation is in place to reduce tenants' arrears from growing, with a greater emphasis on tenancy sustainment. The number of tenants with rent arrears over £3,000 was 26 at the end of last year (2020/21). Adur Homes stock has been split into patches, with an officer dedicated to each patch. This will ensure residents falling into rent arrears are identified early and provided with appropriate support. An Income Support Officer will be recruited to focus on tenants with significant rent arrears.

4.5 **Outcome of the condition survey**

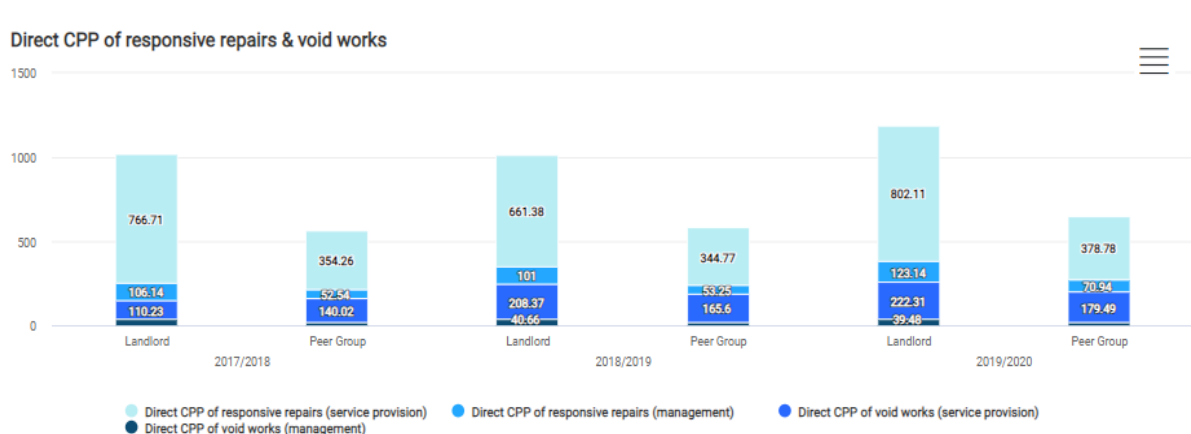
- 4.5.1 Stock condition surveys have identified that the Council needs to invest at least £40m over the next 5 years. Additional investment will also be

required to make the stock compliant with the Regulatory Reform (Fire Safety) Order 2005 and the Fire Safety Bill if passed into law. This had already been recognised within the Council's capital strategy which has recommended increasing the level of investment in new schemes from £3.7m in 2016/17 rising to £5.6m in 2021/22 and beyond, an increase of £1.9m per year. However this will not be sufficient to meet the immediate investment needs of the housing stock especially in light of the additional fire safety investment needed. As the financial position of the HRA recovers, additional sums will need to be set aside for maintenance.

4.5.2 The dilemma that the Council faces is how to balance the need to spend more on the current stock with the need to provide more Council housing to meet local needs at a time when the HRA is in deficit. However, the lack of investment in the current stock has significant implications.

4.5.3 The Council currently spends £2.893m (£1,140.37 per property) on revenue maintenance. Overall our direct spend on responsive repairs in 2020/21 was £1,080.28 per property which is significantly higher than the benchmark figure of £650.37. The benchmark is based on housing providers in the South East and South West of England with less than 10,000 properties. The level of spend partially reflects the under investment in the condition of the properties in previous years when the old housing subsidy system severely limited the annual amount of annual investment. However, the current transformation programme is looking to reduce costs by:

- Improving procurement of repairs provided by sub-contractors; and
- Improving cost effectiveness of the repairs service.



Source: 2019/20 Housemark Survey

4.5.4 The capital programme funding for property maintenance has been significantly increased over the last few years from £3.7m in 2016/17 to £5.6m in 2021/22 which is specifically to address the issues raised by the condition survey. However a significant proportion of the capital budget is now being utilised to address fire safety issues. Increasing the capital programme should ultimately reduce the level of spend on day-to-day revenue maintenance in future. Consequently, the 30 year business plan assumes that the level of capital investment will continue to increase over the next few years with a reducing level of revenue maintenance as the capital investment begins to impact on demand for the responsive repair service as follows:

| Proposed budgets | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Capital maintenance programme | 5,600 | 5,600 | 5,600 | 5,700 | 5,800 |
| Proposed increase | | | - | 100 | 100 |
| Total revenue maintenance | 2,653 | 3,008 | 2,888 | 2,959 | 3,033 |
| Estimated cash increase (+) / reduction (-) per year | | +455 | -120 | +71 | +84 |

4.5.5 By addressing the capital maintenance issues, it is expected that with time the cost of day to day maintenance should reduce.

4.5.6 Once the backlog maintenance issues have been addressed, the level of capital investment required each year will need to be reassessed.

4.5.7 The capital funding for 2022/23 will be used to fund the following improvements:

- Significant programme of fire safety works
- External works programme to a number of blocks
- A rolling programme of boiler replacements and kitchen and bathroom improvements.
- Works to support tenants with disabilities

4.6 **Impact of new developments**

- 4.6.1 The Council has ambitions to build new homes or extensively refurbish existing properties. To date the focus of this programme has been on existing properties held by the HRA. Whilst in the longer term, these improvements will be self-funding, the costs (including any financing costs) funded by the associated rental streams and the avoided high maintenance costs, in the short term the HRA is faced with lost rental income whilst these properties are redeveloped. In the current development programme, there are several schemes of this type with the following financial implications for the HRA:

| | 2021/22 £'000 | 2022/23 £'000 |
|-------------------------------|------------------|------------------|
| Albion Street - Rental income | 82 | 82 |
| Hidden Homes - Garage rents | 137 | 137 |
| Ashcroft - Rental income | 106 | 106 |
| Total lost income | 323 | 323 |

The Council has a New Development and Acquisition reserve of £1,640,290 (as at 31st March 2021) and it is proposed to use this reserve to fund the losses associated with the development programme over the next few years together with the initial costs associated with considering the future of the Southwick Estate. In the longer term, it is intended to build in a revenue provision within the HRA to better manage the revenue impact of any major refurbishment works and any new development proposals.

5.0 **THE HOUSING REVENUE ACCOUNT FOR 2022/23**

- 5.1 The projected expenditure and income for the HRA in 2022/23 is as follows:

| | Estimate 2022/23 | |
|---|------------------|------------|
| | £'000 | £'000 |
| Expenditure | | |
| Supervision and management | 4,824 | |
| Rent, rates, taxes and other charges | 61 | |
| Repairs and maintenance | 3,008 | |
| Depreciation | 4,422 | |
| Interest payments | 2,262 | |
| Movement in provision for bad debt | 50 | 14,627 |
| Income | | -14,218 |
| Net (Surplus)/Deficit for the year | | 409 |
| Estimated HRA working balance brought forward 1 st April, 2022 | | -464 |
| Balance carried forward 31 st March, 2023 | | -55 |

More detailed estimates for the Housing Revenue Account for 2021/22 and 2022/23 are shown in Appendix 1.

5.2 The challenge faced by the HRA for 2022/23 is twofold:

- The need to address the deficit in the light of the level of reserves;
- The need to build capacity to transform the service and increase the level of investment in Council properties.

5.3 For 2022/23 the council is expecting a number of new cost pressures that will need to be funded which have contributed to the overall position:

- General inflation £89,000
- Impact of additional 1.25% in national insurance contributions £19,000;
- Acceleration of electrical testing and asbestos inspections to ensure that homes are safe with a net cost of £134,000. This has a one-off impact in 2022/23;
- Increase in the level of void losses as empty properties are being used as interim accommodation to support resident decant during the inner rooms fire safety project £79,000

- Impact of the capital programme - the Council is currently funding a capital programme of £5.6m per year and a development programme; consequently we will need to fund the associated debt charges £81,000
- Increase to depreciation following construction of new assets and latest review of property values £242,000

Overall total cost pressures of £644,000 have been identified.

- 5.4 To offset these pressures, it is recommended that a 4.1% rental increase is approved.
- 5.5 The Council has also embarked on a housing transformation programme which is expected to reduce costs associated with the service going forward and contribute to the future sustainability of the service. This programme of work will also seek to put the tenant at the heart of the service, improving service standards and efficiency
- 5.6 The main changes can be summarised as follows:

| Expenditure: | | £'000 |
|--|--|---------------|
| 2021/22 budget | | 14,072 |
| Impact of inflation | | 89 |
| Impact of increase in national insurance contributions | | 19 |
| Increase in depreciation to reflect current level of capital investment, property values and overall increase in property numbers. | | 242 |
| Impact of additional electrical testing and asbestos surveys | | 224 |
| Increase in charges from central support and corporate and democratic core | | 11 |
| Increase in interest charges due to the financing of the capital programme | | 81 |
| Increase in vacancy provision | | -111 |
| 2022/23 expenditure budget | | 14,627 |

| | | |
|--|--|----------------|
| Income: | | £'000 |
| 2021/22 budget | | -13,692 |
| Impact of 4.1% rent increase | | -536 |
| Increase in service charges to fund communal area additional maintenance | | -79 |
| Impact of increased voids | | 89 |
| 2022/23 income budget | | -14,218 |

- 5.7 Looking ahead to 2023/24, the overall position will gradually improve as rental level continues to increase faster than other inflationary pressures. The financial position of the HRA is expected to gradually improve albeit over a period of 3 years although the delivery of the transformation programme is critical in ensuring that the position will improve.

6.0 RENT SETTING FOR 2022/23

- 6.1 Rent setting for the HRA is now governed by the The Regulator of Social Housing and the Council has the ability to increase rents by CPI (Sept) + 1%. Over the last 10 years, the Council has increased rents by 9.42% whilst inflation has increased by 15.56%, consequently historically our rents have not kept pace with the associated inflationary pressures.

This year's proposed average dwelling rent level

- 6.2 It is proposed to increase the rents by the maximum amount allowable (4.1%) to enable the HRA to tackle the deficit that has been generated from the previous government policy of enforced 1% rent reductions. This will increase the average rent by £3.86 to £97.98 per week. This rent increase will apply to all current tenants who are at formula rent or below.
- 6.3 Any rent above formula rent will be increased by 3.1% in line with the guidance issued by the Regulator of Social Housing for affordable rents.

- 6.4 It is intended to relet vacant properties to new tenants at formula rent which is the maximum allowable under the new rental regime.

Garage Rents

- 6.5 Garage rents were increased by 1.50% in 2020/21 to £10.73 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2022/23 by 4.10% to £11.17 per week which is in line with current inflation rate (CPI) of 3.1% plus 1%. These proposals will generate an extra £24,230 in net income after allowing for voids.

7.0 DEBT FINANCING COSTS

- 7.1 The debt financing costs chargeable to HRA in 2022/23 relate to interest payments.

The costs relate to three types of debt:

- i) historic debt of £17.491m in existence at 1 April 2012 (less any subsequent repayments) attributable to the HRA via the “two-pool split” of the Council’s total debt at that date;
- ii) debt incurred in 2012 to pay the HRA self-financing settlement payment of £51.185m, for which there will be a balance of £33.27m outstanding at 31st March 2022;
- iii) new borrowing for capital expenditure or to refinance existing debt.

- 7.2 The budgeted costs are:

| 2022/23 Budget | Interest £000 |
|-----------------------|--------------------------|
| Historic Debt | 974 |
| Settlement Debt | 1,163 |
| New Borrowing | 125 |
| Total Budget | 2,262 |

8.0 REPAIRS AND MAINTENANCE

8.1 The condition of housing stock is maintained and improved in two ways:-

- Routine revenue repairs of a day-to-day nature and by planned maintenance such as repainting or boiler servicing.
- Capital investment programme of refurbishment and improvement on a larger scale.

8.2 Planned capital investment to buildings such as Rock Close and Lock Court which is scheduled to begin later this year, will result in a reduction in unplanned major works. An asset management strategy, which will include a schedule of cyclical maintenance, will be developed in the coming year. Regular planned maintenance will reduce the cost of unplanned costly repairs. Targeted changes are planned to improve how we deliver repairs and maintenance. These changes will focus on quality, efficiency and effectiveness of the entire repair and maintenance service. Consequently, the budget for routine repair and maintenance will decrease in real over the next 3 - 5 years to reflect the higher level of capital investment and improvements in service management, procurement and contract management.

8.3 Housing Capital Investment Programme

8.3.1 The capital investment programme typically comprises refurbishment and improvement on a larger scale for schemes such as fire safety works, replacement roofs and balconies, new central heating and double-glazing as well as new housing development schemes.

8.3.2 Future investment in the council housing stock is funded from:-

- (i) revenue contributions to capital expenditure;
- (ii) the Major Repairs Reserve. This will increase each year the depreciation charged to the HRA (£4.4m). This contribution is ring-fenced for repayment of debt or for direct financing of capital expenditure;

- (iii) capital receipts from the sale of Council houses;
- (iv) prudential borrowing (subject to affordability); and
- (v) capital grants towards specific programmes of work.

8.3.3 The new HRA capital renovation programme for 2022/23 and 2023/24 was approved at £5.6m by the Joint Strategic Committee at its meeting of 7th December, 2021. This reflected the recent condition survey and concerns about affordability due to the on-going deficit within the HRA.

8.3.4 The programme also includes a development programme of £32.9m over the next 3 years.

8.3.5 A detailed analysis of both the revenue maintenance spend and the capital spend is currently being undertaken to ensure that expenditure is targeted effectively.

9.0 SERVICE CHARGES – CONTRACT PRICE INCREASES

9.1 As well as core rent charges, some tenancies are also subject to service charges as they receive services which are specific to their circumstances. These charges are made in line with actual costs. Contracts in respect of services to tenants, such as door entry maintenance and communal way cleaning, are normally subject to an annual Retail Price Index (RPI) or equivalent increase. This increase is passed on to tenants receiving those services by way of an equivalent increase in their weekly service charge. Some costs have to be retendered and not all increases are applied at the beginning of a financial year. This means that such increases cannot be incorporated into the annual rent increase process and additional costs are incurred in notifying tenants separately and amending Housing Benefit entitlements when such an increase arises.

