



ADUR DISTRICT COUNCIL

27 January 2020

Adur Executive	
Date:	4 February 2020
Time:	7.00 pm
Venue:	QEII Room, Shoreham Centre

Committee Membership: Councillors Neil Parkin (Chairman), Angus Dunn (Vice-Chairman), Carson Albury, Brian Boggis, Emma Evans and David Simmons

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.

In order for the Committee to provide the fullest answer, questions from the public should be submitted by **noon on Friday 31 January 2020**.

Where relevant notice of a question has not been given, the person presiding may either choose to give a response at the meeting or respond by undertaking to provide a written response within three working days.

Questions should be submitted 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: 2020/21 Budget (Pages 1 - 38)

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

5. Adur District Council Budget Estimates 2020/21 and setting of the 2020/21 Council Tax (Pages 39 - 106)

To consider a report from the Director for Digital & 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Part B - Not for Publication – Exempt Information Reports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 voice recording the meeting, including public question time. The 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:
Neil Terry Democratic Services Lead 01903 221073 neil.terry@adur-worthing.gov.uk	Susan Sale Solicitor to the Councils 01903 221119 susan.sale@adur-worthing.gov.uk

Duration of the Meeting: Four hours after the commencement of the meeting the Chairperson will adjourn the meeting to consider if it wishes to continue. A vote will be taken and a simple majority in favour will be necessary for the meeting to continue.



ADUR DISTRICT COUNCIL

Adur Executive
4 February 2020
Agenda Item 4

Key Decision [Yes/~~No~~]

Ward(s) Affected: All

Housing Revenue Account: 2020/21 Budget

Report by the Director for Digital & Resources and the Director of Communities

Executive Summary

1. Purpose

- 1.1 This report sets out current and future financial landscape for the Housing Revenue Account and requests that Members agree to set the rent levels and service charges for 2020/21 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 four years. However, the Council is now permitted to increase rents on social rent and affordable 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 2020/21
 - (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 2020/21 as set out in Appendix 1;
- (ii) approve that the rents of Council Dwellings will increase by 2.7% increasing the average council dwelling rent by £2.42 to £92.18 per week (average rent currently £90.02 per week) – (Paragraph 6.3);
- (iii) determine the level of associated rents and charges with effect from week one of 2020/21:
 - (a) **Rents of Council garages** – agree an increase of 2.7% to £10.57. (currently £10.29 per week, plus VAT for non-Council tenants) (Paragraph 6.6)
 - (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 main issues surrounding the budgets for the Housing Revenue Account to enable Members to set rent levels for 2020/21.
- 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 recently limitations on the level of rent that could be levied in the period 2016/17 – 2019/20.

- 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 Business Plan and informs members of the key budgetary assumptions which underpin the financial projections from 2020/21 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. We have now reached the end of the rent limitation and a new rental regime is being introduced for 2020/21 onwards.
- 3.6 The setting of rent levels is now an integral part of the financial planning decision making process. However, the Council are now allowed to increase rents by up to CPI + 1% for a period of at least 5 years. Consequently, officers are recommending the maximum increase of 2.7% to allow the HRA to gradually return to financial stability.
- 3.7 In April 2014 an Adur Homes Management Board (AHMB) was set up to support the delivery of the strategic objectives for Adur Homes. Members of the Board include the Executive Member for Customer Services and representatives from the Adur Consultative Forum. The Board, which included representatives from the Adur Consultative Forum, discussed the proposed budget for 2020/21 including the proposed rental increase. .
- 3.8 Adur Consultative 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.
- Legacy of rent limitation
 - Impact of Right to Buy and sale of higher value properties.
 - Changes to Housing Benefit and Welfare Reform

- Outcome of the condition survey (including fire protection works)
- Changes to accounting practice

4.2 Rent limitation

4.2.1 The rent limitation measures announced by the Chancellor in 2015 has had a profound impact on the HRA over the past four years and will continue 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 rental income as follows:

Financial year	Income including 1% reduction in 2016/17 - 2019/20 £'000	Income with inflationary increase (CPI + 1%) £'000	Income foregone £'000
2016/17	-12,246	-12,519	273
2017/18	-12,183	-12,845	662
2018/19	-11,992	-13,359	1,367
2019/20	-11,872	-13,760	1,888
2020/21	-12,228	-14,172	1,944

4.2.2 However, following a consultation on the future of rent setting, the Government confirmed that Council rents will now be under the scope of the Regulator of Social Housing who will set Rent Standards from April 2020. The Government considered that, with the changes to the welfare system, this approach provides the best option to control the welfare costs of social housing rents, protect the interests of existing social housing tenants, and ensure that providers have sufficient income to manage and maintain their properties, and to build new homes. Consequently the Council now has greater freedom in setting the rent for at least the next 5 years. The key features of the new rental arrangements are:

- Local authority registered providers will be able to increase rents by up to CPI + 1% each year for a period of at least five years.
- Local authorities to 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) will be 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 remains 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 with setting a deficit budget, and will therefore rely on the use of reserves over the next few years, 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 and Sale of Higher Value Properties**

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 - Estimate	2,552	2		15	2,537
2020/21 - Estimate	2,537	14		8	2,543
2021/22 - Estimate	2,543	44		8	2,579

- 4.3.2 For 2019/20 the signs are that interest from tenants in the possible take up of RTB sales continues at a constant level. 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 MHCLG 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 £82,800). 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 CLG 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%.

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.

4.3.7 Sale of higher value properties

4.3.7.1 In addition to the policy on Right to Buy, the Housing and Planning Act 2016 contains provisions that may require local authorities to make a payment to Government based on the estimated value of their high value vacant housing which will be used to fund the proposed extension of the Right to Buy to Housing Association tenants. In effect this would require councils to sell off their higher value council homes and return some of the funds raised to the Government.

4.3.7.2 The legislation will not mandate which specific properties the local authority will be required to sell. However, to fund the payment the Council will be obliged to sell housing properties as they become vacant.

4.3.7.4 To date the Secretary of State for Communities and Local Government has not required any Council to make such a payment. The Government has now accepted that this policy was not appropriate when there are increasing housing shortages for lower income households. The Government's green paper; A new deal for social housing, contained the following announcement:

We have been listening to councils about their concerns that the Government may decide to implement provisions contained in the Housing and Planning Act 2016 which would mean they have to make a payment in respect of their vacant higher value council homes and return some of the funds raised to the Government. Many councils have told us that without knowing for certain whether this policy might be implemented in future years, it is difficult to make long term investment decisions. The Government remains committed to the principle that councils should use their housing assets effectively and should consider selling high value homes and using the funding to build more affordable housing. However, this should be a decision to be made

locally, not mandated through legislation and we understand that the uncertainty around the future of this policy could prevent councils from building. Therefore, to increase councils' confidence to plan ambitious house building programmes, we are confirming in this Green Paper that the Government will not bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect

- 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 affordable housing units for rent in the area. 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. Recent announcements from Government have paused the next phase of this programme to move existing claimants onto Universal Credit.
- 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 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 will replace 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. 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 National Federation of Arm's-Length Management Organisations (NFA) and the Association for Retained Council Housing (ARCH), which together represent more than one million council homes in England, found the percentage of council home tenants in receipt of Universal Credit who are in rent arrears has increased by seven percentage points – from 79% in March 2017 to 86%. This compares with 39% of tenants in arrears who do not receive Universal Credit. The level of arrears for Adur Homes continues to be higher than benchmarked authorities, although it is not clear that this is a direct result of the impacts of welfare reform and universal credit. This will be a key focus of work for 2020.

4.4.6 The recent trend in Adur District Council shows that...

	2016/17	2017/18	2018/19	2019/20
Current tenant arrears (as % of rent due)	3.36%	3.37%	3.57%	3.63%

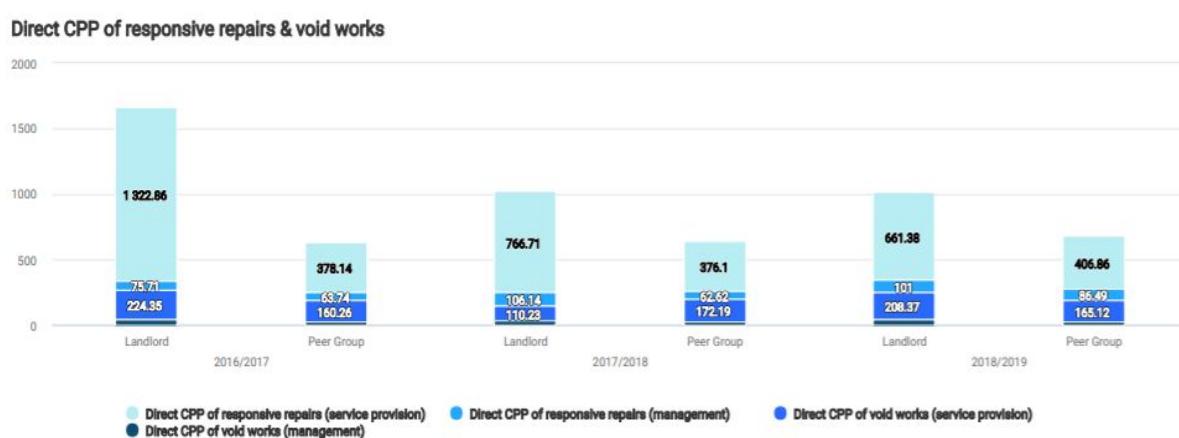
4.4.7 Approximately 1,315 or 52% of Adur Homes tenants are in receipt of Housing Benefit.

4.4.7 The benefit changes continues 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. Six tenancies were terminated in 2018/19 due to rent arrears. Four tenancies have been terminated to date this year.

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, which was 30 at the end of last financial year had dropped to 19. 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 revealed that the Council needs to invest at least £33m over the next 5 years. 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 2020/21 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.
- 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 £2.213m (£869.55 per property) on revenue responsive maintenance. Overall our direct spend on both responsive repairs and void works 2018/19 was £869.75 per property which is significantly higher than the benchmark figure of £571.98. 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 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.



Source: 2018/19 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 2020/21 which is specifically to address the issues raised by the condition survey. Increasing the capital programme should 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	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
Capital maintenance programme	5,400	5,500	5,600	5,600	5,600
Proposed increase		100	100	-	-
Total revenue maintenance	2,602	2,653	2,628	2,595	2,589
Estimated cash increase (+) / reduction (-) per year		+51	-25	-33	-6

4.5.5 The falling level of revenue maintenance in future years reflects both the increasing level of capital spend on properties combined with improvements in service management, procurement and contract management.

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 2020/21 will be used to fund the following improvements:

- Significant programme of fire safety works £1.5m
- 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

5.0 THE HOUSING REVENUE ACCOUNT FOR 2020/21

5.1 The projected expenditure and income for the HRA in 2020/21 is as follows:-

	Estimate 2020/21	
	£'000	£'000
Expenditure		
Supervision and management	4,286	
Rent, rates, taxes and other charges	718	
Repairs and maintenance	2,694	
Depreciation	4,102	
Interest payments	2,228	
Movement in provision for bad debt	50	14,078
Income		-13,551
Net (Surplus)/Deficit for the year		527
Estimated balance brought forward 1 st April, 2020		-1,094
Balance carried forward 31 st March, 2021		-567

More detailed estimates for the Housing Revenue Account for 2019/20 and 2020/21 are shown in Appendix 1.