9.2 Members are therefore requested to delegate to the Head of Housing and the Chief Financial Officer in consultation with the Executive Member, Customer Services, authority to set service charges.

10.0 REALLOCATIONS OF SALARIES AND CENTRAL COSTS

10.1 All salaries, staff expenses, administration buildings and central support services are collated centrally within the Adur and Worthing Joint services and the Council's general fund budget. It is then

re-allocated to services to show the full-cost of service provision. A more detailed explanation of this is included in the Budget Book for Adur and Worthing Councils. The Housing Revenue Account has benefited in recent years from savings achieved from joint shared support services. These costs are reviewed each year as part of the budget setting process.

11.0 LEVEL OF RESERVE BALANCES

11.1 In line with a more sustainable long term business approach the HRA is adopting a prudent approach to the level of reserves maintained.

| Reserves | Estimated balance at 01/04/22 | Increase | Decrease | Forecast balance at year end 2022/23 |
|--------------------------------------|-------------------------------|--------------|---------------|--------------------------------------|
| | £000's | £000's | £000's | £000's |
| HRA - working balance | 464 | - | -409 | 55 |
| Discretionary Assistance Fund | 116 | - | - | 116 |
| New Development and Acquisition Fund | 296 | - | - | 296 |
| Business Dev. Fund | 84 | - | - | 84 |
| Major Repairs Reserve | 7,747 | 4,202 | -3,900 | 8,049 |
| TOTAL | 8,707 | 4,202 | -4,307 | 8,602 |

11.2 HRA general reserve balances are forecast to be £0.056m at 1st April 2023. This is significantly under the target level explained in detail in paragraph 11.3 below, but reflective of the current use of reserves to support the HRA to manage the consequences of rent limitation and the development programme. To bolster the reserves in the interim, it is proposed to transfer the residual New Development and Acquisition Fund into the working balance.

11.3 In the General Fund a target level of balances of between 6-10% of net expenditure has been set. The general principles behind retaining a minimum target level of balances are similar for both the General Fund and HRA in that it should be sufficient to withstand foreseeable 'worst

case' scenarios but not so large as to constitute unnecessary retention of tenants monies.

- 11.4 Therefore, in principle, given that the large majority of the costs and incomes of the HRA are relatively stable (or effectively fixed at the start of each year) it should be possible to operate on a reserve balance within the 6-10% range.
- 11.5 However, the council is still addressing the legacy of rent limitation and the HRA is not expected to return to surplus until 2023/24 at the earliest. Whilst it is predicted that the level of the general reserves will be below the target 6% for 2022/23, the 30 year business plan expects that the reserves will gradually return to more prudent levels over the next 5 years. To ensure that there are sufficient reserves to manage any risks in this period, it is intended to use the other earmarked reserves only when absolutely necessary. This will help ensure financial stability over the short to medium term
- 11.5 Any balance in the Major Repairs Reserve (MRR) is utilised to fund in-year capital expenditure or to repay debt. The final position at year end may fluctuate to reflect the spend on the capital programme. Altogether, the 2022/23 capital budget includes provision for £3.9m to be utilised for financing HRA capital expenditure, comprising the carried forward balances and in-year contributions.

12.0 IMPACT ON FUTURE YEARS

- 12.1 Attached at appendix 2 is the 30-year financial forecast. The focus for the 2022/23 budget has been to ensure that the HRA remains sustainable in the longer term whilst ensuring that the most important maintenance issues are addressed. The proposed budget allows for a high level of investment in the maintenance of properties than has been afforded prior to the self-financing regime. The first priority for the new freedoms has to be the continued maintenance of the Council homes for the benefit of our existing tenants with priority currently given to fire safety and external maintenance issues.
- 12.2 The financial plan assumes that the rent will increase in 2022/23 and thereafter rent increases are in line with the Council's rent policy and the Government's proposals (i.e. CPI plus 1%). The legacy of the four years of rent decreases has placed the HRA under significant financial pressure at the very time when the Council needs to invest more in

maintaining the housing stock and needs to invest in new affordable homes for local residents.

- 12.3 The Council has managed the impact of the falling rent levels in the first two years of rent limitation, setting a balanced budget in 2016/17 and with only a limited withdrawal from reserves in 2017/18. However the HRA has become increasingly reliant on reserves since 2018/19 whilst the rent level remains constrained drawing down funds from the reserve. Now that rent limitation has come to an end, the Council should be able to begin to restore the reserves to the previous levels over the next few years.

| | 2017/18 Actual | 2018/19 Actual | 2019/20 Actual | 2020/21 Actual | 2021/22 Expected | 2022/23 Expected | 2023/34 Expected |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at the start of the year | 2,074 | 1,939 | 1,752 | 1,013 | 349 | 464 | 55 |
| Expected drawdown (-) / Contribution | -135 | -187 | -739 | -664 | +115 | -409 | +161 |
| Balance at the end of the year | 1,939 | 1,752 | 1,013 | 349 | 464 | 55 | 216 |

- 12.6 To bring all of these considerations together, it is proposed to refresh the Adur Homes Business Plan periodically, and incorporate into the plan an assessment of the future of the housing stock – including the outcome of the feasibility investigation into the new build proposals. This will also include an update to the asset management plan which will validate the assumptions in the 30-year forecast about the capital programme and maintenance provision.

13.0 SUMMARY

- 13.1 The Council has the opportunity to increase rents by 4.1% this year. Given the legacy of the rent limitation, it is critical to increase the rents to enable the HRA to return to financial stability. Over the longer term, the HRA remains in a financially viable position able to invest in its stock to address backlog maintenance and to maintain a development programme. However, caution will need to be exercised over the

coming years as the financial position will be difficult for at least another 5 years until the HRA has become financially sustainable with an adequate level of reserves to manage future risks.

14.0 CONSULTATION

- 14.1 The proposed rental increase has been shared with members of the Adur Homes Management Board which comprises of the Executive Member for Customer Services and representatives from the Adur Tenants Forum.
- 14.2 Adur Tenants Forum members are invited to attend the Executive meeting to relay their views on the budgetary proposals.
- 14.3 Officers and members have been consulted on the development of the budget.

15.0 FINANCIAL IMPLICATIONS

- 15.1 The financial implications associated with the development of the budgets are detailed throughout the report.

16.0 LEGAL IMPLICATIONS

- 16.1 The Local Government and Housing Act 1989 requires the Council to maintain a housing revenue account (HRA) in relation to its social housing stock. The HRA operates separately from the Council's main budget and accounts. The Act also sets out how the HRA is funded and requires the Council to set a balanced budget for the HRA each year and to keep that budget under review.
- 16.2 The Government has issued the Direction on the Rent Standard 2019 under the Housing and Regeneration Act 2008. This allows the Council to increase social rents by no more than CPI plus 1% each year. The direction also sets out how social rents are to be calculated.
- 16.3 The Housing and Planning Act 2016 gives the Secretary of State the power to issue a determination that requires any Local Housing Authority in England to make a payment to the Secretary of State in respect of any given financial year that represents an estimate of:

1. the market value of the authority's interest in any higher value housing that is likely to become vacant during the year, less
 2. any costs or other deductions of a kind described in the determination.
- 16.4 There are no other legal implications arising from the proposed budget other than those relating to the use of capital receipts under Right To Buy regulations, and emanating from the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended)

Background Papers:

Reinvigoration the Right to Buy and one for one replacement

Laying the Foundations: A Housing Strategy for England

Guidance On Rents for Social Housing

Direction on Rent Standard 2019

Adur Capital Investment Programme 2021/22 - 2023/24

Welfare Work and Reform Act 2016

2020/21 Housemark Benchmarking Survey

Falling Behind: Impact of Universal Credit on rent arrears in London (The Smith Institute) July 2020

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

| HOUSING REVENUE ACCOUNT | | |
|--|---------------------------------|---------------------|
| | ORIGINAL ESTIMATE 2021/22 | ESTIMATE 2022/23 |
| | £ | £ |
| EXPENDITURE | | |
| General Management | 4,141,350 | 4,075,920 |
| Special Services (including repairs related to specific properties or groups of tenants) | 748,440 | 748,080 |
| Rent, Rates, Taxes & Other Charges | 58,150 | 61,100 |
| General repairs and Maintenance | 2,711,490 | 3,008,370 |
| Depreciation | 4,179,980 | 4,421,760 |
| Bad/Doubtful Debt | 51,000 | 50,000 |
| Capital Financing Costs | | |
| Interest charges | 2,181,360 | 2,262,200 |
| TOTAL EXPENDITURE | 14,071,770 | 14,627,430 |
| INCOME | | |
| Dwelling Rents | (12,320,460) | (12,750,170) |
| Non-Dwelling Rents | (535,010) | (550,510) |
| Heating and Service Charges | (547,580) | (623,110) |
| Leaseholder Service Charges | (260,620) | (265,940) |
| Interest Received | (28,000) | (28,000) |
| TOTAL INCOME | (13,691,670) | (14,217,730) |
| | | |
| NET (SURPLUS)/DEFICIENCY | 380,100 | 409,730 |

| HOUSING REVENUE ACCOUNT | | | | | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2021/22 £'000 | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 | 2027/28 £'000 | 2028/29 £'000 | 2029/30 £'000 | 2030/31 £'000 |
| EXPENDITURE | | | | | | | | | | |
| General Management | 4,112 | 4,076 | 4,048 | 4,158 | 4,253 | 4,368 | 4,468 | 4,589 | 4,695 | 4,821 |
| Special Services | 764 | 748 | 767 | 786 | 806 | 826 | 846 | 868 | 889 | 911 |
| Rents, Rates, Taxes & Other Charges | 73 | 61 | 63 | 64 | 66 | 67 | 69 | 71 | 73 | 74 |
| OVERALL RUNNING COSTS | 4,949 | 4,884 | 4,878 | 5,008 | 5,125 | 5,261 | 5,383 | 5,528 | 5,657 | 5,806 |
| Annual Revenue Maintenance Costs | 2,653 | 3,008 | 2,888 | 2,959 | 3,033 | 3,108 | 3,175 | 3,245 | 3,316 | 3,388 |
| Revenue Contribution to Capital | 0 | 0 | 0 | 100 | 150 | 500 | 600 | 700 | 800 | 850 |
| Charges for Capital | | | | | | | | | | |
| Depreciation | 4,180 | 4,422 | 4,583 | 4,696 | 4,812 | 4,931 | 5,039 | 5,149 | 5,261 | 5,376 |
| Interest payable | | | | | | | | | | |
| Interest - on historic debt | 974 | 974 | 974 | 963 | 938 | 932 | 932 | 932 | 932 | 932 |
| Interest - on assumed debt | 1,246 | 1,163 | 1,157 | 1,124 | 1,069 | 1,015 | 960 | 906 | 851 | 797 |
| Interest - on capital programme | 31 | 125 | 284 | 323 | 369 | 409 | 448 | 484 | 516 | 546 |
| Provisions For Bad Debt | 51 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| TOTAL EXPENDITURE | 14,084 | 14,627 | 14,814 | 15,223 | 15,546 | 16,206 | 16,587 | 16,994 | 17,383 | 17,745 |
| INCOME | | | | | | | | | | |
| Dwelling Rents | -12,115 | -12,750 | -13,346 | -13,888 | -14,371 | -14,871 | -15,270 | -15,680 | -16,100 | -16,532 |
| Other Rents and Charges | -1,360 | -1,440 | -1,446 | -1,452 | -1,491 | -1,530 | -1,571 | -1,614 | -1,657 | -1,701 |
| Interest Received | -30 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 |
| TOTAL INCOME | -13,505 | -14,218 | -14,820 | -15,368 | -15,890 | -16,429 | -16,869 | -17,322 | -17,785 | -18,261 |
| NET COST OF SERVICES | 579 | 409 | -6 | -145 | -344 | -223 | -282 | -328 | -402 | -516 |

| HOUSING REVENUE ACCOUNT | | | | | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2031/32 | 2032/33 | 2033/34 | 2034/35 | 2035/36 | 2036/37 | 2037/38 | 2038/39 | 2039/40 | 2040/41 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| EXPENDITURE | | | | | | | | | | |
| General Management | 4,933 | 5,065 | 5,183 | 5,321 | 5,445 | 5,590 | 5,721 | 5,873 | 6,011 | 6,170 |
| Special Services | 934 | 958 | 982 | 1,006 | 1,031 | 1,057 | 1,083 | 1,111 | 1,138 | 1,167 |
| Rents, Rates, Taxes & Other Charges | 76 | 78 | 80 | 82 | 84 | 86 | 89 | 91 | 93 | 95 |
| OVERALL RUNNING COSTS | 5,943 | 6,101 | 6,245 | 6,409 | 6,560 | 6,733 | 6,893 | 7,075 | 7,242 | 7,432 |
| Annual Revenue Maintenance Costs | 3,462 | 3,537 | 3,615 | 3,693 | 3,774 | 3,856 | 3,940 | 4,025 | 4,113 | 4,202 |
| Revenue Contribution to Capital | 930 | 1,030 | 1,130 | 1,230 | 1,330 | 1,480 | 1,680 | 1,780 | 1,980 | 2,130 |
| Charges for Capital | | | | | | | | | | |
| Depreciation | 5,493 | 5,613 | 5,735 | 5,860 | 5,988 | 6,118 | 6,251 | 6,387 | 6,526 | 6,668 |
| Interest payable | | | | | | | | | | |
| Interest - on historic debt | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 |
| Interest - on assumed debt | 742 | 687 | 633 | 578 | 525 | 473 | 421 | 369 | 317 | 265 |
| Interest - on capital programme | 573 | 595 | 614 | 628 | 639 | 643 | 640 | 632 | 616 | 593 |
| Provisions For Bad Debt | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| TOTAL EXPENDITURE | 18,125 | 18,545 | 18,954 | 19,380 | 19,798 | 20,285 | 20,807 | 21,250 | 21,776 | 22,272 |
| INCOME | | | | | | | | | | |
| Dwelling Rents | -16,975 | -17,430 | -17,896 | -18,375 | -18,867 | -19,372 | -19,890 | -20,421 | -20,967 | -21,527 |
| Other Rents and Charges | -1,747 | -1,794 | -1,842 | -1,891 | -1,942 | -1,994 | -2,048 | -2,103 | -2,159 | -2,217 |
| Interest Received | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 |
| TOTAL INCOME | -18,750 | -19,252 | -19,766 | -20,294 | -20,837 | -21,394 | -21,966 | -22,552 | -23,154 | -23,772 |
| NET COST OF SERVICES | -625 | -707 | -812 | -914 | -1,039 | -1,109 | -1,159 | -1,302 | -1,378 | -1,500 |

| HOUSING REVENUE ACCOUNT | | | | | | | | | | |
|-------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2041/42 | 2042/43 | 2043/44 | 2044/45 | 2045/46 | 2046/47 | 2047/48 | 2048/49 | 2049/50 | 2050/51 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| EXPENDITURE | | | | | | | | | | |
| General Management | 6,315 | 6,482 | 6,635 | 6,810 | 6,971 | 7,155 | 7,325 | 7,517 | 7,696 | 7,897 |
| Special Services | 1,196 | 1,226 | 1,256 | 1,288 | 1,320 | 1,353 | 1,387 | 1,422 | 1,457 | 1,494 |
| Rents, Rates, Taxes & Other Charges | 98 | 100 | 103 | 105 | 108 | 111 | 113 | 116 | 119 | 122 |
| OVERALL RUNNING COSTS | 7,609 | 7,808 | 7,994 | 8,203 | 8,399 | 8,619 | 8,825 | 9,055 | 9,272 | 9,513 |
| Annual Revenue Maintenance Costs | 4,293 | 4,387 | 4,482 | 4,579 | 4,678 | 4,779 | 4,883 | 4,989 | 5,096 | 5,207 |
| Revenue Contribution to Capital | 2,330 | 2,580 | 2,780 | 2,980 | 3,230 | 3,430 | 3,730 | 4,030 | 4,330 | 4,680 |
| Depreciation | 6,813 | 6,961 | 7,112 | 7,266 | 7,423 | 7,584 | 7,748 | 7,916 | 8,087 | 8,262 |
| Interest payable | | | | | | | | | | |
| Interest - on historic debt | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 | 932 |
| Interest - on assumed debt | 213 | 174 | 173 | 173 | 173 | 172 | 172 | 172 | 171 | 171 |
| Interest - on capital programme | 563 | 522 | 473 | 424 | 374 | 324 | 282 | 240 | 198 | 158 |
| Provisions For Bad Debt | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| TOTAL EXPENDITURE | 22,803 | 23,414 | 23,996 | 24,607 | 25,259 | 25,890 | 26,622 | 27,384 | 28,136 | 28,973 |
| INCOME | | | | | | | | | | |
| Dwelling Rents | -22,101 | -22,691 | -23,297 | -23,918 | -24,555 | -25,209 | -25,881 | -26,570 | -27,277 | -28,002 |
| Other Rents and Charges | -2,277 | -2,338 | -2,401 | -2,465 | -2,532 | -2,600 | -2,670 | -2,742 | -2,815 | -2,891 |
| Interest Received | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 | -28 |
| TOTAL INCOME | -24,406 | -25,057 | -25,726 | -26,411 | -27,115 | -27,837 | -28,579 | -29,340 | -30,120 | -30,921 |
| | | | | | | | | | | |
| NET COST OF SERVICES | -1,603 | -1,643 | -1,730 | -1,804 | -1,856 | -1,947 | -1,957 | -1,956 | -1,984 | -1,948 |

2022/23 HRA TREASURY MANAGEMENT STRATEGY

1.0 INTRODUCTION

- 1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2022/23. The requirement to produce a separate strategy specifically for HRA is a direct consequence of the introduction of the self-financing regime, as it reflects the underlying principle that borrowing and debt management decisions should operate equitably and independently from the General Fund.
- 1.2 The treasury management and investment strategies presented and proposed for 2022/23 are unchanged from 2021/22, as it has been accepted by the Council's external auditors as an appropriate method of apportioning debt management costs and interest accrued from balances and investments between HRA and General Fund. However, in order to provide additional capital funding to address a backlog of maintenance, the Voluntary Revenue Provision will be suspended until 2023/24.
- 1.3 Underpinning all Treasury Management activity of the Council is the CIPFA Treasury Management Code of Practice, which was revised in November 2011 to address the implications for introducing HRA Self-financing from 2012/13. An updated Code published in December 2017 did not include any changes to the HRA guidance.
- 1.4 The published Code identified the need for local authorities "...to allocate existing and future borrowing costs between housing and General Fund as the current statutory method of apportioning debt charges between the General Fund and HRA will cease".
- 1.5 The Council has adopted the "Two-Pooled Approach". This entailed allocating historic debt at 31 March 2012 between HRA and General Fund, with any new debt acquired after this date to be assigned to the HRA or General Fund according to the purpose for which it is acquired.
- 1.6 Additionally, the Strategy aims to achieve borrowing outcomes that are affordable, sustainable and prudent in keeping with the requirements of the Prudential Code for Capital Finance in Local Authorities. This Code requires

the Council to consider the impact of borrowing as well as address a number of other fundamental principles, being:

- (i) The splitting of loans (i.e. debt) at the HRA Settlement transition date must be of no detriment to the General Fund.
- (ii) The Council is required to deliver a solution that is broadly equitable between the HRA and the General Fund;
- (iii) Future charges to the HRA in relation to borrowing are not influenced by General Fund decisions, giving the HRA greater freedom, independence, certainty and control;
- (iv) Uninvested balance sheet resources which allow borrowing to be below the CFR are properly identified between General Fund and HRA.

1.6 Points (i) – (iii) above were addressed by adopting the “Two-Pool Approach”. The last point is met in the Strategy in accordance with the CIPFA Treasury Management Code recommendation that the effect should be included in the interest on balances calculation to appropriately allocate the respective portions to HRA and General Fund.

1.7 With these background principles and approaches in place the HRA Treasury Management Strategy aims to cover:

- Overall Objectives
- The Current & Future Position – Underlying Need to Borrow compared to Actual Borrowing
- The Debt Maturity Profile
- How to allocate debt and attributable financing costs between HRA and General Fund equitably
- How to recognise HRA cash balances and reserves which form part of the Council’s total investments
- How to recognise any costs or revenues generated from over/under borrowing

1.8 Accordingly, these aspects of the Strategy are approached in turn.

2.0 OVERALL OBJECTIVES OF THE HRA TREASURY MANAGEMENT STRATEGY

The central aim of the Strategy agreed for 2022/22 and unchanged for 2022/23 is:

- to provide borrowing that is affordable, sustainable and prudent, as required by The Prudential Code, and which underpins the requirements of the HRA Capital Investment Programme, 30 year Business Plan, and any other corporate plans.
- to manage the HRA investments and cash flows, its banking, money market and capital market transactions within the purview of the Council's overall Treasury Management Strategy, and to provide effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- to support budget and service delivery objectives for the benefit of tenants at no detriment to the General Fund or council taxpayers generally.

3.0 THE CURRENT POSITION – UNDERLYING NEED TO BORROW COMPARED TO ACTUAL BORROWING

- 3.1 The underlying need to borrow for capital investment is called the Capital Financing Requirement (CFR) and relates to the amount of planned capital expenditure that is not financed from internal resources, which for HRA are primarily capital receipts, revenue contributions, and the Major Repairs Reserve.
- 3.2 Capital expenditure in any year above the amount allocated to be used from these resources must be financed from borrowing or other credit arrangements (e.g. leasing), and results in an increase to the CFR. By comparing the CFR to the amount of actual borrowing, the extent to which the Council is under or over borrowed is determined, and this provides a key prudential indicator for performance management. The current estimates, based on the capital investment programme for the next three years, are shown in the table below:

| Adur District Council | 2020/21 Actual £m | 2021/22 Estimate £m | 2022/23 Estimate £m | 2023/24 Estimate £m | 2024/25 Estimate £m |
|-------------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Capital Financing Requirement (CFR) | | | | | |
| General Fund | 106.905 | 112.363 | 161.638 | 160.830 | 159.372 |
| Housing Revenue Account | 61.591 | 79.713 | 95.226 | 96.826 | 98.426 |
| Total CFR | 168.496 | 192.076 | 256.864 | 257.656 | 257.798 |
| Actual Debt | | | | | |
| General Fund | (98.460) | (103.918) | (153.193) | (152.385) | (150.927) |
| Housing Revenue Account | (60.476) | (78.598) | (94.111) | (95.711) | (97.311) |
| Total Debt Amount | (158.936) | (182.516) | (247.304) | (248.096) | (248.238) |
| (Over)/Under Borrowing | | | | | |
| General Fund | 8.445 | 8.445 | 8.445 | 8.445 | 8.445 |
| Housing Revenue Account | 1.115 | 1.115 | 1.115 | 1.115 | 1.115 |
| Total | 9.560 | 9.560 | 9.560 | 9.560 | 9.560 |

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2022/23-2024/25 submitted to the meeting of the Joint Strategic Committee on 8th February 2022).

- 3.3 The comparison shows the HRA was under borrowed at the end of 2020/21 by £1.115.m, reflecting the amount by which debt outstanding and Minimum Revenue Provision (MRP) has reduced over and above the incidence of new capital expenditure financed from borrowing since 2012/13. In the following years the amount by which actual borrowing is below CFR changes as the value of debt repaid in each year exceeds the amount of new borrowing anticipated to fund capital investment. The suspension of Voluntary Revenue

Provision means that debt is not being repaid and therefore will increase in line with the Capital Financing Requirement.

- 3.4 The propensity to bring actual borrowing into line with the CFR was previously constrained by the requirement to stay within the HRA Debt Limit of £68.912m imposed by Central Government. However this cap was removed in October 2018. For all years from 2022/23 to 2024/25 the HRA CFR is projected to be above the debt as reflected in the capital investment proposals to be approved by the meeting of the Joint Strategic Committee on 8th February 2022.

4.0 HOW TO ALLOCATE DEBT AND ATTRIBUTABLE FINANCING COSTS BETWEEN HRA AND GENERAL FUND EQUITABLY – THE TWO POOLED APPROACH

- 4.1 The methodology adopted in the Strategy draws upon CIPFA guidance relating to the two pooled approach, the essence of which is:
- to disaggregate historic debt at the HRA Debt Settlement transition date by the CIPFA methodology and allocate the respective portions to the HRA and General Fund. To each share is added new debt arising after the transition date according to the purpose for which it was incurred.
- 4.2 In adopting this methodology, the Council was mindful of its Treasury Management Consultant's comments that "The two pool approach is the preferred option by CIPFA and DCLG. It is relatively simple and allows the HRA to present a preferred funding structure to the Treasury Management team. It allocates a greater proportion of fixed rate borrowing to the HRA, which may suit its needs as it provides a greater degree of certainty over initial costs".
- 4.3 Another reason for adopting the two pool approach was that an assessment was made of the impact of the resultant financing costs at transition on the HRA and it was concluded that the effect was negligible.
- 4.4 For historic debt at the transition date, the two pooled approach assumed the HRA was fully borrowed at the level of its CFR, with the residual debt attributed to the General Fund. Thus, any over borrowing at that date was attributed to the General Fund, rather than shared with the HRA. The effect at 31 March 2012 of applying the two pooled approach was:

| CFR Allocations at Transition Date | | Debt Allocations at Transition Date | |
|------------------------------------|--------|-------------------------------------|--------|
| | £000 | | £000 |
| HRA | 68,676 | HRA | 68,676 |
| General Fund | 11,160 | General Fund | 13,430 |
| TOTAL | 79,836 | TOTAL DEBT | 82,106 |

5.0 HOW TO RECOGNISE HRA CASH BALANCES AND RESERVES WHICH FORM PART OF THE COUNCIL'S TOTAL INVESTMENTS

- 5.1 Before 2012/13, the former subsidy system provided for a statutory determination – the Item 8 credit – to attribute interest on notional average HRA cash balances to the HRA Comprehensive Income and Expenditure statement.
- 5.2 This recognised the general principle that the HRA should benefit from its cash balances and reserves, and the introduction of the self-financing arrangements did not alter this principle.
- 5.3 The Strategy adopts the CIPFA recommended approach for all investments to be pooled, since it states that the “interest on cash balances calculation can be used to manage the charge between HRA and General Fund”. Accordingly, to do this the Strategy retains the use of the notional average cash balance approach used within the former Statutory Item 8 calculation as the basis for crediting the HRA share of interest receivable.

6.0 HOW TO RECOGNISE ANY COSTS OR REVENUES GENERATED FROM OVER/UNDER BORROWING

- 6.1 In practice it is recognised that there will be timing differences between the Council's underlying need to borrow (the CFR) and actual borrowing.
- 6.2 Where under borrowing occurs, the Council is drawing upon internal reserves and balances to fund capital expenditure, and therefore bears the cost of

interest foregone on the amount of cash consumed that might otherwise be invested.

- 6.3 Conversely, where over borrowing occurs surplus cash to requirements is held that forms part of surplus cash available for investment. This may arise where borrowing for capital expenditure is undertaken in advance of actual expenditure to take advantage of low interest rates.
- 6.4 In both scenarios the CIPFA Treasury Management code states that the effect should be included in the interest on balances calculation to appropriately allocate the respective portions to HRA and General Fund.
- 6.5 Accordingly, the Strategy adopts the approach whereby the relevant credit or debit shall be computed with reference to the difference between the HRA and General Fund CFR and the respective actual debt during the year. Where an over-borrowing position occurs interest shall be credited at the average rate of interest on all investments prevailing for the period during which the over borrowing was sustained. For an under-borrowed position, interest shall be charged to reflect the interest foregone through consumption of internal resources and at the average rate of all investments achieved during the period of under borrowing.