5.2 These projections take into account the budget from 2019/20, which has been updated for inflation, capital financing costs in respect of debt, and proposed decrease in rent income together with the other proposed adjustments which are described more fully below. Overall the main changes are as follows:

Expenditure:	£'000
2019/20 budget	13,868
Impact of inflation	188
Increase in depreciation to reflect current level of investment and asset lives	81
Reduction in interest charges	-61
Other minor changes	2
2020/21 expenditure budget	14,078
Income:	£'000
2019/20 budget	-13,143
Impact of 1.7% rent increase	-380
Review of service charges	-46
Reduction from redevelopment programme	18
2020/21 income budget	-13,551

- 5.3 The deficit in the 2020/21 budget of £527,000 has reduced from that in 2019/20 largely due to the impact of the proposed rent increase.
- 5.4 Looking ahead to 2021/22, the overall position will gradually improve as rental level continues to increase due to the end of rent limitation. The financial position of the HRA is expected to gradually improve albeit over a period of 3 years. However, the annual increase to the HRA rents will still be constrained until 2025 at the earliest.

6.0 RENT SETTING FOR 2020/21

- 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 rates by CPI (Sept) + 1%.
- 6.2 In 2019/20 most rents were reduced by 1% and the average council dwelling rent fell by £0.91, or to £90.02 per week.

This year's proposed average dwelling rent level

- 6.3 It is proposed to increase the rents by the maximum amount allowable (2.7%) 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 £2.43 to £92.45 per week. This rent increase will apply to all current tenants.
- 6.5 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

- 6.6 Garage rents were increased by 3.3% in 2019/20 to £10.29 per week (plus VAT for non-Council tenants). It is proposed that the garage rents be increased in 2020/21 by 2.70% to £10.57 per week which is in line with current inflation rate (CPI) of 1.7% plus 1%. These proposals will generate an extra £15,700 in net income after allowing for voids

7.0 DEBT FINANCING COSTS

- 7.1 The debt financing costs chargeable to HRA in 2019/20 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 £37,536m outstanding at 31st March 2020;
- iii) new borrowing for capital expenditure or to refinance existing debt.

7.2 The budgeted costs are:

2020/21 Budget	Interest £000
Historic Debt	974
Settlement Debt	1,124
New Borrowing	130
Total Budget	2,228

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 schedule 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 by an accounting adjustment for the amount of depreciation charged to the HRA (£4.1m). 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 HRA capital renovation programme for 2020/21 was approved at £5.5m by the Joint Strategic Committee at its meeting of 4th December, 2018. Budgets of £5.6m for 2021/22 have recently been approved by Council on the 3rd January 2019. This reflected the recent condition survey and concerns about affordability due to the impact of rent limitation.

8.3.4 The programme also includes a development programme of £9m.

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 01/04/20	Increase	Decrease	Forecast balance at year end 2020/21
	£000's	£000's	£000's	£000's
HRA - working balance	1,088	-	-510	578
Discretionary Assistance Fund	116	-	-	116
New Development and Acquisition Fund	1,640	-	-	1,640
Business Dev. Fund	109	-	-	109
Major Repairs Reserve	3,329	4,021	-6,477	873
TOTAL	6,282	4,021	-6,987	3,316

- 11.2 HRA general reserve balances are forecast to be £0.579m at 1st April 2021 and 4.11% of total expenditure. This is under the target level explained in detail in paragraph 11.3 below, but reflective of the current use of reserves to support the HRA during the period of rent limitation.
- 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 2022/23 at the earliest. Whilst it is predicted that the level of the general reserves will be below the target 6% for 2020/21, 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 2020/21 capital budget includes provision for £6.4m 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 2020/21 budget has been to ensure that the HRA remains sustainable in the longer term whilst ensuring that the issues raised by the condition survey 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 2020/21 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 past 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, setting a balanced budget in 2016/17 and with only a limited withdrawal from reserves planned 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.

	2017/18 Actual	2018/19 Actual	2019/20 Expected	2020/21 Expected	2021/22 Expected	2022/23 Expected
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at the start of the year	2,074	1,939	1,752	1,088	578	371
Expected drawdown (-) / Contribution	-135	-187	-664	-510	-207	+63
Balance at the end of the year	1,939	1,752	1,088	578	371	434

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 first opportunity to increase rents for four years. 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 report has previously been shared with members of the Adur Homes Management Board which comprises of the Executive Member for Customer Services and representatives from the Adur Consultative Forum.
- 14.2 Adur Consultative 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 Welfare Reform and Work Act 2016 introduced the requirement to reduce social rents by 1%:

‘In relation to each relevant year, registered providers of social housing must secure that the amount of rent payable in respect of that relevant year by a tenant of their social housing in England is at least 1% less than the amount of rent that was payable by the tenant in respect of the preceding 12 months.’

This requirement was effective for the financial years 2016/2017 - 2019-2020 but has now ended and has been replaced by the new rent setting provisions. 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 new 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 2019/20 - 2021/22

Welfare Work and Reform Act 2016

2018/19 Housemark Benchmarking Survey

A new deal for social housing August 2018 (Green Paper)

Contact Officers:

Sarah Gobey,
Chief Financial Officer
01903 221221
sarah.gobey@adur-worthing.gov.uk

Akin Akinyebo
Head of Housing
01903 221189
akin.akinyebo@adur-worthing.gov.uk

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 2019/20	ESTIMATE 2020/21
	£	£
EXPENDITURE		
General Management	4,207,350	4,285,500
Special Services (including repairs related to specific properties or groups of tenants)	665,450	685,670
Rent, Rates, Taxes & Other Charges	31,690	32,320
General repairs and Maintenance	2,601,870	2,693,680
Depreciation	4,021,300	4,102,190
Bad/Doubtful Debt	50,000	50,000
Capital Financing Costs		
Interest charges	2,289,860	2,228,460
TOTAL EXPENDITURE	13,867,520	14,077,820
INCOME		
Dwelling Rents	(11,826,460)	(12,163,820)
Non-Dwelling Rents	(581,430)	(591,380)
Heating and Service Charges	(482,330)	(512,710)
Leaseholder Service Charges	(224,350)	(255,410)
Interest Received	(28,000)	(28,000)
TOTAL INCOME	(13,142,570)	(13,551,320)
NET (SURPLUS)/DEFICIENCY	724,950	526,500

APPENDIX 2

HRA - 30 year forecast

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
EXPENDITURE					
General Management	4,207	4,286	4,358	4,467	4,579
Special Services	665	686	703	720	738
Rents, Rates, Taxes & Other Charges	32	32	33	34	35
OVERALL RUNNING COSTS	4,904	5,004	5,094	5,221	5,352
Annual Revenue Maintenance Costs	2,602	2,694	2,667	2,635	2,630
Revenue Contribution to Capital	0	0	0	0	0
Depreciation	4,021	4,102	4,242	4,351	4,424
Interest payable					
Interest - on historic debt	974	974	974	974	974
Interest - on assumed debt	1,262	1,241	1,212	1,209	1,181
Interest - on capital programme	54	13	27	42	75
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	13,867	14,078	14,266	14,482	14,686
INCOME					
Dwelling Rents	-11,826	-12,164	-12,632	-13,083	-13,433
Other Rents and Charges	-1,288	-1,359	-1,398	-1,436	-1,475
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-13,142	-13,551	-14,058	-14,547	-14,936
NET COST OF SERVICES/SURPLUS (-)	725	527	208	-65	-250

APPENDIX 2

HRA - 30 year forecast

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000
EXPENDITURE					
General Management	4,693	4,810	4,931	5,054	5,180
Special Services	757	776	795	815	835
Rents, Rates, Taxes & Other Charges	36	37	37	38	39
OVERALL RUNNING COSTS	5,486	5,623	5,763	5,907	6,054
Annual Revenue Maintenance Costs	2,674	2,719	2,765	2,825	2,886
Revenue Contribution to Capital	150	500	650	750	900
Depreciation	4,498	4,574	4,651	4,752	4,855
Interest payable					
Interest - on historic debt	963	938	932	932	932
Interest - on assumed debt	1,126	1,072	1,018	964	910
Interest - on capital programme	137	226	315	403	493
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	15,084	15,702	16,144	16,583	17,080
INCOME					
Dwelling Rents	-13,793	-14,162	-14,541	-14,931	-15,330
Other Rents and Charges	-1,515	-1,557	-1,599	-1,642	-1,687
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-15,336	-15,747	-16,168	-16,601	-17,045
NET COST OF SERVICES/SURPLUS (-)	-252	-45	-24	-18	35

APPENDIX 2

HRA - 30 year forecast

	2029/30 £'000	2030/31 £'000	2031/32 £'000	2032/33 £'000	2033/34 £'000
EXPENDITURE					
General Management	5,310	5,443	5,579	5,718	5,861
Special Services	856	878	900	922	945
Rents, Rates, Taxes & Other Charges	40	41	42	43	45
OVERALL RUNNING COSTS	6,206	6,362	6,521	6,683	6,851
Annual Revenue Maintenance Costs	2,949	3,013	3,079	3,145	3,214
Revenue Contribution to Capital	950	1,050	1,150	1,250	1,350
Depreciation	4,961	5,069	5,179	5,291	5,406
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	855	801	747	693	639
Interest - on capital programme	586	682	781	884	991
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	17,489	17,959	18,439	18,928	19,433
INCOME					
Dwelling Rents	-15,740	-16,160	-16,592	-17,035	-17,490
Other Rents and Charges	-1,733	-1,780	-1,829	-1,879	-1,930
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-17,501	-17,968	-18,449	-18,942	-19,448
NET COST OF SERVICES/SURPLUS (-)	-12	-9	-10	-14	-15

APPENDIX 2

HRA - 30 year forecast

	2034/35 £'000	2035/36 £'000	2036/37 £'000	2037/38 £'000	2038/39 £'000
EXPENDITURE					
General Management	6,008	6,158	6,312	6,469	6,631
Special Services	969	993	1,018	1,043	1,069
Rents, Rates, Taxes & Other Charges	46	47	48	49	50
OVERALL RUNNING COSTS	7,023	7,198	7,378	7,561	7,750
Annual Revenue Maintenance Costs	3,283	3,355	3,427	3,502	3,578
Revenue Contribution to Capital	1,450	1,550	1,690	1,810	1,950
Depreciation	5,523	5,643	5,765	5,890	6,018
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	584	532	480	428	376
Interest - on capital programme	1,101	1,201	1,306	1,412	1,503
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	19,946	20,461	21,028	21,585	22,157
INCOME					
Dwelling Rents	-17,957	-18,436	-18,927	-19,432	-19,949
Other Rents and Charges	-1,982	-2,037	-2,092	-2,149	-2,208
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-19,967	-20,501	-21,047	-21,609	-22,185
NET COST OF SERVICES/SURPLUS (-)	-21	-40	-19	-24	-28