ADUR DISTRICT COUNCIL

Adur Executive
1 February 2022
Agenda Item 5

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Budget Estimates 2022/23 and Setting of the 2022/23 Council Tax

Report by the Director for Digital, Sustainability & Resources

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Executive Summary

1. Purpose

1.1 This report is the final budget report of the year, the culmination of the annual budgeting exercise, and asks members to consider:

- The final revenue estimates for 2022/23 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2022/23, prior to its submission to the Council for approval on the 24th February 2022. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget by the Executive.

1.2 The report outlines the medium term financial challenge through to 2026/27, discusses the continuing impact that the pandemic is having on our finances over the next year, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic asset investment. This has been updated to include the latest information regarding the impact of the pandemic on the Council financial position. The current budget strategy is having a significant effect on how the Council will be funded in the future with increasing income generated from commercial income and rents. Following the delay to the fairer funding review, the challenge still remains significant

for 2023/24, however the delivery of the budget strategy will ensure that this is met.

1.3 These budgets reflect the Councils' ambitions set out in *Platforms for our Places: Going Further and And then*, and agreed savings proposals contributing to the financial sustainability of the Councils. The report also updates members about the impact of the draft 2022/23 settlement.

1.4 The major points raised within the report include:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for 2023/24 and beyond (see section 4);
- Creation of a Covid 19 contingency budget from one-off resources provided by Government to fund both covid related risks and any associated recovery actions throughout 2022/23;
- Highlights the proposed funding for initiatives to support the Councils' ambitions set out in *Platforms for our Places - Going Further and And Then*;
- Details the proposals to invest in services outlined in Appendix 2;
- The Executive will need to consider whether to increase Council Tax by 1.99% or by a lower amount (section 5.10).

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2022/23 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.6 The Police and Crime Commissioner (PCC) has already been informed that the referendum criteria for this year is an increase of £10.00 per Band D property which would be equivalent to an increase of 4.65%. The proposed 2022/23 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 28th January 2022. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 14th February 2022 at which point the Commissioner will be in a position to confirm the Council Tax for 2022/23 in time for Council on the 24th February 2022.

1.7 The draft Local Government Settlement allows Councils to increase core Council Tax by up to 2%. Those Councils with responsibility for Adult Social Care can increase Council Tax by up to a further 1% which

can be increased by up to 3% where they opted to defer the flexibility that was available to them in 2021/22. Therefore a Council Tax increase of between 3% and 6% for Councils with social care responsibilities is allowed for 2022/23.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 18th February 2022. The formal detailed resolution setting the overall Council Tax for next year will be presented directly to the Council Meeting on 24th February 2022.

1.9 The following appendices have been attached to this report:

- (i) **Appendix 1** 5 year forecast for Adur District Council
- (ii) **Appendix 2** Proposals for investment in services
- (iii) **Appendix 3** Estimated Reserves
- (iv) **Appendix 4** Council Tax base for 2022/23
- (v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2022/23

2. Recommendations

2.1 The Executive is recommended to:

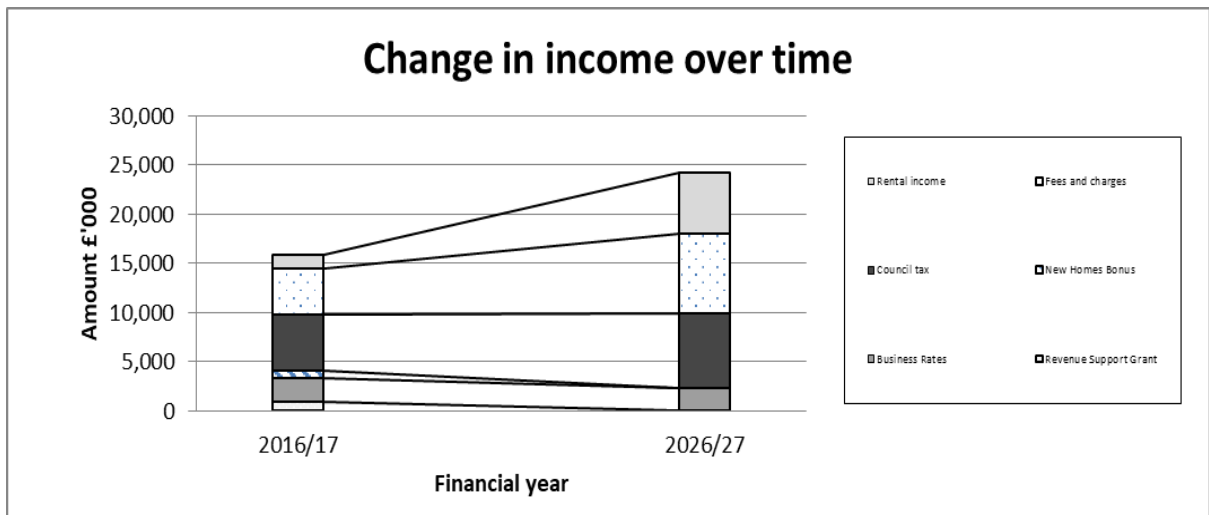
- (a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;
- (b) Agree to recommend to Council the draft budgets for 2022/23 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £9,742,360 which includes provision for the proposals in Appendix 2, subject to any amendments agreed above; and
- (c) Consider which Band D Council Tax to recommend to Council for Adur District Council's requirements in 2022/23 as set out in section 5.10
- (d) Recommend to Council that special expenses of £25.29 per Band D equivalent to be charged in all areas of the District except Lancing.

- | |
|--|
| (e) Approve the Council Tax base of 21,699.7 for 2022/23 as set out in paragraph 12.3. |
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3. INTRODUCTION

- 3.1 The Joint Strategic Committee considered the report 'Developing a revenue budget for 2022/23 at the time of a pandemic' on 13th July 2021. This report outlined the current financial context, the key budget pressures and the budget strategy for Adur and Worthing Councils. The report built on the strategy first proposed in 2015/16 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax and business rates.
- 3.2 To address the known pressures and to realise its ambitions set out in *Platforms for our Places*, the Councils have set-up several strategic programmes delivering new income and savings for the next 5 years:
- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;
 - The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work;
 - The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Investment Fund;
 - The Commercial programme develops initiatives to promote income growth from commercial services and seeks to improve the customer experience; and
 - The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.
 - The Corporate Landlord programme which seeks to rationalise accommodation use and generate capital receipts from the sale of surplus assets and thereby reducing the costs associated with funding priority projects identified in *Platforms for our Place: Going Further*.

- 3.3 The successful delivery of our strategy fundamentally changes how the Council is funded while pursuing transformational approaches to how we deliver services and work with our partners. The Council is moving increasingly away from government funding towards funding from the local community via Council Tax, and will become increasingly reliant on income from commercial activities over time. Between 2016/17 and 2026/27 income from locally controlled sources (including Council Tax) is expected to increase from £11.8m to £21.9m, whilst at the same time income controlled by central government (including a share of business rates) will reduce from £4.1m to £2.3m.



- 3.4 The subsequent report to the Joint Strategic Committee, on 7th December 2021 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

| Adur District Council | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Overall shortfall – December forecast | 155 | 1,202 | 1,371 | 1,725 | 2,066 |
| Savings identified in December 2021 | -168 | -528 | -888 | -1,288 | -1,618 |
| Revised budget shortfall/ Surplus(-) as at December 2021 | -13 | 674 | 483 | 437 | 448 |

- 3.5 The 2021/22 savings proposals identified within the report amounted to £168,000.
- 3.6 Since the meeting in December, the Adur District Council budget has been finalised and the last adjustments have been included subject to the final considerations about the level of Council Tax and any proposals to reinvest back into services. Overall, therefore, the current financial position of the Council for 2022/23 can be summarised as:

| | £'000 |
|--|-------------|
| Original 2022/23 budget surplus | -22 |
| <i>Changes to income from grants and taxation:</i> | |
| (a) Improvements to the income from Council Tax | -80 |
| (b) Impact of current forecast Council Tax Collection Fund deficit / surplus (-) | 6 |
| (c) Improvement to business rate forecast | -29 |
| (d) Increased government income to compensate for increase to National Insurance costs - continuation of lower tier grant. | -75 |
| <i>Other changes:</i> | |
| (e) Increase in the use of the temporary and emergency accommodation | 150 |
| (f) Impact of 1.25% National Insurance payments | 138 |
| (g) Reprofiling of capital programme | - |
| (h) Impact of 2021/22 pay award and regradings | 24 |
| (i) Net committed growth items identified by Service Heads (See Appendix 2 of the JSC report approved on 7/12/2021) | 113 |
| (j) Removal of contingency budget for committed growth | -70 |
| Revised budget surplus as at 7th December 2021 | 155 |
| <i>Impact of Settlement</i> | |
| Final change to business rate income following confirmation of the tariff and new multiplier | 2 |
| One off funding: | |
| New Homes Bonus | -146 |
| Additional Lower Tier Grant | -5 |
| Service Grant | -121 |
| Budget Surplus following settlement | -115 |

| | £'000 |
|--|------------|
| Budget Surplus following settlement | -115 |
| <i>Adjustment for final items identified</i> | |
| Final assessment of Council Tax income and the collection fund deficit for 2022/23 | 3 |
| Covid Contingency budget | 120 |
| One-off costs associated with the Local Plan | 55 |
| Impact of new tipping charge contract | 45 |
| Further reduction in car parking income due to continued impact of pandemic on income. | 52 |
| Removal of revenues and benefits savings target - staff resources retained due to impact of Covid on work volumes. | 18 |
| Removal of contingency for new service investment proposals | -70 |
| Revised Budget shortfall | 108 |
| Less: Net savings agreed in December | -168 |
| Budget surplus based on a 2% Council Tax increase (before any further action is agreed) | -60 |

4. 2022/23 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 The government published the provisional local government finance settlement for 2022/23 on 16th December 2021 via a written statement. Consultation on the provisional settlement closed on the 16th January 2021. This is a one-year settlement and in many ways is similar to the 2021/22 settlement.
- 4.2 Settlement confirmed the referendum principles set out above. The Councils will be able to increase Council Tax by up to 2% or £5.00 whichever is the lower.
- 4.3 Ministers will be re-starting the local government funding reforms in the Spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24.

4.4 The impact of settlement can be summarised as follows:

- ***Revenue support grant and baseline funding***

The Council will receive no Revenue Support Grant in 2022/23. Since 2016/17 the Council has seen Revenue Support Grant fall by £0.9m and has received no grant since 2018/19.

Whereas baseline funding (minimum amount of retained business rates) has frozen this year in line with the business rate multiplier at £1,767,150.

However, councils will be compensated for the impact of freezing of business rates via grants and the net overall impact of this change is a marginal loss of £2,000 in business rate income.

- ***Lower tier services grant (£111m nationally)***

This grant which is broadly distributed on the basis of need but also includes an element to support those with reductions in Core Spending Power. Adur District Council will receive £79,270.

- ***Services Grant (£822m nationally)***

A new one-off 2022/23 Services Grant has been created to fund core services which is distributed using the 2013/14 Settlement Funding Assessment methodology. Adur District Council will receive £121,820.

This funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

- ***New Homes Bonus***

New Homes Bonus (NHB) will continue for another year but the government very clearly intends to phase out the current scheme by 2023-24. For 2022/23, there is no change in the operation of the scheme: the scheme works in the same way and applies the same threshold (0.4%). The threshold means that NHB payments will only be made on an increase in the council tax base that exceeds 0.4%.

NHB allocations of £554m will be made nationally. This is a one off allocation in 2022/23 and the Council will receive an additional grant of £146,440.

However given the transitional nature of this payment, it is not proposed to use it to balance the budget. Instead it is proposed that this grant will be set aside into a Covid contingency budget discussed below.

Overall the Council is expected to use the following amounts in NHB to support the budget over the next few years.

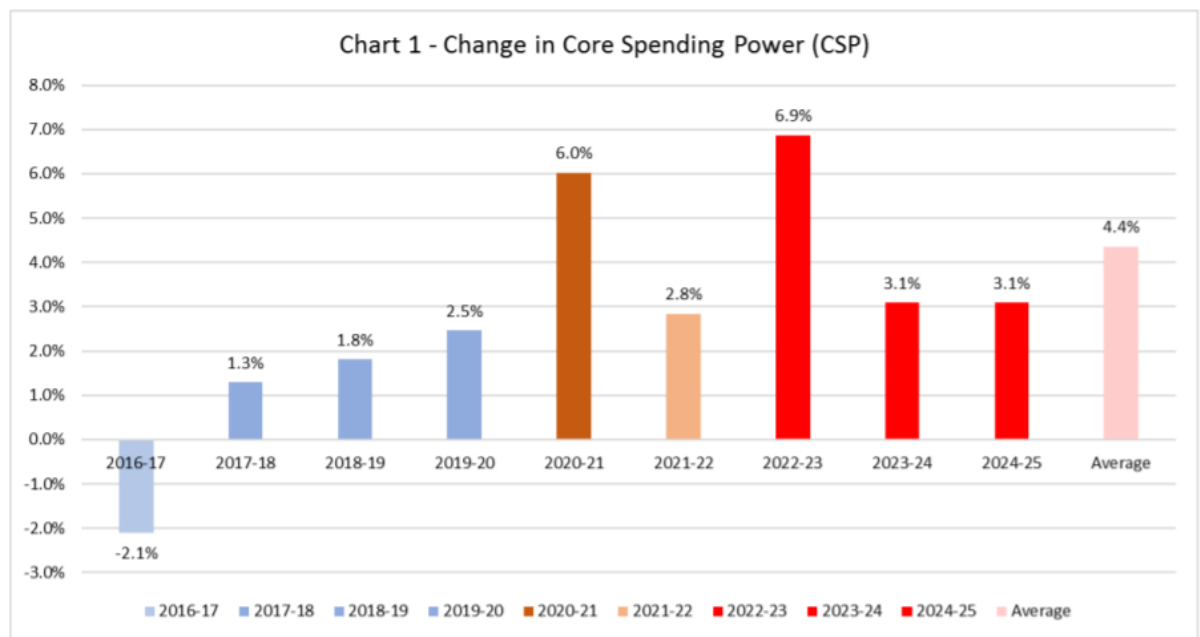
| | 2021/22 | 2022/23 | 2023/24 Onwards |
|---|---------|---------|--------------------|
| | £'000 | £'000 | £'000 |
| NHB used to support the budget | | | |
| 2019/20 allocation | 10 | 10 | 0 |
| 2021/22 allocation | 8 | 0 | 0 |
| 2022/23 allocation | | 146 | |
| Total NHB used to support the budget | 18 | 156 | 0 |
| One off payment in 2020/21 used to fund projects. | 0 | 0 | 0 |
| Total New Homes Bonus | 18 | 156 | 0 |
| | | | |

4.4 Changes to local government funding in 2023/24 and beyond:

The Fairer Funding Review and the changes to the Business Rate Retention Scheme have now been delayed until 2023/24 at the earliest. However, there is now an intention to review and update the funding system with a clear indication that transitional arrangements will be in place for historic funding allocations.

4.4 Summary of 2022/23 Local Government Settlement

- 4.4.1 In overall terms, the 2022/23 settlement revealed that Core Spending Power (CSP which is the total of council tax, business rates, and government grant) has increased by 6.9% in cash terms which is roughly equivalent to a 4.0% increase in real terms. This is the largest increase for some time and it is expected that CSP will continue to grow for the following two years following the increases announced as part of the Comprehensive Spending Assessment.



4.4.2 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 13th January 2022 with final settlement expected in February.

4.4.3 There were few significant changes at this late stage in previous years. If there are any significant changes arising from the final information members will be briefed before Council.

4.5 **Update on current Business Rate Retention Scheme**

4.5.1 The business rate retention scheme has now been in place for several years. There are two key features which members are reminded of:

- 1) There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be of 7.5% of Baseline Funding which is equivalent to a maximum fall in income below the baseline funding level of £132,530.
- 2) A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over its share of the business rate target.

For each additional £100,000 raised the Council will keep the following amounts:

| | Share of additional income | Additional Levy paid to treasury | Kept locally |
|-----------------|----------------------------|----------------------------------|--------------|
| | £'000 | £'000 | £'000 |
| HM Treasury | 50 | | |
| County Council | 10 | 5 | 5 |
| Borough Council | 40 | 20 | 20 |
| | 100 | 25 | 25 |

4.5.2 The forecast for 2022/23 is currently being finalised. The 2022/23 NNDR return which underpins this forecast is due to be submitted by the 31st January 2022 and any substantial changes resulting from the final assessment of the business rate income will be managed through the business rate smoothing reserve which has been set up for this purpose.

4.5.3 The Collection Fund will have another deficit at the end of the current year, largely due to the additional Covid 19 (£1.7m) and other reliefs granted in the year. In addition, the losses incurred in 2020/21 are now being recovered over a three year period. Overall a deficit of £0.9m will need to be recouped in 2022/23 which can be broken down as follows:

| | 2021/22 £'000 | Share of 2020/21 loss £'000 | Total to be recovered in 2022/23 £'000 |
|----------------------------|------------------|-----------------------------------|--|
| Adur District Council | 59.0 | 130.6 | 189.6 |
| West Sussex County Council | 235.8 | 32.6 | 268.4 |
| Government (HMT) | 294.8 | 163.2 | 458.0 |
| Total recovered | 589.6 | 326.4 | 916.0 |

The Council has received compensation in 2021/22 for the additional reliefs granted. The losses, which can largely be attributed to the additional Covid reliefs, are funded from the business rate smoothing reserve in 2022/23

and 2023/24 set up to address timing differences in the business rate system.

4.5.4 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures. Members will be aware that there are several schemes progressing which will create employment space. Examples include: Adur Civic Centre site, new warehouse at Shoreham Airport, and Monks Farm.

4.5.5 Finally, it should be appreciated that there are still a number of risks associated with the business rate forecast:

- It is difficult to establish the number of appeals which are likely to come forward. There is no time limit on when an appeal might be lodged. However to date far fewer appeals have been received following the 2017 revaluation following the introduction of the new 'Check, Challenge, and Appeal' process by the VOA.
- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.
- Conversion of office blocks and retail space into accommodation will result in a permanent loss of income however, this will be mitigated to some extent by the additional Council Tax generated once the conversion is completed.

4.5.6 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year. The Council will fully provide for any known backdated business rates appeals at the 2021/22 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve.

4.5.7 Finally, as in previous years, Adur District Council will participate in the County Business Rate Pool which was suspended last year due to the uncertainty surrounding the impact of the pandemic on the business rate income. This has no direct impact on the budget itself as the Council is guaranteed under the terms of the pool to be no worse off by pooling, but it enables the County area to retain around £m business rates to invest in local economic regeneration initiatives, income which would have been paid to the Treasury. The pool is administered by the County Council and

funding is distributed by a collective meeting of all of the Leaders of the West Sussex Councils.

4.6 **Long term implications of current government policy**

4.6.1 The financing of local government has continued to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on the delivery of homes (Council Tax) and the creation of employment space (Business Rate Retention Scheme). However, the proposed Fairer Funding Review and associated review of the Business Rate retention scheme will reset the position in the short term as business income will be re-distributed on the basis of need.

The income from Council Tax forms an increasingly significant proportion of the Council's overall taxation income over the next 5 years and so the decision regarding the annual increase has a greater strategic importance for both the current year and future years as well.

Breakdown of taxation income to the Council:

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--------------------------------|---------|---------|---------|---------|---------|---------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Council Tax * | 6,557 | 6,793 | 7,009 | 7,204 | 7,365 | 7,529 |
| Business Rates ** | 2,435 | 2,567 | 2,199 | 2,241 | 2,286 | 2,332 |
| Government grants*** | 571 | 259 | 59 | 0 | 0 | 0 |
| New Homes Bonus | 18 | 156 | 0 | 0 | 0 | 0 |
| Total funding from taxation*** | 9,581 | 9,775 | 9,267 | 9,445 | 9,651 | 9,861 |

* Includes any surplus or deficit on the collection fund

** Includes the surplus or deficit on the collection fund and any levy account payment

*** Includes one-off Covid grants

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|--|---------|---------|---------|---------|---------|---------|
| Council Tax | 68.44% | 69.49% | 75.63% | 76.27% | 76.31% | 76.35% |
| Business Rates | 25.41% | 26.26% | 23.73% | 23.73% | 23.69% | 23.65% |
| Government grants (incl New Homes Bonus) | 6.15% | 4.25% | 0.64% | 0.00% | 0.00% | 0.00% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

5.0 DRAFT REVENUE ESTIMATES 2022/23

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £9,742,360. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.

5.2 *Impact of the pandemic on the Council's budgets:*

5.2.1 As part of settlement the Council received a number of one-off grants particularly in relation to the pandemic. These include:

| | £'000 |
|---|-------|
| Services Grant | 122 |
| Lower Tier grant | 79 |
| New Homes Bonus | 157 |
| Less: Allocated to support the budget | -183 |
| Covid 19 contingency budget and other one off budgets | 175 |

5.2.2 The pandemic will continue to impact on the Councils finances throughout 2022/23. Where these impacts have been able to be quantified, provision has been included in the draft budget. Nevertheless, depending on the speed of the roll out of the vaccination and the impact of any new variants of the illness, the rate at which income recovers is difficult to quantify. Risk areas relating to the pandemic include:

- Fees and charges income, particularly in relation to car parks. Whilst throughout 2020/21 and in the first quarter of 2021/22 the Government has committed to providing 75% funding for any lost income, this support is no longer available. Consequently all future losses will have to be funded by the Council.
- Impact on homelessness caseload. The Council has recently seen an upswing in cases and as a result has increased the budget by

£150,000. There remains a risk that demand and associated costs may increase further over the coming year.

- Additional staffing costs. Currently there are a number of areas where it is proving difficult to recruit new staff, consequently there is increasing pressure on staffing budgets.

5.2.3 In light of these risks, these resources have been set aside into a Covid 19 contingency budget which will also be available to support initiatives for economic recovery.

5.3 ***Delivering the Council's priorities:***

5.3.1 The budget is fundamental to realising the Council's ambitions set out in 'Platforms for our Places : Going further 2020-2023' and in 'And Then'. The budget enables the Council's role to lead and work with partners to develop our communities and our economies. Attached at Appendix 2 are some proposals for investment back into services to deliver the outcomes committed to in Platforms for our Places for member consideration.

5.3.2 The budget includes specific funding for the commitments outlined in Platforms for our Places. Examples include:

5.3.3 **Prosperous places**

The Council recognises the importance of ongoing investment in our places to ensure that they remain vibrant locations for social, economic and culture hubs for our communities. Budgets have been created to facilitate the delivery of major projects to enable the development of Adur's town centres and provide for additional employment land.

There is also investment through the capital programme, investing in facilities to improve the local economy.

5.3.4 **Thriving People and Communities**

The Council continues to see an increase in demand for our Housing Service, in particular from those who are experiencing homelessness. The Council has made funding available for new investments to acquire Council-owned temporary and emergency accommodation to improve the accommodation offered to clients and reduce the costs for the Council.

The Councils are also aware of the importance of our communities to have active lives and enjoy our parks and open spaces. Funding is proposed to improve parks and play areas throughout the area to promote health and wellbeing of our communities through the capital programme.

5.3.3 **Tackling Climate Change and Supporting our Natural Environment**

In July 2019 the Councils declared a climate emergency and have developed a comprehensive Carbon Reduction Plan, outlining a set of ambitious and detailed actions designed to make the Councils carbon neutral by 2030.

Alongside the organisational work, the Councils have developed an area wide framework called SustainableAW which was published in December 2019. This was followed by a major community-led conference Zero2030 and a Climate Assembly process which provided a representative forum for residents over six one day sessions to engage with the climate and ecology challenge, creating ideas for action.

5.3.4 **Good Services and New Solutions**

Much of the Medium-Term Financial Strategy is underpinned by new approaches to how we design and deliver our services, and develop our commercial activities and investment portfolios. These approaches are not only designed to improve the financial sustainability of the Councils, but also the services that our communities, clients and customers experience. We will continue to invest in service improvement, using research and design methods to understand what needs to change in our services, working with staff to drive a customer first ethos and using our digital platforms to deliver simple, efficient digital service channels.

- 5.4 The final budget will be dependent on Members' consideration of the non-committed growth proposals, and the Council Tax increase that Members are prepared to support.
- 5.5 The key question of how the net budget requirement translates into the Council Tax charge can now be determined as the proposed details of the Local Government Finance Settlement have been received. Any final changes arising from settlement will be dealt with through the reserves. However, if there is a significant reduction in government resources, in-year action will be needed to reduce the final impact on the reserves.
- 5.6 Details of all of the main changes in the base budget from 2021/22 to 2022/23 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

| | £'000 | £'000 |
|--|-------|--------------|
| 2021/22 Original Estimate | | 9,581 |
| Add: General Pay and Price Increases | | 451 |
| Add: Committed and Unavoidable Growth: | | |
| Net reduction in Cost pressures relating to Covid 19 | -595 | |
| One-off Covid 19 contingency budget and other one-off budgets funded by one-off government grants | 175 | |
| Impact of delivering Platforms | 34 | |
| Other committed growth | 183 | |
| Increased Expenditure as per 5 year forecast (net of any proposed use of reserves) | -203 | |
| Reduced income due to Covid 19 | 52 | |
| Impact of Capital Investment and Development Programme | 114 | -37 |
| Less: Compensatory savings and additional Income: | | |
| Compensatory savings | -145 | |
| Additional income | 0 | -145 |
| 2022/23 budget prior to agreed savings | | 9,850 |
| Less: Savings agreed by members | | |
| Approved in December | -168 | -168 |
| Executive Member requirements | | 9,682 |
| Potential contribution to reserves / amount available to invest in services (see Appendix 2)* | | 60 |
| Potential budget requirement before external support | | 9,742 |
| Collection fund deficit | | 99 |
| 2022/23 BUDGET REQUIREMENT | | 9,841 |
| <p>* The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the proposals to invest in services at Appendix 2 and the Council Tax increase.</p> | | |

- 5.7 The estimates reflect the Council's share of the Joint Strategic Committee budget. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year for any significant changes.

Further details can be provided by request from Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

- 5.8 The projected deficit on the Council Tax element of the Collection Fund is estimated to be £897,600, of which £137,230 is the District Council share. The deficit carried forward from 2020/21 must be spread over the three years 2021/22 - 2023/24 and so an element of the deficit relating to 2020/21 will be recouped in 2023/24. Consequently, current deficit will be recouped as follows:

| | 2022/23 | 2023/24 |
|------------------|----------|----------|
| | £ | £ |
| Adur DC | -99,030 | -38,200 |
| West Sussex CC | -480,380 | -185,290 |
| Sussex Police CC | -68,340 | -26,360 |
| | <hr/> | <hr/> |
| | -647,600 | -249,850 |

The deficit reflects the impact that the Pandemic is having on the amount of Council Tax Discounts claimed and the level of debt outstanding. The Government committed to support any 2020/21 deficits through the Local Taxation Compensation Scheme. The Council received a grant of £181,000 in 2020/21 which will be used over the three years to offset the losses incurred during the year.

- 5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Whether to accept the growth items detailed in Appendix 2?

The decisions made today will be reflected in the budget papers presented to Council.