APPENDIX 2

HRA - 30 year forecast

	2039/40 £'000	2040/41 £'000	2041/42 £'000	2042/43 £'000	2043/44 £'000
EXPENDITURE					
General Management	6,797	6,967	7,141	7,320	7,503
Special Services	1,096	1,124	1,152	1,180	1,210
Rents, Rates, Taxes & Other Charges	52	53	54	56	57
OVERALL RUNNING COSTS	7,945	8,144	8,347	8,556	8,770
Annual Revenue Maintenance Costs	3,655	3,734	3,815	3,897	3,981
Revenue Contribution to Capital	2,100	2,300	2,500	2,750	3,000
Depreciation	6,148	6,281	6,417	6,556	6,698
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	325	273	221	183	183
Interest - on capital programme	1,568	1,603	1,635	1,663	1,684
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	22,078	22,723	23,367	24,020	24,674
INCOME					
Dwelling Rents	-19,750	-20,276	-20,816	-21,371	-21,939
Other Rents and Charges	-2,469	-2,556	-2,646	-2,740	-2,837
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-22,777	-23,384	-24,006	-24,646	-25,302
NET COST OF SERVICES/SURPLUS (-)	-54	-67	-89	-59	-4

APPENDIX 2

HRA - 30 year forecast

	2044/45 £'000	2045/46 £'000	2046/47 £'000	2047/48 £'000	2048/49 £'000
EXPENDITURE					
General Management	7,690	7,882	8,079	8,281	8,488
Special Services	1,240	1,271	1,303	1,336	1,369
Rents, Rates, Taxes & Other Charges	58	60	61	63	65
OVERALL RUNNING COSTS	8,988	9,213	9,443	9,680	9,922
Annual Revenue Maintenance Costs	4,067	4,155	4,245	4,336	4,430
Revenue Contribution to Capital	3,200	3,400	3,650	3,900	4,150
Depreciation	6,843	6,991	7,142	7,296	7,453
Interest payable					
Interest - on historic debt	932	932	932	932	932
Interest - on assumed debt	183	183	183	183	183
Interest - on capital programme	1,698	1,705	1,705	1,696	1,676
Provisions For Bad Debt	50	50	50	50	50
TOTAL EXPENDITURE	25,961	26,629	27,350	28,073	28,796
INCOME					
Dwelling Rents	-23,353	-23,973	-24,610	-25,263	-25,933
Other Rents and Charges	-2,595	-2,666	-2,739	-2,814	-2,891
Interest Received	-28	-28	-28	-28	-28
TOTAL INCOME	-25,976	-26,667	-27,377	-28,105	-28,852
NET COST OF SERVICES/SURPLUS (-)	-15	-38	-27	-32	-56

HRA TREASURY MANAGEMENT STRATEGY

1.0 INTRODUCTION

- 1.1 This Appendix sets out the HRA Treasury Management Strategy Statement for 2020/21. 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 2020/21 are unchanged from 2019/20, 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 2019/20 and unchanged for 2020/21 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	2018/19 Actual £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Capital Financing Requirement (CFR)					
General Fund	63.147	115.658	158.442	157.694	156.376
Housing Revenue Account	60.103	60.430	71.849	80.569	88.122
Total CFR	123.250	176.088	230.291	238.263	244.498
Actual Debt					
General Fund	(56.586)	(108.548)	(150.382)	(148.434)	(145.715)
Housing Revenue Account	(59.581)	(59.908)	(71.327)	(80.047)	(87.600)
Total Debt Amount	(116.167)	(168.456)	(221.709)	(228.480)	(233.315)
(Over)/Under Borrowing					
General Fund	6.561	7.110	8.060	9.260	10.661
Housing Revenue Account	0.522	0.522	0.522	0.522	0.522
Total	7.083	7.632	8.582	9.782	11.183

(Note that the General Fund position is shown for comparative purposes and is extracted from the Annual Treasury Management & Annual Investment Strategy Report 2020/21-2022/23 submitted to the meeting of the Joint Strategic Committee on 11th February 2020).

- 3.3 The comparison shows the HRA was under borrowed at the end of 2018/19 by £0.522m, 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.

- 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 2020/21 to 2022/23 the HRA CFR is projected to be below the debt as reflected in the capital investment proposals to be approved by the meeting of the Joint Strategic Committee on 11th February 2020.

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 principal 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.

This page is intentionally left blank



ADUR DISTRICT COUNCIL

Adur Executive
4 February 2020
Agenda Item 5

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

Budget Estimates 2020/21 and Setting of the 2020/21 Council Tax

Report by the Director for Digital & Resources

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 2020/21 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2020/21, prior to its submission to the Council for approval on the 20th February 2020. 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 2024/25, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic property investment. 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 2021/22, 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*, and agreed savings proposals contributing to the financial sustainability of the Councils. The report also updates members about the impact of the draft 2020/21 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 2021/22 and beyond (see section 4.2) ;
- Highlights the proposed funding for initiatives to support the Councils' ambitions set out in *Platforms for our Places - Going Further*;
- Details the proposals to invest in services outlined in Appendix 2;
- The Executive will need to consider whether to increase Council Tax by 2.0% or by a lower amount (paragraph 5.11).

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2020/21 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 previously consulted on an increase to the Council Tax for 2020/21 of £5.00 or 2.63%, however the PCC has yet to be informed of the referendum criteria for 2020/21. The proposed 2020/21 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 31st January 2020. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 17th February 2020 at which point the Commissioner will be in a position to confirm the Council Tax for 2020/21 just in time for Council on the 18th February 2020.

1.7 The draft Local Government Settlement allows Councils to increase core Council Tax by up to 2% which is in addition to the 2% Council Tax increase permitted specifically to support adult social care services. Therefore a maximum Council Tax increase of 4% for Councils with social care responsibilities is allowed.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 14th February 2020. The formal detailed resolution setting the overall Council Tax for next year will be presented direct to the Council Meeting on 20th February 2020.

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 2020/21
- (v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2020/21

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 2020/21 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £8,612,350 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 2020/21 as set out in paragraph 5.11
- (d) Recommend to Council that special expenses of £22.23 per Band D equivalent to be charged in all areas of the District except Lancing.
- (e) Approve the Council Tax base of 21,380.4 for 2020/21 as set out in paragraph 12.3.

3. INTRODUCTION

3.1 The Joint Strategic Committee considered the 'Becoming financially sustainable - Revenue Budget Strategy for 2020/21' on 9th July 2019. This report outlined the 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:

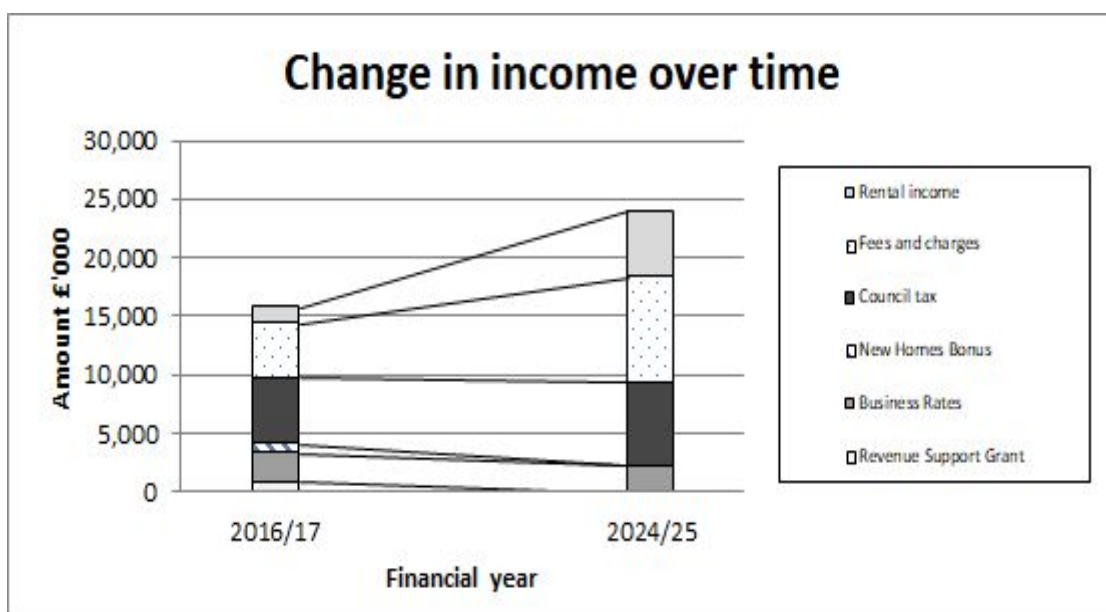
- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;
- The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work;
- The Strategic Asset 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.

For 2020/21 the Service Redesign programme, the Commercial programme and the Strategic Asset Management Board were set explicit targets as part of the budget strategy.

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 Business Rates, and will become increasingly reliant on income from commercial activities over time.

Total budgeted income	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue Support and other grants	887	271	0	0	0	0	0	0	0
New Homes Bonus	2,436	2,386	2,337	2,227	2,081	2,115	2,156	2,198	2,244
Business Rates	767	553	202	126	11	10	10	0	0
Council Tax	5,690	5,848	6,084	6,306	6,521	6,676	6,825	6,978	7,134
Income from taxation	9,780	9,058	8,623	8,659	8,613	8,801	8,991	9,176	9,378
Fees and charges	4,655	5,882	5,826	5,857	6,123	6,564	7,184	7,987	8,976
Commercial rent income	1,431	1,528	2,866	4,818	5,273	5,373	5,473	5,573	5,673
Income from commercial activity	6,086	7,410	8,692	10,675	11,396	11,937	12,657	13,560	14,649
Total income excluding specific grants	15,866	16,468	17,315	19,334	20,009	20,738	21,648	22,736	24,027



- 3.4 The subsequent report to the Joint Strategic Committee, on 3rd December 2019 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

Adur District Council	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – July forecast	1,532	1,971	2,409	2,772	3,073
Overall shortfall – December forecast (including net approved growth)	1,390	1,845	2,179	2,542	2,842
Increase / (Decrease) in shortfall	-142	-126	-230	-230	-231
Overall shortfall – December forecast	1,390	1,845	2,179	2,542	2,842
Savings identified in December 2019 report	-1,383	-1,941	-2,331	-2,681	-3,031

Revised budget shortfall/Surplus(-) as at December 2019	7	-96	-152	-139	-189
--	---	-----	------	------	------

- 3.5 The 2020/21 savings proposals identified within the report amounted to £1,383,000.
- 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 2020/21 can be summarised as:

	£'000
Original 2019/20 budget shortfall	1,532
<i>Changes to income from grants and taxation:</i>	
(a) Improvements to the income from Council Tax	-32
(b) Impact of current Council Tax Collection Fund deficits	9
(c) Impact of delay to fairer funding review	
- Delay to consolidation of homelessness grants into retained business rates	-139
- Improvements to retained business rates	-235
(d) Net impact of Business Rate Collection Fund deficit	219
<i>Other changes:</i>	
(e) Reduction in employers pension contribution expected from 2019 triennial valuation.	-90
(f) Net committed growth items identified by Service Heads in December	196
(g) Removal of contingency budget for new committed growth items	-70
Revised Budget Shortfall as at 3rd December 2019	1,390
<i>Impact of Settlement</i>	
Final change to business rate income following confirmation of the tariff and new multiplier (includes other minor changes to grants).	-27
<i>Adjustment for final items identified</i>	
Impact of increase in interest rates on capital programme financing net of any reprofiling of the capital programme	19
Increase in Council Tax income	-29
Revised Budget shortfall	1,353
Less: Net savings agreed in December (excluding those related to increased Council Tax)	-1,379
Budget surplus based on a 2% Council Tax increase (before any further action is agreed)	-26

4. 2019 SPENDING REVIEW AND 2020/21 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 2019 Spending Review

- 4.1.1 The Spending Review 2019 (SR19) was published on 4 September 2019. This was a one-year only review covering 2020/21 with the intention for a multi-year review to be announced in 2020/21.
- 4.1.2 It was announced that departmental spending will increase by 4.1% in real terms, whilst keeping within the government's own fiscal rules. The Spending Review will deliver "the fastest real growth in day-to-day departmental spending in 15 years". This is a funding settlement that is very different to those that were announced earlier this decade, when spending was falling in cash terms.
- 4.1.3 The Chancellor was confident of keeping within the government's fiscal rules; although detailed forecasts will not be published until the Budget which is now due in March 2020.
- 4.1.4 Funding for Local Government would increase by 12.4% (£1.1bn in 2020-21). The bulk of the increase, however, is the increase in funding for the adult social care grants (£1.0bn). As the figures within the spending review are only shown to the nearest £100m, it is difficult to be precise, but it seems likely that the remaining funding for Local Government will increase in line with inflation (1.8%).
- 4.1.5 This showed that non-social care authorities will get only a modestly good settlement, however this was an improvement on previous assumptions which had planned for no overall increase in funding.
- 4.1.6 Councils were also informed of the likely referendum criteria. Authorities will be able to increase the Band D council tax by 2.0% for the basic element and a further 2.0% for the Adult Social Care precept. For social care authorities, this gives a maximum increase of 4.0%, which is higher than most were expecting. For districts (and potentially fire authorities as well), the 2.0% threshold is lower than the last two financial years when it was set at 2.99%.

4.2 2020/21 Local Government Finance Settlement

- 4.2.1 The government published the provisional local government finance settlement for 2020-21 on 20th December 2019 via a written statement. Consultation on the provisional settlement closed on the 17th January 2020.
- 4.2.2 Unusually, the Council already knew what to expect from settlement following the technical consultation on Local Government Finance

Settlement for 2020/21 which was released on the 3rd October 2019. However the timing of settlement itself was uncertain.

- 4.2.3 From this consultation it was clear that the Government was now formally delaying the fairer funding review to 2021/22 and are proposing a 'roll forward' settlement for 2020/21.

The implications of this change for 2020/21 were twofold:

1. Existing homelessness grants will continue until absorbed into the business rate retention scheme; and
2. The councils will retain all surplus business rate income for one more year.

- 4.2.4 There were no material changes in the draft Settlement which confirmed much of what was contained in the Technical Consultation, namely:

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

The 2020-21 settlement is effectively an extension to the four-year settlement that covered the period of 2016-17 to 2019-20. With the delay in both the Fair Funding Review and reform of business rates, combined with a one-year spending review, the 2020-21 settlement was only ever going to be a roll-over settlement. The operation of the funding schemes and the values within it have broadly been rolled-over either in cash terms from 2019-20 or increased in line with the change in the business rate multiplier.

Consequently, the Council will receive no Revenue Support Grant in 2020/21. Since 2015/16 the Council has seen Revenue Support Grant fall by over £1.3m.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000
Draft settlement	1,348	774	271	0	0	0
Decrease year on year (£)		574	503	271	0	0
Decrease year on year (%)		42.58%	64.99%	100.00%		

Whereas baseline funding (minimum amount of retained business rates) has increased in line with the business rate multiplier from £1,739,000 to £1,767,000 in 2020/21.

- ***Council Tax referendum thresholds***

The council Tax referendum threshold for District Councils was confirmed as the higher of 2% or £5.00 for a Band D property. The increase for Adur District Council is limited to 1.99%.

The current 5-year forecast assumes an increase of 2%. An increase in Council Tax would enable the Council to balance the budget and reinvest a minor amount back into priority services.

The options for the Council Tax increases are discussed in detail later in the report.

- ***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 now, there is no change in the operation of the scheme for 2020-21: 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%.

However, the major change in NHB is that the new amounts earned in 2020/21 will only be paid for one year only. In the following years (2021-22 and 2022-23), rewards will only be paid in respect of NHB secured in earlier years. NHB will effectively end by 2023-24.

Adur District Council is entitled to an additional payment of NHB of £76,610 for 2020/21. 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 to fund projects arising from 'Platforms for our Places - Going Further (2020-2022)' to be released in consultation with the Leader of the Council.

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

	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
NHB used to support the budget					
Historic allocations	116	1	0	0	0
2019/20 allocation	10	10	10	10	0
Total NHB used to support the budget	126	11	10	10	0
One off payment in 2020/21		76			
Total New Homes Bonus	126	87	10	10	0

The government is making very clear that it wants to replace NHB, with something that is more “targeted”. Any replacement is unlikely to distribute as much funding as the current NHB scheme does, or to be distributed in the same way. The Government will be consulting on the design of the new scheme early in 2020:

“It is not clear that the New Homes Bonus in its current form is focussed on incentivising homes where they are needed most. I am therefore announcing that the government will consult on the future of the housing incentive in the spring.

“This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance.”

4.2.5 Changes to local government funding in 2021/22 and beyond:

The Fairer Funding Review and the changes to the Business Rate Retention Scheme have now been delayed until 2021/22. However, the announcement of any significant changes in local government funding will have to wait until either the Budget (expected on 11th March 2020) or the Spending Review 2020 (which will follow in the Summer).

4.2.6 Summary of 2020/21 Local Government Settlement

In overall terms, the 2020/21 settlement revealed that District and Borough Councils received an increase in government funding of 2.21%, the first

overall increase for many years. For districts, this is significantly improved from last year's drop of 12.05%.

YEAR-ON-YEAR CHANGE FOR THE 2020/21 SETTLEMENT

Class of Local Authority	2019-20 Adjusted Settlement Funding Assessment	2020-21 Settlement Funding Assessment	Overall increase in funding
	£million	£million	%
England	15,807.53	16,157.38	2.21%
London Area			
London Boroughs	2,713.34	2,757.55	1.63%
GLA	2,147.14	2,182.94	1.67%
Metropolitan Areas			
Metropolitan Districts (including new combined authorities)	4,104.57	4,286.58	4.43%
Metropolitan Fire Authorities	198.57	201.8	1.63%
Shire Areas			
Shire unitaries with fire	272.09	273.66	0.58%
Shire unitaries without fire	2,739.81	2,784.99	1.65%
Shire counties with fire	1,079.36	1,092.89	1.25%
Shire counties without fire	1,683.26	1,699.82	0.98%
Shire districts	568.52	571.38	0.50%
Shire fire authorities	300.87	305.77	1.63%

4.2.8 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 17th January 2020 with final settlement expected in February.

4.2.9 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.

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

4.3.1 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 £132,600.
- 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 WSCC Pool	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
Borough Council	40	20	20
	100	25	25

4.3.2 The forecast for 2020/21 is currently being finalised. The 2020/21 NNDR return which underpins this forecast is due to be submitted by the 31st January 2020 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.

4.3.3 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures especially in light of the Government's commitment to return all of business rates to Local

Government. 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.

4.3.4 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.

4.3.6 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 2019/20 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve.

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

4.4.1 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 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:

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	6,306	6,521	6,676	6,825	6,978	7,134
Business Rates **	2,227	2,081	2,115	2,156	2,198	2,244
New Homes Bonus	126	11	10	10	0	0
	8,659	8,613	8,801	8,991	9,176	9,378

* Includes any surplus or deficit on the collection fund

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

	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax	72.82%	75.71%	75.86%	75.92%	76.05%	76.08%
Business Rates	25.72%	24.16%	24.03%	23.97%	23.95%	23.92%
New Homes Bonus	1.46%	0.13%	0.11%	0.11%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

5.0 DRAFT REVENUE ESTIMATES 2020/21

- 5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £8,612,350. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.
- 5.2 The budget is fundamental to realising the Council's ambitions set out in *Platforms for our Places : Going further 2020-2023*. 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 The budget includes specific funding for the commitments outlined in *Platforms for our Places*. Examples include:

5.3.1 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. This includes the construction of a new office building on the land formerly the Civic Centre car park.

The delivery of other strategic projects for both Councils will be supported by further investment in a major projects team.

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

5.3.2 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.

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 will be followed by a major community-led conference Zero2030 on March 4th 2020, and, subject to approval, a Climate Assembly process which will provide a representative forum for residents over six one day sessions to engage with the climate and ecology challenge, creating ideas for action.

As part of the 2020/21 budget there are proposals to invest in this area of the business, building capacity to take this agenda forward (see appendix 2).

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 of £8,613m 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 2019/20 to 2020/21 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:

2019/20 Original Estimate	£'000	£'000
Add: General Pay and Price Increases		8,659
Add: Committed and Unavoidable Growth:		342
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	966	
Impact of Capital Investment and Development Programme	-192	1,158
Less: Compensatory savings and additional Income:		
Compensatory savings	-160	
Additional income	-33	-193
2020/21 budget prior to agreed savings		9,966
Less: Savings agreed by members		
Approved in December	-1,379	-1,379
Executive Member requirements		8,587
Potential contribution to reserves*		26
Potential budget requirement before external support		8,613
Collection fund deficit		9
2020/21 BUDGET REQUIREMENT		8,622
<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 Overall the current net estimated budget is less than that predicted in December due to the following factors:

	£'000
Reassessment of the cost of the capital programme following interest rate increase and to reflect latest expected spend profile	18
Latest forecast of business rate income (including any adjustments arising from settlement)	-27

5.9 The projected deficit on the Collection Fund is estimated to be £53,060, of which £8,650 is the District Council share. This is a minor deficit in light of the overall income due which exceeds £40.1m and is due to marginally lower increase in housing growth than expected.

5.10 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.

5.11 The Council Tax increase:

5.11.1 Over the past 10 years, the Council Tax has been increased by 11.8%, an average of 1.2% per year (in 2009/10 the average Band D tax was £267.71, in 2019/20 it was £299.43). Over the equivalent period, inflation (CPI) has been 24.49%.

5.11.2 The budget forecast currently assumes that Council Tax will increase by just under 2.0% in 2020/21. The most recent inflation index was 1.5% (CPI in November 2019).