5.10 The Council Tax increase:

- 5.10.1 The decision over the level of increase to the Council Tax influences not only the current budget but future budgets as well. Over the past 10 years, the Council Tax has been increased by 12.24%, an average of 13.35% per year (in 2011/12 the average Band D tax was £274.72, in 2021/22 it was £311.40). Over the equivalent period, inflation (CPI) has been 18.66%.

5.10.2 The budget forecast currently assumes that Council Tax will increase by just under 2.0% in 2022/23. The most recent inflation index was 5.4% (CPI in December 2021) and so the forecast rate is significantly below current inflation rates.

5.10.3 A 2% uplift would only be a modest increase in the Council share of the bill for 2022/23. The table below details how the average Council Tax will change as a result of a 1%, 1.5%, 1.8% and just under 2% increase.

| | 2021/22 | Average annual increase for 2022/23 | | | |
|---|---------|-------------------------------------|---------|---------|---------|
| | | 1% | 1.5% | 1.75% | 1.99% |
| | £ | £ | £ | £ | £ |
| Council Tax Band D | 311.40 | 314.51 | 316.07 | 316.85 | 317.61 |
| Annual increase | | 3.11 | 4.67 | 5.45 | 6.21 |
| Weekly increase | | 0.06 | 0.09 | 0.10 | 0.12 |
| Council Tax Band C | 276.8 | 279.56 | 280.95 | 281.64 | 282.32 |
| Average annual increase | | 2.76 | 4.15 | 4.84 | 5.52 |
| Average weekly increase | | 0.05 | 0.08 | 0.09 | 0.11 |
| Total additional Council Tax raised | | 67,480 | 101,330 | 118,260 | 134,750 |
| Additional Council Tax raised over a 1% increase | | | 33,850 | 50,780 | 67,270 |

5.10.4 Members should also be aware that the Police and Crime Commissioner has previously consulted on a £10.00 (4.65%) increase for their share of the overall bill. Whilst the level of increase to be set by the County Council is unknown at this stage, given the financial pressures that the County is under, there are indications that the increase will be close to the maximum permitted (3%). Consequently, the total overall increase in the average Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed could be close to 3%:

| | 2021/22 | 2022/23 (Indicative only) | % |
|--------------------------------------|----------|------------------------------|-------|
| | £ | £ | |
| Adur District Council | 311.40 | 317.61 | 1.99% |
| West Sussex County Council | 1,510.56 | 1,555.83 | 2.99% |
| Sussex Police and Crime Commissioner | 214.91 | 224.91 | 4.65% |
| | 2,036.87 | 2,098.35 | 3.02% |

5.10.5 The decision to raise Council Tax influences not just the 2022/23 budget but future years and should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to setting a Council Tax increase significantly lower than the maximum permitted. This is particularly significant at the moment given the scale of the withdrawal of government funding the Council will contend with over the next 2 - 3 years following the introduction of the fairer funding review. Potentially the next few years are financially challenging with significant savings required in each financial year of:

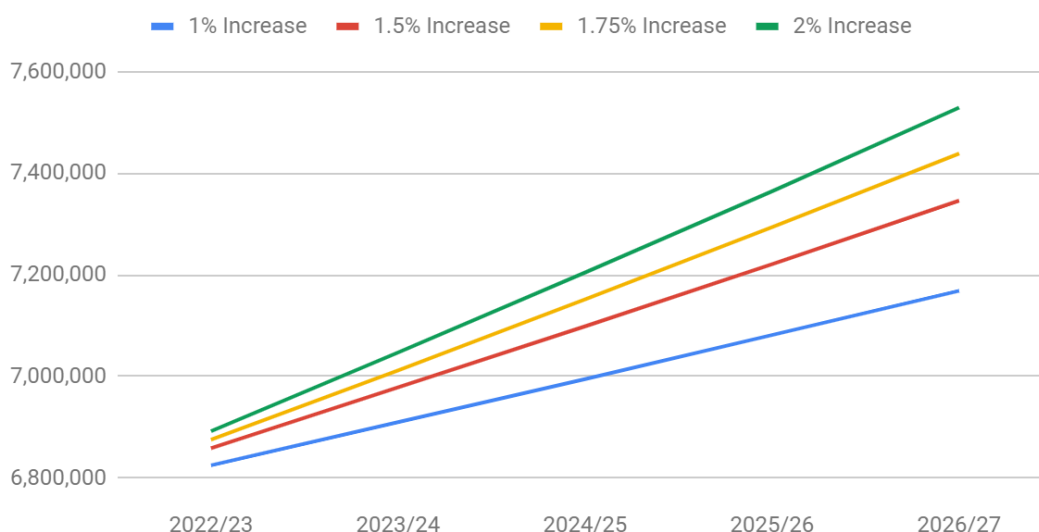
| Estimated budget shortfall | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 | 2026/27 £'000 |
|----------------------------|------------------|------------------|------------------|------------------|
| Annual saving | 1,151 | 144 | 356 | 340 |
| Cumulative Savings | 1,151 | 1,295 | 1,651 | 1,991 |

5.10.6 The impact of changing the Council Tax by 1%, 1.5%, 1.75% and 2.00% annually would be as follows:

| Total income | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|-----------------------|-----------|-----------|-----------|-----------|-----------|
| | £ | £ | £ | £ | £ |
| 1% annual increase | 6,824,770 | 6,909,880 | 6,994,430 | 7,081,270 | 7,168,430 |
| 1.5% annual increase | 6,858,620 | 6,978,390 | 7,098,420 | 7,220,890 | 7,345,820 |
| 1.75% annual increase | 6,875,550 | 7,011,670 | 7,151,390 | 7,293,650 | 7,438,450 |
| 2% annual increase | 6,892,040 | 7,046,900 | 7,204,360 | 7,364,440 | 7,529,120 |

Over the longer term, a higher increase will give the Council significant additional income:

Adur District Council - Long term impact of Council Tax increases



5.10.6 Members are asked to consider which level of Council Tax increase that they support. An increase just under 2.00% would enable the Council to set a balanced budget and fund all of the proposals for investment in services recommended for approval in Appendix 2. However, if a lower rate is set, then additional savings will have to be identified to fund the financial consequences as it would be inappropriate to use the reserves to balance the budget.

5.10.7 At this late stage in the budget process, it would be difficult to make any decisions that result in service reductions as these should be the subject of consultation, however the option remains to defer projects or the proposed investments into services to generate an in-year saving and fund the desired level of Council Tax increase.

5.11 **Summary of budget position**

Depending on the choices made regarding the Council Tax increase and the new growth items; the overall budget position will be (based on a 1.99% increase):

| | | |
|---|--------|----------------|
| Net budget requirement | £'000 | £'000 9,682 |
| Less: | | |
| Baseline Funding | -1,767 | |
| Share of additional Business Rate income | -766 | |
| Council Tax (1.99% increase) | -6,892 | |
| Other grants | -416 | |
| Collection Fund Deficit | 99 | -9,642 |
| Budget surplus based on 1.99% Council Tax increase | | -60 |
| Maximum impact of accepting the growth items (Appendix 2) | | 60 |
| Budget balanced at a 1.99% Council Tax increase | | - |

6.0 **IMPACT ON FUTURE YEARS**

6.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown in Appendix 1 (which includes an assumed 1.99% tax increase for 2022/23 which is to be considered as part of this report). The settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

| | Expected shortfall (Cumulative) | | | | |
|--|---------------------------------|---------|---------|---------|---------|
| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Budget shortfall prior to approving growth | 108 | 1,259 | 1,403 | 1,759 | 2,099 |
| Impact of accepting the growth items at appendix 2 | 60 | 60 | 60 | 60 | 60 |
| Cumulative budget shortfall as per appendix 1 | 168 | 1,319 | 1,463 | 1,819 | 2,159 |
| Less: | | | | | |
| Net savings identified in 2021/22 budget round | -168 | -168 | -168 | -168 | -168 |
| Adjusted cumulative budget shortfall | - | 1,151 | 1,295 | 1,651 | 1,991 |
| Savings required each year | - | 1,151 | 144 | 356 | 340 |

6.2 The continuation of the withdrawal of government funding has significant consequences for the Council . Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Councils services. There are potentially three benefits which flow from an improving economy and which will directly improve the council's financial position:

- Increased income from business rates which is discussed fully in section 4 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;

6.3 However, these measures are unlikely to be enough. The Council has previously approved a budget strategy to:

- Generate £150k more commercial income per year;
- Rationalise the use of assets to reduce running costs and generate opportunities for disposal;
- Invest in new assets where these provide the opportunity to improve the local economy, the supply of housing or to reduce our carbon footprint;
- Promote efficiency whether this is through the digital strategy or by improving customer service; and
- Reducing the cost of temporary and emergency accommodation.

Overall, if the Council delivers upon the current budget strategy then the level of new initiatives required each year to balance the budget will reduce as follows:

| | Expected shortfall per year | | | |
|---|-----------------------------|---------|---------|---------|
| | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | £'000 | £'000 | £'000 | £'000 |
| Annual budget shortfall | 1,151 | 144 | 356 | 340 |
| Future savings from budget strategy: | | | | |
| Investment in new assets | -100 | -100 | -100 | -100 |
| Commercial activities | -150 | -150 | -150 | -150 |
| Service and digital redesign | -80 | -80 | -80 | -80 |
| Asset rationalisation and disposal programme | -30 | -30 | -70 | -70 |
| Excess savings (-) / new savings initiatives to be identified | 791 | -216 | -44 | -10 |
| | | | | |

- 6.4 With the delay to the fairer funding review, the challenge has now moved onto 2023/24 which becomes a more challenging year. Given the scale of savings that the Council needs to deliver from 2023/24 onwards, it is intended to do a full refresh of the strategy to ensure the Council meets the challenges of the next few years and continues to set a budget without reliance on reserves.

7.0 RESERVES

- 7.1 Sections 26 and 27 of The Local Government Act 2003 require the Council's Chief Financial Officer to comment on the adequacy of the Council's reserves. The reserves have therefore been reviewed in accordance with best practice.
- 7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The General Fund Working Balance which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. unexpected increases in the demand for services or losses in income); and Earmarked Reserves which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.
- 7.3 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance as at 31st March 2021 is £951,400. The working balance was increased in 2019/20 to mitigate the additional risks that the Council is carrying in the light

of the pandemic. The balance is 9.9% of net 2021/22 revenue expenditure and is in the upper part of the range of 6% -10% set by the Council. There are no plans to draw down from the working balance other than to fund any potential overspend from 2021/22 and if needed this reserve will be boosted over the next few years from any in-year underspend to ensure that it remains sufficient to manage risks.

The year-end level on the General Fund Working Balance for the foreseeable future, therefore, is estimated as follows:

| | | £'000 | % |
|------------|---|-------|-----|
| 31.03.2021 | Balance carried forward – per Final Accounts | 951 | 9.9 |
| 31.03.2022 | Use of reserves expected to fund the potential 2021/22 overspend. | 909 | 9.3 |
| 31.03.2023 | No planned drawdown or contribution expected | 909 | 9.8 |
| 31.03.2024 | No planned drawdown or contribution expected | 909 | 9.6 |
| 31.03.2025 | No planned drawdown or contribution expected | 909 | 9.4 |

7.4 On the basis of the year-end figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, I believe the working balance is adequate for its purpose. In forming this view I have considered the following factors:

1. The Government has provided additional funding for 2022/23 which has been placed into a contingency budget to enable the Council to manage financial risks next year.
2. The Council has created specific budgets to manage any void losses related to commercial property and where there are likely to be ongoing losses these have been built into the revenue budget.
3. Interest rates are extremely low at present (0.25% base rate) and this has been reflected in our budgets. A further fall in interest rates of 0.1% would cost the Council in a region of £14,000 in 2022/23 in lost investment income.
4. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £108,800.

6. Any use of the working balance would be difficult to recoup in the short term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate and the impact of the pandemic, it is important that the Council maintains its reserves at the planned amount for the foreseeable future.

- 7.5 However, with the planned expansion of commercial activity, especially the investment in commercial property, the council has taken two other measures to further manage risk and bolster the reserves:

- i) As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund future investment needs. The annual provision will be £650,000 in 2022/23. This provision will be gradually built up over the next 5 years to a level of £1,050,000 per year by 2026/27.
- ii) Following the LGA peer review, there was a change in approach to the management of general inflation (excluding inflation on items such as salaries, rates, utilities, and contractual commitments). This is no longer allocated out this year but held centrally in the Corporate Management budget. This budget will be allocated out where the inflationary pressure can be demonstrated. Any unutilised budget at the year end will be transferred to the reserves and the budget offered up as a budget saving for the forthcoming year. This also provides a contingency budget for in-year pressures.

- 7.6 In the medium term, once the challenges of the next couple of years have been addressed, the council should review the position and take proactive steps to further bolster the overall reserves.

- 7.7 The estimated balance of general fund earmarked reserves as at 31st March, 2022 is £979,000, excluding the Business Rates Smoothing Reserve, any Section 106 sums held for future environmental improvements, grants, and any specific capital resources. Overall, the level of reserves held by the Councils is expected to improve over the forthcoming years as follows:

| | Balance as at 31st March | | | | |
|----------------------------------|--------------------------|--------------|--------------|--------------|--------------|
| | 2021 Actual | 2022 Est. | 2023 Est. | 2024 Est. | 2025 Est. |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General Earmarked Reserves | 1,486 | 979 | 1,570 | 2,303 | 3,153 |
| Business Rates Smoothing Reserve | 3,768 | 663 | 297 | 166 | 166 |
| Grants and Contributions | 1,343 | 1,343 | 1,343 | 1,343 | 1,343 |
| Total earmarked reserves | 6,597 | 2,985 | 3,210 | 3,812 | 4,662 |
| General Fund Working Balance | 952 | 910 | 910 | 910 | 910 |
| Total reserves | 7,549 | 3,895 | 4,120 | 4,722 | 5,572 |

A detailed schedule of the earmarked reserves is attached at Appendix 3. The significant risks to the overall budget and the Council's reserves are detailed below.