5.11.3 A 2% uplift would only be a modest increase in the Council share of the bill for 2020/21. The table below details how the Council Tax will change as a result of a 1%, 1.5%, 1.8% and just under 2% increase.

	2019/20	Annual increase for 2020/21			
		1%	1.5%	1.75%	2.01%
	£	£	£	£	£
Council Tax Band D	299.43	302.40	303.93	304.65	305.37
Annual increase		2.97	4.50	5.22	5.94
Weekly increase		0.06	0.09	0.10	0.11
Council Tax Band C	266.16	268.8	270.16	270.8	271.44
Average annual increase		2.64	4.00	4.64	5.28
Average weekly increase		0.05	0.08	0.09	0.10
Total additional Council Tax raised		63,500	96,210	111,600	127,000
Additional Council Tax raised over a 1% increase			32,710	48,100	63,500

- 5.11.4 Members should also be aware that the Police and Crime Commissioner has previously consulted on a £5.00 (2.6%) 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 (4%). Consequently, the total overall increase in the Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed could be just over 3.5%:

	2019/20	2020/21 (Indicative only)	%
	£	£	
Adur District Council	299.43	305.37	1.98%
West Sussex County Council	1,383.57	1,438.83	3.99%
Sussex Police and Crime Commissioner	189.91	194.91	2.63%
	1,872.91	1,939.11	3.53%

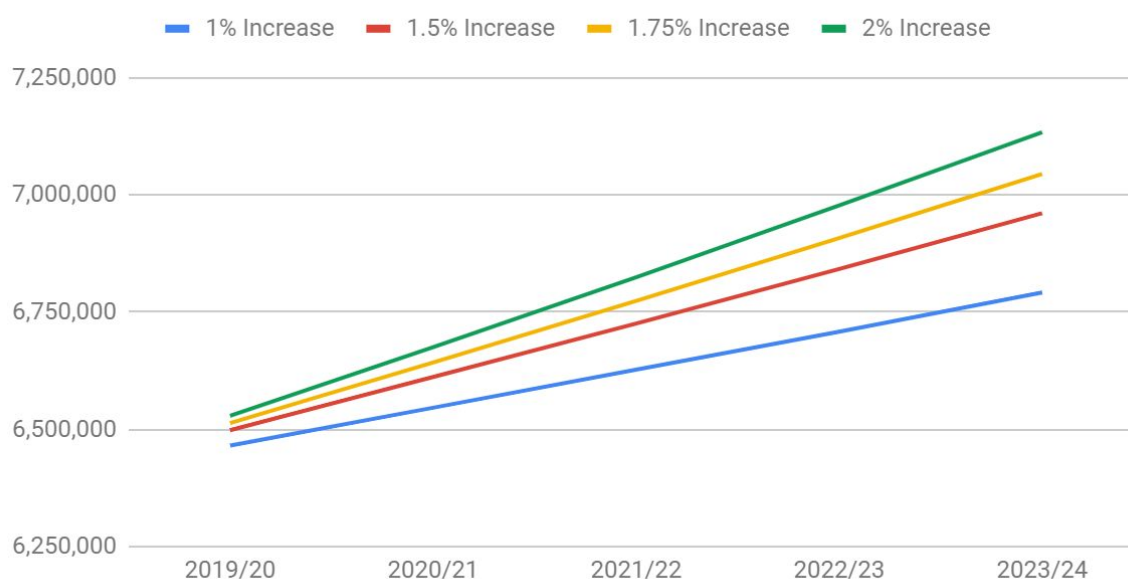
- 5.11.5 The decision to raise Council Tax should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to setting a Council Tax increase significantly lower than the maximum permitted. This is particularly significant at the moment given the scale of the withdrawal of government funding the Council will contend with

over the next 5 years and the potential impact of the County Council budget decisions. The impact of changing the Council Tax by 1%, 1.5%, 1.75% and 2% annually would be as follows:

Total income	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
1% annual increase	6,465,310	6,546,010	6,627,010	6,708,320	6,791,870
1.5% annual increase	6,498,020	6,611,580	6,725,600	6,842,020	6,960,840
1.75% annual increase	6,513,420	6,642,440	6,773,930	6,907,900	7,044,360
2% annual increase	6,528,810	6,675,230	6,824,200	6,977,660	7,133,700

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

Adur District Council - Long term impact of Council Tax increases



- 5.11.6 Members are asked to consider which level of Council Tax increase that they support. An increase of 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. Those proposals recommended

5.12 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 2% increase):

	£'000	£'000
Net budget requirement		8,587
Less:		
Baseline Funding	1,767	
Share of additional Business Rate income	314	
Council Tax (2.0% increase)	6,530	
New Homes Bonus	11	
Collection Fund Deficit	-9	-8,613
Budget surplus based on 2.00% Council Tax increase		-26
Maximum impact of accepting the growth items (Appendix 2)		26
Budget balanced at a 2% 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 2.00% tax increase for 2020/21 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)				
	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall as per appendix 1	1,353	1,791	2,126	2,485	2,783
Less:					
Net savings identified in 2020/21 budget round	-1,379	-1,557	-1,597	-1,597	-1,597
Impact of accepting the growth items at appendix 2	26	32	32	32	32
Adjusted cumulative budget shortfall	-	266	561	920	1,218
Savings required each year	-	266	295	359	298

6.2 The continuation of the withdrawal of government funding together with the added pressures from County Council budget decisions 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 will also need to deliver on the strategy to generate £170k more commercial income per year and invest in property. Alongside this, there will need to be a continuing emphasis on efficiency in the annual savings exercise; whether this is through the digital strategy or by improving customer service or by 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			
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Annual budget shortfall	266	295	359	298
Future savings from budget strategy:				
Investment in commercial property	-100	-100	-100	-100
Commercial activities	-170	-170	-170	-170
Service and digital redesign	-80	-80	-80	-80
Affordable housing programme	-30	0	0	0
Excess savings (-) / new savings initiatives to be identified	-114	-55	9	-52

- 6.4 With the delay to the fairer funding review, the challenge has now moved onto 2021/22 which becomes a challenging year and the delivery of the budget strategy is essential to ensure the Council meets the challenges of the next few years.

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 as advised by the Chartered Institute of Public Finance and Accountancy (CIPFA) in LAAP 99 'Local Authority Reserves and Balances'.
- 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); 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. This is even more important in the current economic climate when there are so many uncertainties. The balance as at 31st March 2019 was £518,000 which was

6.0% of net 2019/20 revenue expenditure – just within the range of 6% -10% set by the Council. There are no plans to draw down from the working balance and where possible this reserve will be boosted over the new few years from underspend to ensure it 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	%
31.03.2019	Balance carried forward – per Final Accounts	518	6.0
31.03.2020	No planned drawdown, a minor contribution to be made at the year end to increase the level.	568	6.6
31.03.2020	No planned drawdown or contribution expected	568	6.5
31.03.2021	No planned drawdown or contribution expected	568	6.3
31.03.2022	No planned drawdown or contribution expected	568	6.2

The reduction in government funding and the resultant decrease in the Council's net spend means that the same level of working balance equates to a higher percentage of net revenue expenditure each year.

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 potential impacts upon the Council's finances:

1. A further fall in interest rates of 0.25% would cost the Council in a region of £42,000 in 2020/21.
2. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £102,400.
3. Further adverse falls in income from such sources as development control income, car parks and land.
4. Demand is increasing for services such as homelessness and housing benefit which may well lead to increased (and unbudgeted) costs.
5. Other unforeseen circumstances such as the failure of a major contract

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, it is important that the Council has minimum reserves in 2019/20 of £518,000 or 6% of net revenue spend as laid out in the current policy. However, it is unlikely that the Council will need in excess of £861,300 in the working balance which is roughly equivalent to 10% of net revenue spend. Consequently, the current policy of holding balances of between 6% and 10% is valid and the forecast level fall within these parameters.

- 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 contribution to this provision will be gradually built up over the next 5 years to a level of £600,000 per year by 2024/25.
- ii) As part of the development of the 2019/20 budget 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.

- 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, 2020 is £1,911,000, although this reduces to £1,348,000 if any Section 106 sums held for future environmental improvements, grants, and any specific capital resources are excluded. Overall, the level of reserves held by the Councils is expected to improve over the forthcoming years as follows:

Summary for report	Balance at year end				
	2018/19	2019/20	2020/21	2021/22	2021/22
	£'000	£'000	£'000	£'000	£'000
General Earmarked Reserves	1,049	1,348	1,548	1,848	2,248
Grants and Contributions	563	563	563	563	563
Total earmarked reserves	1,612	1,911	2,111	2,411	2,811
General Fund Working Balance	518	568	568	568	568
Total reserves	2,130	2,479	2,679	2,979	3,379

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 no 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) **Housing Services**

The Council has experienced a significant increase in demand for emergency and temporary accommodation over the past year since the introduction of the Homelessness Reduction Act. Whilst substantial growth has been built into the budget, the degree to which this will be adequate depends on two factors:

1. The extent to which caseload continues to grow
2. The supply of cost effective accommodation

Whilst the Council is now sourcing more cost effective accommodation for our clients, there remains a risk that demand for such accommodation will outstrip our ability to find additional cost effective units. However, to better manage this a contingency budget has been created for further increases to the cost of this service

(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.

This is particularly pertinent this year when the budget decisions of the County Council has had a significant impact on the finances of the Council. Overall the Council has seen a significant cost pressures this year as a result of County Council decisions, particularly in relation to waste management.

	2020/21		
	Adur	Worthing	Total
	£'000	£'000	£'000
Impact of changes to recycling credits	377	671	1,048
Net impact County budget reduction to supported housing services after recommissioning exercise	60	140	200
Total impact	437	811	1,248

However, the Council has been able to mitigate this challenge by identifying sufficient savings to address these cost pressures. The risk from the County Council budget decisions has now reduced, as there is little other funding we receive from them. Nevertheless, partnership funding remains a more general risk

- (iii) **Income** - The Council receives income from a number of services which will be affected by demand. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known reductions in income have been built into the proposed budgets for 2020/21, 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 £200,000 in 2020/21. 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 non-pay budgets. Pay budgets have a 2% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2020/21, 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	102
Non-pay	44

- 8.2 To help manage these risks, the council has a working balance of £518,000 and £1.3m 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 2020/21 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 recently been revised. 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. This includes a new requirement to publish an annual capital strategy, which the Council has long complied with however this document must now contain more information on risk management.
- 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 11th February 2020 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.

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, 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 diligent budget monitoring regime during 2020/21.

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 20th February 2020 via a report on the Council Tax Determination.