- 7.8 Given the relatively low level of reserves, it is now critical that these reserves be used only as a funding resource of last resort until such time as the reserve level has recovered to some extent. The Council has over the past year minimised new calls on such resources, utilising the ability to use capital receipts to fund initiatives to generate budget savings where possible.
- 7.9 In all probability, the Council will continue to have occasional opportunities to put money into earmarked reserves rather than solely to drawdown on a planned basis. Even without this, I believe the earmarked revenue reserves are adequate for their particular purposes provided that they are used sparingly.
- 7.10 However the size and nature of the risks to the overall budget leaves the Council with little room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of spending its scarce earmarked reserves on:
- supporting one-off rather than recurring revenue expenditure;
 - dealing with short-term pressures in the revenue budget; and
 - managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

- 8.1 Members will be aware that there are several risks to the Council's overall budget. These can be summarised as follows:-

(i) **Pandemic**

The risks associated with the pandemic are set out in detail in paragraph 5.2.2. However in summary we are expecting risks in a number of areas - income, cost of housing provision, impact on cost of contracts, and additional staffing costs. Wherever possible allowance has been built into the budget to accommodate these risks, but the scale of the challenge may be greater than expected.

(ii) **Withdrawal of funding by partners**

All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

- (iii) **Income** - The Council receives income from a number of services which will be affected by demand particularly at the moment due to the impact of the pandemic. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known further reductions in income have been built into the proposed budgets for 2022/23: the pace of recovery may be slower than anticipated; income may fall further than expected; or new targets for commercial income may not be met.

The Council is investing in new commercial property, as leases expire there is an increased risk of loss of income from voids. To mitigate this risk the Council has introduced an annual provision for void rents which will be £650,000 in 2022/23. This will be increased annually in line with the level of investment in the property portfolio and the associated risk.

- (iv) **Inflation** - A provision for 2% inflation has been built into pay and non-pay budgets. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2022/23, there is a risk that inflation will run at a higher rate than allowed for within the budget. Each 1% increase in inflation is equivalent to the following amount:

| | 1% increase |
|---------|-------------|
| | £'000 |
| Pay | 108 |
| Non-pay | 46 |

- 8.2 To help manage these risks, the Council has created a contingency budget of £120,000. The Council also has a working balance of £951,000 and £1.0m of other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

- 9.1 The Council ran a detailed consultation exercise which supported the proposed five year budget strategy. In light of this, no consultation exercise was undertaken this year.
- 9.2 Officers and members have been consulted on the development of the budget.

10.0 UPDATE TO PRUDENTIAL INDICATORS

- 10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2022/23 and future years.
- 10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake.
- 10.3 The Code of Practice has been revised with a new code due to be introduced for 2023/24. The freedom for local authorities to set the scope and size of their capital plans remains unrestricted, but the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through the governance procedures. There is also stronger guidance on commerciality which effectively prohibits solely commercial investment and requires the Council to regularly review current commercial investments. However this change was pressaged by the new rules surrounding borrowing from the PWLB and the Council has long since adapted its property investment criteria.
- 10.4 The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. These are included with the annual Treasury Management Strategy Statement which is due to be considered by JSC on the 8th February 2022 and which will be included in the Council budget pack for approval.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.

11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient which has been considered in detail on section 7 of the report.
- Creating contingency budgets to help manage the greater risks associated with the pandemic as set out in paragraph 5.2.2

11.3 Overall view on the robustness of the estimates:

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves. The exceptions relate to:

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets particularly at the moment given the pandemic, e.g. car parks and development control fees.
 - External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
 - Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.

- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a robust budget monitoring regime during 2022/23.

- 11.4 The Chief Financial Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Council has also demonstrated that it has a sound system of financial management in place.

12.0 COUNCIL TAX SETTING

- 12.1 The Council is obliged to raise the balance of its resources, after allowing for any government grant and business rates, to finance the General Fund Revenue Budget from its local Council Taxpayers. The Adur District Council Tax will be added to the Precepts from West Sussex County Council and the Sussex Police and Crime Commissioner to form a combined Council Tax to levy on the taxpayers of Adur. This will be formally approved by Council on the 24th February 2022 via a report on the Council Tax Determination. The following paragraphs brief members on the overall content of the determination and seeks approval for both the tax base and special expenses.
- 12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2022/23 Budget, the resulting Council Tax for the District can be set. This takes into account the Total Aggregate External Finance (Government grants and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.3 Adur District Council:

- (a) The following table shows the net sum to be raised from local Council Taxpayers in 2022/23 prior to the consideration of the budget proposals. This is based on 1.99% Council Tax increase, the maximum increase permitted without triggering the requirement for a referendum:

| | | |
|---|------------|------------|
| | £ | £ |
| Net 2022/23 Budget * | | 9,682,460 |
| Less: Aggregate External Finance | | |
| Baseline Funding | -1,767,150 | |
| Additional Retained Business Rate income | -765,580 | |
| New Homes Bonus | -156,520 | |
| Lower Tier Services Grant | -79,270 | |
| Services Grant | -121,820 | |
| Local Tax Guarantee Scheme - use of set aside grant | -59,010 | |
| Contribution to the Collection Fund deficit (as per paragraph 5.8) | 99,030 | |
| Total Aggregate External Finance | | -2,850,320 |
| Minimum amount to be raised from Council Tax | | 6,832,140 |
| Net additional impact of proposals identified in Appendix 2 if all approved | | 59,900 |
| Amount to be raised from Council Tax based on 1.99% Council Tax | | 6,892,040 |

- * 2022/23 budget requirement after any contribution to or from reserves required to balance the budget or any further increase to Council Tax.

Within section 5 of the report, members are given the options for the Council Tax and approving the service investment proposals.

(b) Council Tax Base

The Council's Tax base for 2022/23 is 21,699.70 Band D equivalent properties. There is an increase to the current year base of 21,232.80 which is largely due to a decreasing level of Council Tax discounts. The full calculation of the tax base is shown in Appendix 4.

| | 2021/22 Tax Base | 2022/23 Tax Base |
|--------------|---------------------|---------------------|
| Lancing | 6,306.00 | 6,415.30 |
| Sompting | 2,755.40 | 2,759.90 |
| Other areas | 12,171.40 | 12,524.50 |
| TOTAL | 21,232.80 | 21,699.70 |

(c) Special Expenses

At the extraordinary meeting of Council held on 10th January 1995, Maintenance of recreation grounds and provision of community buildings were agreed as special expenses not chargeable in the Lancing area under the terms of section 35 of the Local Government Finance Act 1992. In 2022/23 expenditure of £386,140 (£364,260 in 2021/22) falls under the resolution and will need to be financed by a Band D tax of £25.29, to be charged in all areas of the District except Lancing.

(d) Adur District Council Band D Council Tax

In Section 5.10, the options for the Council Tax increase are discussed in detail. An average Council Tax increase of 1.24% will ensure that the Council has a balanced budget, an average increase of 1.99% will lever in sufficient additional resources to fund the service investment proposals recommended for approval at Appendix 2 and deliver a balanced budget.

The actual amount charged in each area will depend on whether Special Expenses is charged and the level of the Basic Council Tax. The final agreed amounts will be incorporated into the Council Tax determination.

| Area | 2021/22 | 2022/23 (Average 1% increase) | 2022/23 (Average 1.5% increase) | 2022/23 (Average 1.75% increase) | 2022/23 (Average 1.98% increase) |
|------------------------------------|---------|--|--|---|---|
| | £ | £ | £ | £ | £ |
| Lancing - Basic Council Tax | 294.21 | 296.73 | 298.26 | 299.07 | 299.79 |
| Percentage increase | | 0.86% | 1.38% | 1.65% | 1.90% |
| Annual increase (Band D) | | 2.52 | 4.05 | 4.86 | 5.58 |
| Weekly increase (Band D) | | 0.05 | 0.08 | 0.09 | 0.11 |

| Area | 2021/22 | 2022/23 (Average 1% increase) | 2022/23 (Average 1.5% increase) | 2022/23 (Average 1.75% increase) | 2022/23 (Average 1.98% increase) |
|---|---------|--|--|---|---|
| | £ | £ | £ | £ | £ |
| Shoreham, Southwick, Sompting and Coombes | | | | | |
| Basic Council Tax | 294.21 | 296.73 | 298.26 | 299.07 | 299.79 |
| Special Expenses | 24.03 | 25.29 | 25.29 | 25.29 | 25.29 |
| TOTAL in Shoreham, Southwick, Sompting and Coombes | 318.24 | 322.02 | 323.55 | 324.36 | 325.08 |
| Percentage increase | | 1.19% | 1.67% | 1.92% | 2.15% |
| Annual increase (Band D) | | 3.78 | 5.31 | 6.12 | 6.84 |
| Weekly increase (Band D) | | 0.07 | 0.10 | 0.12 | 0.13 |

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 18th February, 2022. The proposed Police and Crime 2022/23 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 28th January 2022.

| | 2021/22 £ | 2022/23 £ |
|----------------------------|-----------------|---------------|
| West Sussex County Council | 1,510.56 | t.b.c |
| Sussex Police Authority | 214.91 | t.b.c |
| TOTAL | 1,724.47 | t.b.c. |

12.5 The final figures for all authorities including the parish councils will be incorporated into the formal Council Tax setting resolution to be presented to the Council at its meeting on 24th February 2022.

13.0 LEGAL IMPLICATIONS

- 13.1 The Local Government Act 2003 requires that the Council sets a balanced budget. This report demonstrates how Adur District Council will meet this requirement for 2022/23.

14.0 CONCLUSION

- 14.1 This has been another challenging year in which the Council has had to address a budget shortfall of £0.168m whilst contending with a pandemic. The Government is providing more support in 2022/23 however much of this support is one-off in nature, consequently these additional resources have been set aside to support the Council in managing the risks associated with the pandemic. To meet this challenge the Council has identified £0.168m of savings and is now in the position to set a balanced budget.
- 14.2 With the further delay to the Fair Funding Review, the financial challenge now moves to 2023/24. It is now clear that the Government does intend to introduce the Fairer Funding review for 2023/24 although there may well be some form of transitional relief as we move from one funding system to another. Consequently we must prepare the Council for the impact of the review and so the budget round will again be difficult as the Council grapples with the impact of reducing government funding, the continued impact of the Pandemic on our finances and the building capacity to invest in the initiatives detailed in Platform for our Places. Consequently, the strategy of delivering commercial income growth and business efficiencies continues to play a vital role in balancing the budget. Nevertheless, given the scale of the potential challenges ahead, a refreshed budget strategy will be presented in July next year which will bring forward new savings initiatives.
- 14.3 Provided we continue to deliver on this strategy, the Council will become increasingly financially resilient over the next 5-10 years as government funding reduces and we become largely funded by our community through Council Tax, retained Business Rates and income from our commercial services.
- 14.4 The aims of 'Platforms for our Places' are critical to our success. Developing the local economy to increase employment space and local jobs together with the provision of new homes is one of the strategic measures that the Council can take to protect its longer term financial interests, however there will inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.
- 14.5 There will need to be a sharp focus on financial health over the next couple of years whilst we balance the budget and rebuild the reserves. However, we must not forget that the Council has a good track record in dealing with such challenges

14.6 Finally, in preparing the strategy and forecast for 2022/23 an assessment was carried out of the significant risks and opportunities which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.

Local Government Act 1972

Background Papers:

Report to the Joint Strategic Committee 7th December 2021 'Towards a sustainable financial position - Budget update '

Report to the Joint Strategic Committee 7th December 2021 'Investing in our Places : Capital Programme 2021/22 to 2023/24'

Local Authority Finance (England) Settlement Revenue Support Grant for 2022/23 and Related Matters: MHCLG Letters and associated papers of 16th December 2021.