12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2020/21 Budget, the resulting Council Tax for the Borough can be set. This takes into account the Total Aggregate External Finance (Revenue Support Grant 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 2020/21 prior to the consideration of the budget proposals. This is based on 1.98% Council Tax increase:

	£	£
Net 2020/21 Budget *		8,586,650
Less: Aggregate External Finance		
Baseline Funding	-1,757,150	
Additional Retained Business Rate income	-313,440	
New Homes Bonus	-11,480	
Contribution to the Collection Fund deficit (as per paragraph 5.9)	8,650	
		-2,083,420
Minimum amount to be raised from Council Tax		6,503,230
Net additional impact of proposals identified in Appendix 2 if all approved		25,580
Amount to be raised from Council Tax based on 1.98% Council Tax		6,528,810

- * 2020/21 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 non-committed growth items.

- (b) Council Tax Base

The Council's Tax base for 2020/21 is 21,380.40 Band D equivalent properties. There is an increase to the current year base of 21,195.00 which is due to an increasing number of homes, the falling cost of Council Tax benefits, and the anticipated benefit of the recently approved changes to premiums and discounts. The full calculation of the tax base is shown in Appendix 4.

	2019/20 Tax Base	2020/21 Tax Base
Lancing	6,234.40	6,309.80
Sompting	2,759.40	2,773.40
Unparished	12,201.30	12,297.20
TOTAL	21,195.00	21,380.40

(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 2020/21 expenditure of £336,240 (£321,551 in 2019/20) falls under the resolution and will need to be financed by a Band D tax of £22.23, to be charged in all areas of the District except Lancing.

(d) Adur District Council Band D Council Tax

In Section 5.11, the options for the Council Tax increase are discussed in detail. An average Council Tax increase of 1.00% will ensure that the Council has a balanced budget, an average increase of 2.00% will lever in sufficient additional resources to fund the growth 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	2019/20	2020/21 (Average 1% increase)	2020/21 (Average 1.5% increase)	2020/21 (Average 1.75% increase)	2020/21 (Average 2.0% increase)
Lancing - Basic Council Tax	£ 284.22	£ 287.10	£ 288.18	£ 288.90	£ 289.68
Percentage increase		0.85%	1.39%	1.65%	1.93%
Annual increase (Band D)		2.43	3.96	4.68	5.49
Weekly increase (Band D)		0.05	0.08	0.09	0.11

Area	2019/20	2020/21 (Average 1% increase)	2020/21 (Average 1.5% increase)	2020/21 (Average 1.75% increase)	2020/21 (Average 2.0% increase)
	£	£	£	£	£
Shoreham, Southwick, Sompting and Coombes					
Basic Council Tax	284.22	286.65	288.18	288.90	289.71
Special Expenses	21.42	22.23	22.23	22.23	22.23
TOTAL in Shoreham, Southwick, Sompting and Coombes	305.64	308.88	310.41	311.13	311.94
Percentage increase	1.06%	1.56%	1.80%	2.06%	1.06%
Annual increase (Band D)	3.24	4.77	5.49	6.30	3.24
Weekly increase (Band D)	0.06	0.09	0.11	0.12	0.06

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 20th February, 2020. The proposed 2020/21 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 31st January 2020.

	2019/20 £	2020/21 £
West Sussex County Council	1,317.78	t.b.c
Sussex Police Authority	165.91	t.b.c
TOTAL	1,483.69	t.b.c.

- 12.5 The final figures for all authorities will be incorporated into the formal Council Tax setting resolution to be presented to the Borough Council at its meeting on 20th February 2020.

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 2020/21.

14.0 CONCLUSION

- 14.1 This has been a significantly challenging year in which the Council has had to address a budget shortfall of over £1.3m. The Council has seen the government grants fall, and addressed the consequences of the County Council's budget decisions. To meet this challenge the Council has identified £1.4m of savings and is now in the position to set a balanced budget.
- 14.2 However, with the delay to the Fairer Funding Review, the financial challenge now moves to 2021/22 which will be again be difficult as the Council grapples with the impact of the fairer funding review, reducing government funding 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 through the digital agenda continues to play a vital role in balancing the budget.
- 14.3 However, provided we continue to deliver on this strategy, the Council will become increasingly financially resilient over the next 5-10 years as Revenue Support Grant disappears, New Homes Bonus 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 be 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 2020/21 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 9th July 2019 'Becoming Financially Sustainable – Budget strategy for the 2020/21'

Report to the Joint Strategic Committee 3rd December 2019 'Financially Sustainable Councils: Update to the 2020/21 - 2024/25 and savings proposals for 2020/21'

Report to the Joint Strategic Committee 3rd December 2019 'Investing for the future: Capital Investment Programme 2020/21 to 2022/23'

Local Authority Finance (England) Settlement Revenue Support Grant for 2020/21 and Related Matters: DCLG Letters and associated papers of 23rd December 2019.

2019 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 2018/19

Report to Joint Strategic Committee 3rd December 2019 – 2nd Quarter Revenue Budget Monitoring 2019/20

Contact Officer:

Sarah Gobey,
Chief Financial Officer
Town Hall, Worthing
01903 221221
sarah.gobey@adur-worthing.gov.uk

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 2019/20 - 2024/25						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Base					
Net Spending to be Financed from Taxation	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	8,659	8,659	8,659	8,659	8,659	8,659
(a) <i>Annual Inflation</i>		342	677	1,007	1,326	1,648
(b) <i>One -off / non-recurring items</i>						
Local Elections (not held once every four years)		18	-	19	-	20
(c) <i>Committed Growth / Cost reductions</i>						
Change in grant for homelessness		45	139	139	139	139
Net cost of increasing recycling to meet 50% targets:						
- Full year impact of implementation of Alternative Weekly Collection		(70)	(70)	(70)	(70)	(70)
- Impact of introducing weekly food waste collections		-	72	72	72	72
Reduction in pension contributions		(90)	(213)	(341)	(341)	(341)
Net new committed growth items identified by heads of service approved in December		196	287	382	452	522
(d) <i>Impact of County budget reductions</i>						
Further reduction in supported housing budgets		270	270	270	270	270
Withdrawal of recycling support		377	377	377	377	377
(e) <i>Impact of capital programme</i>						
General Financing costs		150	274	431	554	581
Maximum impact of Gigabit Project		42	42	42	42	42
(f) <i>Additional income</i>						
Investment income		(33)	(42)	(50)	(59)	(68)
(h) <i>Provision for new growth items (see appendix 2)</i>		60	120	180	240	300
Total Cabinet Member Requirements	8,659	9,966	10,592	11,117	11,661	12,161

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2019/20 - 2024/25

	2019/20 Base	2020/21	2021/22	2022/23	2023/24	2024/25
Net Spending to be Financed from Taxation	£'000	£'000	£'000	£'000	£'000	£'000
Total Cabinet Member Requirements	8,659	9,966	10,592	11,117	11,661	12,161
Income from grants and taxation						
<i>Business Rate Income</i>						
Baseline funding	1,739	1,767	1,802	1,838	1,875	1,913
Add: Net retained additional business rates	711	614	313	318	323	331
Add: Share of surplus /deficit (-)	(250)	(300)				
Add: Levy surplus	27					
Adjusted Business Rate Income	2,227	2,081	2,115	2,156	2,198	2,244
<i>Council Tax income</i>	6,347	6,530	6,676	6,825	6,978	7,134
<i>New Homes Bonus</i>						
New homes bonus (2016-20)	115	-	-	-	-	-
New homes bonus (2017-21)	1	1	-	-	-	-
New homes bonus (2019-23)	10	10	10	10	-	-
Total New Homes Bonus	126	11	10	10	-	-
<i>Collection fund surplus/deficit (-)</i>	(41)	(9)	-	-	-	-
Total Income from grants and taxation	8,659	8,613	8,801	8,991	9,176	9,378
AMOUNT REQUIRED TO BALANCE THE BUDGET	-	1,353	1,791	2,126	2,485	2,783


ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2019/20 - 2024/25

	2019/20 Base	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE THE BUDGET	-	1,353	1,791	2,126	2,485	2,783
Savings / Initiatives identified to date:						
<i>Strategic Property Investment Fund</i>						
Future property purchases		500	700	900	1,100	1,300
New Office Block		55	55	55	55	55
Provision for future voids and repairs		(100)	(200)	(300)	(400)	(500)
<i>Affordable Housing Programme</i>						
Approved projects		380	410	410	410	410
<i>Commercial activities and commissioning</i>						
Commercial and Customer Activities		149	319	489	659	829
<i>Efficiency Measures</i>						
Service and Digital redesign		68	148	228	308	380
<i>Savings identified by Heads of Service</i>		327	505	545	545	545
Total savings initiatives identified to date		1,379	1,937	2,327	2,677	3,027
Cumulative savings still to be found/ (surplus)		(26)	(146)	(201)	(192)	(244)
Annual savings still to be found		(26)	(120)	(55)	9	(52)
Council Tax increase		2.00%	2.00%	2.00%	2.00%	2.00%
Annual increase (Band D property)		£5.99	£6.11	£6.23	£6.36	£6.48
Weekly increase (Band D property)		£0.12	£0.12	£0.12	£0.12	£0.12
Average annual increase (Band C property)		£5.32	£5.43	£5.54	£5.65	£5.76
Average weekly increase (Band C property)		£0.10	£0.10	£0.11	£0.11	£0.11

	Expected cost (cumulative)					
	2020/21			2021/22 and beyond		
	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
Service reinvestment proposal						
	£	£	£	£	£	£
Climate change and environmental investment proposals						
Ash Dieback Strategy (as per JSC report)						
Arboricultural Inspector resource	18,960	7,580	11,380	18,960	7,580	11,380
Surveys, road closure and associated costs	10,000	4,000	6,000	10,000	4,000	6,000
Sustainability manager	54,000	21,600	32,400	54,000	21,600	32,400
Climate change and protecting the environment are key priorities for the Councils, with a large programme of work ahead. In order to deliver this agenda, we need to increase resources and ensure both organisation and area based projects are supported and delivered.						
Homes and Communities Enabling Officer	32,000	12,800	19,200	32,000	12,800	19,200
To support our ambitions to build better and more creative relationships with Registered providers and developers and to involve our communities in the co-design of ideas and suggestions that meet our ambitions, we propose a part time role of Homes and Communities Enabling officer. Many local authorities have a housing enabling role which links to RPs and collates data. However we see this role as being critical to providing the resource to engage and involve communities in the design of place; the design of ideas that may use local CIL funds for example; and influencing the outcome of planning applications on what community benefit is desirable, as opposed to always thinking of the obvious off the shelf solutions (e.g a community centre) The officer will therefore work across housing - understanding housing need, planning - looking at forthcoming applications, with the new development team - building relationships with affordable homes providers and crucially with the communities and wellbeing teams. They will also be responsible for ensuring accurate and timely returns on data required by central government.						

	Expected cost (cumulative)					
	2020/21			2021/22 and beyond		
Service reinvestment proposal	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
	£	£	£	£	£	£
Service Designer Service design has been used in many projects including preventing homelessness, housing repairs, loneliness, supported housing and work & skills, delivering multiple benefits including cost saving and cost avoidance. This post will bring the specialist skills needed in-house, delivering a highly valued service at lower cost.	54,000	21,600	32,400	54,000	21,600	32,400
Asset Manager Following the expansion of the Council's asset portfolio, the council needs to invest into the management of the service to ensure it provides a sustainable level of income growth for the future.	45,000	18,000	27,000	60,000	24,000	36,000
Less: Provision for reinvestment back into services		-60,000	-90,000		-60,000	-90,000
Net impact of growth proposals	213,930	25,580	38,380	228,960	31,580	47,380

<div> <div>ADUR DISTRICT COUNCIL</div> <div>ADC</div> </div>							
	Balance as at 01.04.19	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.20	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1 CAPACITY ISSUES FUND Purpose: To enable the Council to fund one-off initiatives. Now includes Carry Forward Reserve.	426	-	(205)	221	-	-	221
2 INSURANCE FUND Purpose: To offset the costs of insurance excesses and fund insurance risk management initiatives.	153	31	(37)	147	30	(30)	147
3 PROPERTY INVESTMENT RISK RESERVE Purpose: To offset future void rental periods in investment properties.	-	560	-	560	200	-	760
4. SPECIAL & OTHER EMERGENCY RESERVE	60	-	-	60	-	-	60
5. ELECTION RESERVE To offset future maintenance costs of investment properties.	8	-	(8)	-	-	-	-

<div> <div>  </div> </div>							
	Balance as at 01.04.19	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.20	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6. BUSINESS RATES SMOOTHING RESERVE	402	-	(321)	81	-	-	81
7. GRANTS & CONTRIBUTIONS HELD IN RESERVES *	563	-	-	563	-	-	563
8. RESIDUAL PROJECTED UNDERSPEND Reserves to be identified at outturn*	-	279 *see below	-	279	-	-	279
9. GENERAL FUND WORKING BALANCE	518	50	-	568	-	-	568
TOTAL	2,130	920	(571)	2,479	230	(30)	2,679

*contribution to be confirmed at year end

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE - Budget year 2020/21										
Properties	Band A -	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Dwellings	0.0	2,760.0	5,062.0	11,459.0	6,158.0	1,944.0	743.0	300.0	9.0	28,435.0
Less: Exemptions	0.0	-68.0	-65.0	-118.0	-86.0	-14.0	-10.0	-6.0	0.0	-367.0
	0.0	2,692.0	4,997.0	11,341.0	6,072.0	1,930.0	733.0	294.0	9.0	28,068.0
Disabled Relief Adjustment (net)	7.0	5.0	39.0	-5.0	-27.0	-10.0	-1.0	-2.0	-6.0	0.0
Chargeable Dwellings	7.0	2,697.0	5,036.0	11,336.0	6,045.0	1,920.0	732.0	292.0	3.0	28,068.0
Broken down as follows:										
Full Charge	5.0	918.0	2,915.0	7,751.0	4,513.0	1,508.0	595.0	259.0	2.0	18,466.0
25% Discount (including adj for SP Dis)	2.0	1,765.0	2,096.0	3,551.0	1,521.0	406.0	130.0	25.0	0.0	9,496.0
50% Discount	0.0	24.0	38.0	70.0	36.0	16.0	14.0	11.0	0.0	209.0
0% Discount (Long Term Empty Homes)	0.0	92.0	106.0	116.0	53.0	18.0	5.0	3.0	2.0	395.0
Total Equivalent Number of Dwellings	6.5	2,250.3	4,503.0	10,430.8	5,660.3	1,817.5	696.0	281.8	4.0	25,650.0
Reduction in tax base due to Council Tax Support	3.0	632.4	865.6	1,027.9	250.1	41.8	5.0	1.3	0.0	2,827.1
Adjusted equivalent total dwellings	3.5	1,617.8	3,637.4	9,402.8	5,410.1	1,775.7	691.0	280.5	4.0	22,822.9
<u>Band D Equivalents</u>										
Revenue Support Settlement	2.0	1,064.8	2,819.3	8,355.6	5,409.5	2,170.1	998.0	467.5	7.9	21,294.8
Add: Forecast new homes	0.0	20.8	37.5	75.7	19.5	2.5	3.6	0.0	0.1	159.6
Less: Adjustments for Losses on Collection, and Void Properties	0.0	0.0	0.0	0.0	74.0	0.0	0.0	0.0	0.0	74.0
COUNCIL TAX BASE	2.0	1,085.6	2,856.8	8,431.3	5,355.0	2,172.6	1,001.6	467.5	8.0	21,380.4
										21,380.4

ADUR BUDGET 2020/2021
Summary of Executive Member Portfolios

APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
Environment	2,272,600	2,522,040
Health and Wellbeing	1,269,140	1,274,720
Customer Services	1,507,950	1,430,250
Leader	624,800	638,050
Regeneration	1,765,060	1,734,060
Resources	1,111,680	(98,470)
Support Services Depreciation Not Charged To Services	249,790	55,670
NET SERVICE EXPENDITURE	8,801,020	7,556,320
Credit Back Depreciation / Impairments	(1,385,100)	(1,326,600)
Minimum Revenue Provision	1,242,940	2,356,630
	8,658,860	8,586,350
Transfer to / from Reserves	-	-
Balance Available to Transfer To / (From) Reserves	-	25,580
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	8,658,860	8,611,930
Baseline Funding	(1,738,820)	(1,767,150)
Additional business rate income	(461,370)	(313,440)
Levy Surplus	(26,680)	-
Other unfenced grants (New homes bonus)	(125,990)	(11,480)
Contribution to/ (from) Collection Fund	40,950	8,650
AMOUNT REQUIRED FROM COUNCIL TAX	6,346,950	6,528,510
COUNCIL TAX BASE	21,195.0	21,380.4
Average Band D Council Tax - Adur District	299.43	305.37
% increase		1.98%

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Bus Shelters, Street Lighting & Highways	54,600	58,040
Public Conveniences	230,370	218,590
Sustainable Development	29,360	30,100
	314,330	306,730
Customer & Digital Services		
Car Parking	(238,550)	(276,960)
	(238,550)	(276,960)
DIRECTOR FOR COMMUNITIES		
Leisure Client	490,820	481,940
	490,820	481,940
Environmental		
Foreshores	(35,490)	(40,590)
Allotments	(23,470)	(16,070)
Cemeteries	151,990	154,870
Parks	833,290	880,550
Abandoned Vehicles	5,850	5,850
Clinical Waste	1,430	(200)
Graffiti	4,480	4,920
Recycling	(433,020)	(117,840)
Refuse	828,980	815,960
Street Cleansing including Pest Control	570,620	554,720
Trade Refuse	(207,530)	(216,030)
	1,697,130	2,026,140
Housing		
Public Health Burials	2,870	2,870
	2,870	2,870
Wellbeing		
Pollution Control & Dog Control	35,150	35,480
	35,150	35,480
DIRECTOR OF ECONOMY		
Place & Economy		
Street Scene	(29,150)	(54,160)
	(29,150)	(54,160)
TOTAL ENVIRONMENT PORTFOLIO	2,272,600	2,522,040

ADUR - ENVIRONMENT PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS



SERVICE / ACTIVITY	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£	£	£	£
Business and Technical Services										
Bus Shelters, Street Lighting & Highways	-	30,230	-	7,170	-	(7,930)	29,470	13,490	15,080	58,040
Public Conveniences	-	164,200	-	120	-	(370)	163,950	13,790	40,850	218,590
Sustainable Development	-	-	-	-	-	-	0	30,100	-	30,100
Customer & Digital Services										
Car Parking	-	113,540	-	131,160	57,800	(686,520)	(384,020)	99,480	7,580	(276,960)
DIRECTOR FOR COMMUNITIES										
Leisure Client	-	51,040	-	4,150	135,000	(9,940)	180,250	13,490	288,200	481,940
Environment										
Foreshores	-	11,790	-	8,910	-	(121,570)	(100,870)	29,370	30,910	(40,590)
Allotments	-	17,770	-	-	-	(36,860)	(19,090)	-	3,020	(16,070)
Cemeteries	138,130	82,590	-	10,000	-	(209,710)	21,010	127,600	6,260	154,870
Parks	(76,360)	685,020	-	47,660	-	(155,820)	500,500	245,060	134,990	880,550
Abandoned Vehicles	-	-	-	5,850	-	-	5,850	-	-	5,850
Clinical Waste	(200)	-	-	-	-	-	(200)	-	-	(200)
Graffiti	3,190	-	-	-	-	-	3,190	1,730	-	4,920
Recycling	(237,160)	-	-	-	-	-	(237,160)	56,660	62,660	(117,840)
Refuse	524,780	-	-	-	-	-	524,780	179,560	111,620	815,960
Street Cleansing including Pest Control	556,040	-	-	-	-	(136,630)	419,410	89,480	45,830	554,720
Trade Refuse	138,140	-	-	255,870	-	(665,580)	(271,570)	22,880	32,660	(216,030)
Housing										
Public Health Burials	-	-	-	2,870	-	-	2,870	-	-	2,870
Wellbeing										
Pollution Control & Dog Control	34,030	-	-	-	-	-	34,030	-	1,450	35,480
DIRECTOR OF ECONOMY										
Place & Economy										
Street Scene	-	-	2,620	15,550	-	(72,330)	(54,160)	-	-	(54,160)
	1,080,590	1,156,180	2,620	489,310	192,800	(2,103,260)	818,240	922,690	781,110	2,522,040
Percentage Direct Cost	37%	40%	0%	17%	7%					

ENVIRONMENT SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2020/2021



SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	Committed Growth	Bids for Investment in Services	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
DIRECTOR FOR DIGITAL & RESOURCES	£	£	£	£	£	£	£	£
Business and Technical Services								
Bus Shelters, Street Lighting & Highways	54,600	320	2,500	-	-	-	620	58,040
Public Conveniences	230,370	3,130	-	-	-	(1,600)	(13,310)	218,590
Sustainable Development	29,360	-	-	-	-	-	740	30,100
Customer & Digital Services								
Car Parking	(238,550)	(10,670)	-	-	-	(30,000)	2,260	(276,960)
DIRECTOR FOR COMMUNITIES								
Leisure Client	490,820	500	-	-	-	-	(9,380)	481,940
Environment								
Foreshores	(35,490)	220	-	-	-	(5,180)	(140)	(40,590)
Allotments	(23,470)	420	-	-	-	6,530	450	(16,070)
Cemeteries	151,990	(1,710)	10,000	-	-	(27,280)	21,870	154,870
Parks	833,290	12,210	-	-	-	(1,920)	36,970	880,550
Abandoned Vehicles	5,850	-	-	-	-	-	-	5,850
Clinical Waste	1,430	-	-	-	-	-	(1,630)	(200)
Graffiti	4,480	-	-	-	-	-	440	4,920
Recycling	(433,020)	-	-	-	-	-	315,180	(117,840)
Refuse	828,980	-	-	-	-	-	(13,020)	815,960
Street Cleansing including Pest Control	570,620	(2,680)	-	-	-	-	(13,220)	554,720
Trade Refuse	(207,530)	(8,170)	-	-	-	-	(330)	(216,030)
Housing								
Public Health Burials	2,870	-	-	-	-	-	-	2,870
Wellbeing								
Pollution Control & Dog Control	35,150	-	-	-	-	-	330	35,480
DIRECTOR OF ECONOMY								
Place & Economy								
Street Scene	(29,150)	(1,420)	-	-	-	-	(23,590)	(54,160)
TOTAL COST	2,272,600	(7,850)	12,500	0	0	(59,450)	304,240	2,522,040