2021 Spending Review – On-the-day briefing

Local Government Act 2003 and Explanatory Note

"Guidance Note on Local Authority Reserves and Balances" – LAAP Bulletin No. 77 - CIPFA -published in November 2008

Statement of Accounts 2020/21

Report to Joint Strategic Committee 7th December 2021 – 2nd Revenue Budget Monitoring Report (Q2)

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

| ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2021/22 - 2026/27 | | | | | | |
|---|-----------------|--------------|---------------|---------------|---------------|---------------|
| Net Spending to be Financed from Taxation | 2021/22 Base | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Base budget | 9,581 | 9,581 | 9,581 | 9,581 | 9,581 | 9,581 |
| (a) Annual Inflation | | | | | | |
| Estimated inflation | | 303 | 604 | 904 | 1,196 | 1,495 |
| Impact of 2021/22 pay rise | | 10 | 10 | 10 | 10 | 10 |
| Impact of new increase to national insurance (1.25%) | | 138 | 141 | 144 | 147 | 150 |
| (b) One -off / non-recurring items | | | | | | |
| Local Elections (held every other year) | | (18) | - | (19) | - | (20) |
| (c) Impact of Covid 19 pandemic | | | | | | |
| Delay to Fairer Funding Review - Homeless funding to continue for 2022/23 | | - | 297 | 297 | 297 | 297 |
| Impact of new leisure contract | | (205) | (223) | (322) | (322) | (322) |
| Removal of one-off budgets: | | | | | | |
| Council Tax Support - discretionary reliefs | | (111) | (111) | (111) | (111) | (111) |
| 2021/22 Covid 19 contingency budget | | (447) | (447) | (447) | (447) | (447) |
| Increasing demand on homelessness budgets | | 150 | 150 | 150 | 150 | 150 |
| 2022/23 Covid contingency budget | | 120 | - | - | - | - |
| One-off costs associated with the Local Plan | | 55 | | | | |
| Reduction in car parking income due to extended pandemic measures. | | 52 | 26 | - | - | - |
| Unachieved saving in 2021/22 due to impact of pandemic | | 18 | 18 | 18 | 18 | 18 |
| (d) Impact of funding 'Platforms' | | | | | | |
| Measures to reduce waste - Impact of the Environment bill | | - | 72 | 72 | 72 | 72 |
| Bike share scheme | | 34 | 60 | 60 | 60 | 60 |
| Heat Network | | - | - | 10 | 10 | 10 |
| (e) Capital Programme and Treasury Management | | | | | | |
| Capital programme financing costs | | 220 | 293 | 350 | 500 | 675 |
| Impact of AW workspaces project | | (106) | (106) | (106) | (106) | (106) |
| Investment income | | - | (40) | (82) | (126) | (171) |
| (f) Other items | | | | | | |
| Reduction in pension contributions: | | | | | | |
| Back-funded pension payment reduction | | (52) | (52) | (52) | (52) | (52) |
| Reduction in pension contributions rate | | (75) | (76) | (78) | (78) | (78) |
| Building maintenance | | 25 | 25 | 25 | 25 | 25 |
| Increase in tipping charges due to new contract | | 45 | 45 | 45 | 45 | 45 |
| Allowance for committed growth items approved in December | | 113 | 183 | 253 | 323 | 393 |
| (g) Service investment proposals (see appendix 2) | | 60 | 130 | 200 | 270 | 340 |
| Total Cabinet Member Requirements | 9,581 | 9,910 | 10,580 | 10,902 | 11,462 | 12,014 |

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2021/22 - 2026/27

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|--------------|--------------|---------------|---------------|---------------|---------------|
| | Base | | | | | |
| Net Spending to be Financed from Taxation | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Total Cabinet Member Requirements B/fwd | 9,581 | 9,910 | 10,580 | 10,902 | 11,462 | 12,014 |
| Funding from taxation | | | | | | |
| Baseline funding | 1,767 | 1,767 | 1,802 | 1,838 | 1,875 | 1,913 |
| Add: Retained additional business rates | 668 | 766 | 391 | 397 | 403 | 413 |
| Add: Share of previous year's surplus / (deficit) after use of business smoothing reserve | | - | | | | |
| Adjusted Baseline funding | 2,435 | 2,533 | 2,193 | 2,235 | 2,278 | 2,326 |
| Council Tax income | 6,612 | 6,892 | 7,047 | 7,204 | 7,365 | 7,529 |
| Other grants | | | | | | |
| New homes bonus (2019/20 - 2022/23) | 10 | 10 | - | - | - | - |
| New homes bonus (2021/22) | 8 | - | - | - | - | - |
| New homes bonus (2022/23) | - | 147 | - | - | - | - |
| Total NHB | 18 | 157 | - | - | - | - |
| Lower Tier Services Grant | 75 | 79 | - | - | - | - |
| Local Tax Guarantee Scheme - Council Tax | 63 | 59 | 59 | | | |
| Covid 19 Funding Allocation | 322 | - | - | - | - | - |
| Covid 19 Funding - Council Tax Support Grant | 111 | - | - | - | - | - |
| Services Grant | - | 121 | - | - | - | - |
| Collection fund surplus/deficit (-) | (55) | (99) | (38) | | - | - |
| Total other grants and contributions | 534 | 317 | 21 | - | - | - |
| Total Income from Grants and Taxation | 9,581 | 9,742 | 9,261 | 9,439 | 9,643 | 9,855 |
| AMOUNT REQUIRED TO BALANCE BUDGET | - | 168 | 1,319 | 1,463 | 1,819 | 2,159 |
| Savings strategy: | | | | | | |
| Strategic Property Investment Fund | | | | | | |
| Future developments | | | 200 | 400 | 600 | 800 |
| Provision for future voids | | (100) | (200) | (300) | (400) | (500) |
| Commercial and Customer Activities | | 64 | 214 | 364 | 514 | 664 |
| Service and Digital redesign | | 2 | 82 | 162 | 242 | 322 |
| Commercial Landlord Programme | | 100 | 130 | 160 | 230 | 230 |
| Other efficiency savings (net of growth) | | 102 | 102 | 102 | 102 | 102 |
| Total initiatives identified | | 168 | 528 | 888 | 1,288 | 1,618 |
| Cumulative savings still to be found/ (surplus) | | - | 791 | 575 | 531 | 541 |
| Annual savings still to be found | | - | 791 | (216) | (44) | 10 |

| | | <i>Expected cost (cumulative)</i> | | | | | | | | |
|---|--------------|-----------------------------------|---------------|-----------------|--------------------------|---------------|-----------------|--------------------------|---------------|-----------------|
| | | 2022/23 | | | 2023/24 | | | 2024/25 | | |
| Service reinvestment proposal | Grade | <i>Joint (memo only)</i> | Adur | Worthing | <i>Joint (memo only)</i> | Adur | Worthing | <i>Joint (memo only)</i> | Adur | Worthing |
| Democratic Services Officer Additional capacity to support the new Committee and additional meetings now required. | 7 | 39,970 | 15,990 | 23,980 | 47,960 | 19,180 | 28,780 | 47,960 | 19,180 | 28,780 |
| Assistant Waste Manager Additional capacity within the waste team to support the introduction of the requirements of the Environment Act | 8 | 54,830 | 19,740 | 35,090 | 54,830 | 19,740 | 35,090 | 54,830 | 19,740 | 35,090 |
| Transformation programme manager Additional capacity to support the redesign of the organisation and subsequent transformation programme. | 12 | 96,680 | 48,340 | 48,340 | 96,690 | 48,340 | 48,340 | 96,690 | 48,350 | 48,340 |
| Less: Contribution from the HRA (50% in 2022/23 and 2023/24) | | -48,340 | -24,170 | -24,170 | -48,345 | -24,170 | -24,170 | | | |
| Overall cost of new proposals | | 143,140 | 59,900 | 83,240 | 151,135 | 63,090 | 88,040 | 199,480 | 87,270 | 112,210 |

| SCHEDULE OF EARMARKED RESERVES | | | | | | | |
|--|------------------------|-----------------------|---------------------|---------------------------------|-----------------------|---------------------|---------------------------------|
| Reserve | Balance as at 01.04.21 | Planned Contributions | Planned Withdrawals | Forecast Balance as at 01.04.22 | Planned Contributions | Planned Withdrawals | Forecast Balance as at 31.03.23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 1 CAPACITY ISSUES FUND Purpose: To enable the Council to fund one-off initiatives. | 674 | - | (250) | 424 | 100 | - | 524 |
| 2 INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives. | 147 | 31 | (31) | 147 | 30 | (30) | 147 |
| 3 PROPERTY INVESTMENT RISK RESERVE Purpose: To offset future void rental periods in investment properties and provide for maintenance. | 300 | - | (78) | 222 | 550 | - | 772 |
| 4. SPECIAL & OTHER EMERGENCY RESERVE Purpose: This will fund uninsured losses (eg storm damage) and any other strategic or unforeseen one-off expenditure which may arise. | 60 | - | - | 60 | - | - | 60 |

| SCHEDULE OF EARMARKED RESERVES | | | | | APPENDIX 3 | | |
|---|------------------------|-----------------------|---------------------|---------------------------------|-----------------------|---------------------|---------------------------------|
| Reserve | Balance as at 01.04.21 | Planned Contributions | Planned Withdrawals | Forecast Balance as at 01.04.22 | Planned Contributions | Planned Withdrawals | Forecast Balance as at 31.03.23 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| 5. ELECTION RESERVE Purpose: To replace and update election equipment | 8 | - | - | 8 | - | - | 8 |
| 6. BUSINESS RATES SMOOTHING RESERVE Purpose: This reserve is intended to smooth the impact of timing differences in the business rate system largely due to in-year changes to business rate reliefs . | 3,768 | - | (3,105) | 663 | - | (366) | 297 |
| 7. LOCAL TAX INCOME GUARANTEE Purpose: The council received grant funding in 2020/21 towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the 2020/21 losses are due to be funded by the general fund over the next three years (2021/22- 2023/24). This reserve will be used to offset losses over that period. | 297 | - | (179) | 118 | - | (59) | 59 |

| PROPERTY ANALYSIS AND CALCULATION OF TAX BASE - Budget year 2022/23 | | | | | | | | | | |
|---|-----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| Properties Ratio to Band D | Band A - 5/9 | Band A 6/9 | Band B 7/9 | Band C 8/9 | Band D 9/9 | Band E 11/9 | Band F 13/9 | Band G 15/9 | Band H 18/9 | Total |
| Number of Dwellings | 0.0 | 2,781.0 | 5,081.0 | 11,455.0 | 6,242.0 | 1,992.0 | 756.0 | 324.0 | 8.0 | 28,639.0 |
| Less: Exemptions | 0.0 | -90.0 | -87.0 | -118.0 | -61.0 | -20.0 | -5.0 | -1.0 | 0.0 | -382.0 |
| | 0.0 | 2,691.0 | 4,994.0 | 11,337.0 | 6,181.0 | 1,972.0 | 751.0 | 323.0 | 8.0 | 28,257.0 |
| Disabled Relief Adjustment (net) | 7.0 | 5.0 | 40.0 | -6.0 | -27.0 | -11.0 | 0.0 | -2.0 | -6.0 | 0.0 |
| Chargeable Dwellings | 7.0 | 2,696.0 | 5,034.0 | 11,331.0 | 6,154.0 | 1,961.0 | 751.0 | 321.0 | 2.0 | 28,257.0 |
| Broken down as follows: | | | | | | | | | | |
| Full Charge | 5.0 | 907.0 | 2,715.0 | 7,720.0 | 4,481.0 | 1,511.0 | 605.0 | 269.0 | 1.0 | 18,214.0 |
| 25% Discount (including adj for SP Dis) | 2.0 | 1,770.0 | 2,291.0 | 3,590.0 | 1,668.0 | 445.0 | 141.0 | 45.0 | 0.0 | 9,952.0 |
| 50% Discount | 0.0 | 6.0 | 4.0 | 12.0 | 4.0 | 3.0 | 5.0 | 7.0 | 0.0 | 41.0 |
| 0% Discount (Long Term Empty Homes) | 0.0 | 78.0 | 106.0 | 104.0 | 31.0 | 8.0 | 6.0 | 5.0 | 1.0 | 339.0 |
| Total Equivalent Number of Dwellings | 6.5 | 2,253.0 | 4,459.3 | 10,427.5 | 5,735.0 | 1,848.3 | 713.3 | 306.3 | 2.0 | 25,751.0 |
| Total Equivalent Number of Dwellings (after family annexe) | 6.5 | 2,258.4 | 4,483.8 | 10,436.5 | 5,736.0 | 1,850.3 | 713.3 | 306.3 | 3.0 | 25,793.9 |
| Reduction in tax base due to Council Tax Support | -2.2 | -658.9 | -879.2 | -974.8 | -239.2 | -36.2 | -3.8 | -1.6 | 0.0 | -2,795.9 |
| Adjusted equivalent total dwellings | 4.3 | 1,599.5 | 3,604.6 | 9,461.7 | 5,496.8 | 1,814.1 | 709.5 | 304.7 | 3.0 | 22,998.0 |
| Band D Equivalents | | | | | | | | | | |
| Revenue Support Settlement | 2.3 | 1,066.3 | 2,803.6 | 8,410.4 | 5,496.8 | 2,217.2 | 1,024.7 | 507.8 | 6.0 | 21,535.1 |
| Add: Forecast new homes | 0.0 | 36.0 | 22.9 | 107.6 | 50.0 | 37.9 | 1.4 | 0.0 | 0.0 | 255.8 |
| Less: Adjustments for Losses on Collection, and Void Properties | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Less: Allowance for further increase in Council Tax Support Claims | -0.0 | -17.6 | -27.4 | -34.6 | -9.6 | -1.8 | -0.1 | -0.1 | -0.0 | -91.2 |
| COUNCIL TAX BASE | 2.3 | 1,084.7 | 2,799.1 | 8,483.4 | 5,537.2 | 2,253.3 | 1,026.0 | 507.7 | 6.0 | 21,699.7 |

ADUR BUDGET 2022/2023 Summary of Executive Member Portfolios

APPENDIX 5

| EXECUTIVE PORTFOLIO | ESTIMATE 2021/2022 | ESTIMATE 2022/2023 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Environment | 2,952,860 | 3,073,880 |
| Health and Wellbeing | 1,336,850 | 1,355,950 |
| Customer Services | 1,459,500 | 1,556,680 |
| Leader | 1,054,800 | 699,440 |
| Regeneration | 1,630,370 | 1,748,130 |
| Resources | 249,940 | 55,760 |
| Support Services Depreciation Not Charged To Services | 255,570 | 382,180 |
| NET SERVICE EXPENDITURE | 8,939,890 | 8,872,020 |
| Credit Back Depreciation / Impairments | (1,504,540) | (1,534,510) |
| Minimum Revenue Provision | 2,145,950 | 2,344,950 |
| | 9,581,300 | 9,682,460 |
| Transfer to / from Reserves | - | - |
| Investment in Services to be Approved | - | 59,900 |
| Total budget requirement before external support from government | 9,581,300 | 9,742,360 |
| Baseline Funding | (1,767,150) | (1,767,150) |
| Additional business rate income | (668,700) | (765,580) |
| Lower Tier Services Grant | (75,260) | (79,270) |
| Local Tax Guarantee Scheme | (62,710) | (59,010) |
| Services Grant | - | (121,820) |
| Covid 19 Funding Allocation | (321,420) | - |
| Covid 19 Funding - Council Tax Support Grant | (111,060) | - |
| Other unfenced grants (New homes bonus) | (18,480) | (156,520) |
| Contribution to/ (from) Collection Fund | 55,370 | 99,030 |
| Amount required from Council Tax | 6,611,890 | 6,892,040 |
| Council Tax Base | 21,232.8 | 21,699.7 |
| Average Band D Council Tax - Adur District | 311.40 | 317.61 |
| % increase | 2.00% | 1.99% |