HEALTH AND WELLBEING PORTFOLIO



ADUR DISTRICT
COUNCIL

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
DIRECTOR OF COMMUNITIES		
Wellbeing		
Community Development, Fishersgate & Grants	350,570	353,110
Community Safety	237,060	245,760
Food Safety	157,520	158,720
Licensing	148,140	142,210
Public Health and Regulation	308,420	311,660
	1,201,710	1,211,460
DIRECTOR OF DIGITAL AND RESOURCES		
Business and Technical Services		
Emergency Planning	27,180	27,590
Street Lighting	40,250	35,670
	67,430	63,260
TOTAL FOR HEALTH AND WELLBEING	1,269,140	1,274,720

ADUR - HEALTH AND WELLBEING PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES											
Wellbeing											
Community Development, Fishersgate & Grants	-	82,760	730	-	217,920	-	(15,300)	286,110	63,670	3,330	353,110
Community Safety	-	132,710	1,400	-	8,820	-	-	142,930	102,830	-	245,760
Food Safety	-	1,530	-	-	950	-	-	2,480	156,240	-	158,720
Licensing	8,160	119,950	-	-	13,410	-	(123,540)	17,980	124,230	-	142,210
Public Health and Regulation	-	4,600	-	-	15,400	4,820	(13,350)	11,470	296,720	3,470	311,660
DIRECTOR OF DIGITAL & RESOURCES											
Business and Technical Services											
Emergency Planning	-	5,580	-	-	-	-	-	5,580	22,010	-	27,590
Street Lighting	-	-	8,450	-	8,770	-	-	17,220	8,430	10,020	35,670
TOTAL COST	8,160	347,130	10,580	0	265,270	4,820	(152,190)	483,770	774,130	16,820	1,274,720
Percentage Direct Cost	1%	55%	2%	0%	42%	1%					

HEALTH AND WELLBEING SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2020/2021



SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	One off - items	Committed Growth	Reduction In Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES										
Wellbeing										
Community Development, Fishersgate & Grants	350,570	-	-	-	-	-	-	-	2,540	353,110
Community Safety	237,060	30	-	-	-	-	-	-	8,670	245,760
Food Safety	157,520	-	-	-	-	-	-	-	1,200	158,720
Licensing	148,140	(1,510)	-	-	-	-	-	-	(4,420)	142,210
Public Health and Regulation	308,420	(260)	-	-	-	-	-	-	3,500	311,660
DIRECTOR OF DIGITAL & RESOURCES										
Business and Technical Services										
Emergency Planning	27,180	-	-	-	-	-	-	-	410	27,590
Street Lighting	40,250	260	-	(5,000)	-	-	-	-	160	35,670
TOTAL COST	1,269,140	(1,480)	0	(5,000)	0	0	0	0	12,060	1,274,720

CUSTOMER SERVICES PORTFOLIO



ADUR DISTRICT
COUNCIL

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
DIRECTOR OF COMMUNITIES		
Housing		
Housing including Homelessness	957,460	950,240
Community Alarm	162,380	170,130
	1,119,840	1,120,370
DIRECTOR OF DIGITAL AND RESOURCES		
Revenues and Benefits		
Revenues	303,130	303,750
Benefits	84,980	6,130
	388,110	309,880
TOTAL FOR CUSTOMER SERVICES	1,507,950	1,430,250

ADUR - CUSTOMER SERVICES PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES											
Housing											
Housing including Homelessness	-	288,050	263,660	440	926,770	112,060	(905,650)	685,330	264,910	-	950,240
Community Alarm	131,110	171,680	-	5,340	44,430	41,050	(330,200)	63,410	90,340	16,380	170,130
DIRECTOR OF CUSTOMER & DIGITAL SERVICES											
Revenues and Benefits											
Revenues	-	253,180	-	1,910	131,610	-	(156,280)	230,420	73,330	-	303,750
Benefits	-	372,800	-	150	29,120	16,567,490	(17,035,850)	(66,290)	63,860	8,560	6,130
TOTAL COST	131,110	1,085,710	263,660	7,840	1,131,930	16,720,600	(18,427,980)	912,870	492,440	24,940	1,430,250
Percentage Direct Cost	1%	6%	1%	0%	6%	86%					

ADUR CUSTOMER SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2019/2020



SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	One off - items	Committed Growth	Reduction in Income	Impact of Capital programme	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR OF COMMUNITIES										
Housing										
Housing including Homelessness	957,460	19,110	-	45,000		-	-	(80,000)	8,670	950,240
Community Alarm	162,380	(6,470)	-	-	-	-	-	-	14,220	170,130
DIRECTOR OF DIGITAL & RESOURCES										
Revenues and Benefits										
Revenues	303,130	(3,060)	-	-	-	-	-	-	3,680	303,750
Benefits	84,980	(3,590)	-	-	-	-	-	-	(75,260)	6,130
TOTAL COST	1,507,950	5,990	0	45,000	0	0	0	(80,000)	(48,690)	1,430,250

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
CHIEF EXECUTIVE		
Communications		
Strategic Planning	880	880
	880	880
DIRECTOR OF COMMUNITIES		
Wellbeing		
Members	388,850	380,000
Leaders Support for Cultural Projects	40,000	40,000
	428,850	420,000
DIRECTOR OF DIGITAL AND RESOURCES		
Customer & Digital Services		
Elections	195,070	217,170
	195,070	217,170
TOTAL for LEADER	624,800	638,050

ADUR - THE LEADER PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
CHIEF EXECUTIVE	£	£	£	£	£	£	£	£	£	£	£
Communications											
Strategic Planning	-	-	-	-	-	-	-	0	880	-	880
DIRECTOR OF COMMUNITIES											
Wellbeing											
Members	219,110	86,760	-	-	12,280	-	(15,600)	302,550	77,450	-	380,000
Leaders Support for Cultural Projects	-	-	-	-	40,000	-	-	40,000	-	-	40,000
DIRECTOR OF DIGITAL & RESOURCES											
Customer & Digital Services											
Elections	25,000	79,610	2,000	-	59,380	-	(3,300)	162,690	51,690	2,790	217,170
TOTAL COST	244,110	166,370	2,000	0	111,660	0	(18,900)	505,240	130,020	2,790	638,050
Percentage Direct Cost	47%	32%	0%	0%	21%	0%					

THE LEADER - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2020/2021

SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	One off - items	Committed Growth	Compensatory savings	Bids for Investment in Services	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
CHIEF EXECUTIVE										
Communications										
Strategic Planning	880	-	-	-	-	-	-	-	-	880
DIRECTOR OF COMMUNITIES										
Wellbeing										
Members	388,850	4,230	-	-	-	-	-	-	(13,080)	380,000
Leaders Support for Cultural Projects	40,000	-	-	-	-	-	-	-	-	40,000
DIRECTOR OF DIGITAL & RESOURCES										
Customer & Digital Services										
Elections	195,070	(20)	-	18,000	-	-	-	-	4,120	217,170
TOTAL COST	624,800	4,210	0	18,000	0	0	0	0	(8,960)	638,050

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
DIRECTOR FOR COMMUNITIES		
Wellbeing		
Land Drainage	1,320	1,380
	1,320	1,380
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Coast Protection & Ditch Clearing	115,520	116,090
	115,520	116,090
DIRECTOR OF ECONOMY		
Grants		
Shoreham Harbour	33,630	101,880
	33,630	101,880
Planning & Development		
Planning Policy	319,140	327,930
Development Control & Major Projects	660,130	655,880
Building Control	202,660	149,350
	1,181,930	1,133,160
Place & Economy		
Regeneration	432,660	381,550
	432,660	381,550
TOTAL FOR REGENERATION	1,765,060	1,734,060

ADUR - REGENERATION PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR COMMUNITIES											
Wellbeing											
Land Drainage	-	-	-	-	30	-	-	30	-	1,350	1,380
DIRECTOR FOR DIGITAL AND RESOURCES											
Business and Technical Services											
Coast Protection & Ditch Clearing	-	-	4,330	-	5,820	-	-	10,150	25,720	80,220	116,090
DIRECTOR OF ECONOMY											
Grants											
Shoreham Harbour	205,790	-	-	-	-	-	(143,100)	62,690	39,190	-	101,880
Planning & Development											
Planning Policy	-	6,390	-	-	17,790	-	-	24,180	303,750	-	327,930
Development Control & Major Projects	-	442,040	-	-	8,620	5,380	(279,090)	176,950	478,930	-	655,880
Building Control	-	240,960	-	-	-	-	(240,800)	160	149,190	-	149,350
Place & Economy											
Regeneration	-	126,770	-	-	80,810	-	-	207,580	144,940	29,030	381,550
TOTAL COST	205,790	816,160	4,330	0	113,070	5,380	(662,990)	481,740	1,141,720	110,600	1,734,060
Percentage Direct Cost	18%	71%	0%	0%	10%	0%					

REGENERATION SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2020/2021

SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	One off - items	Committed Growth	Compensatory savings	Bids for Investment in Services	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR COMMUNITIES										
Wellbeing										
Land Drainage	1,320	-	-	-	-	-	-	-	60	1,380
DIRECTOR FOR DIGITAL AND RESOURCES										
Business and Technical Services										
Coast Protection & Ditch Clearing	115,520	90	-	-	-	-	-	-	480	116,090
DIRECTOR OF ECONOMY										
Grants										
Shoreham Harbour	33,630	-	-	60,700	-	-	-	-	7,550	101,880
Planning & Development										
Planning Policy	319,140	-	-	-	-	-	-	-	8,790	327,930
Development Control & Major Projects	660,130	(5,240)	-	-	-	-	-	(12,000)	12,990	655,880
Building Control	202,660	(3,580)	-	-	-	-	-	(50,000)	270	149,350
Place & Economy										
Regeneration	432,660	-	-	-	-	-	-	-	(51,110)	381,550
TOTAL COST	1,765,060	(8,730)	0	60,700	0	0	0	(62,000)	(20,970)	1,734,060

RESOURCES PORTFOLIO



ADUR DISTRICT
COUNCIL

SERVICE	ESTIMATE 2019/2020	ESTIMATE 2020/2021
	£	£
DIRECTOR FOR DIGITAL AND RESOURCES		
Business and Technical Services		
Community Centres	124,760	161,950
	124,760	161,950
Finance		
Corporate Management & Pension costs	1,945,200	2,189,440
Treasury Management	1,052,820	2,348,550
	2,998,020	4,537,990
Revenues & Benefits		
Non Domestic Rates	(32,650)	(41,000)
	(32,650)	(41,000)
DIRECTOR OF ECONOMY		
Major Projects and Investment		
Estates	(1,958,380)	(4,737,840)
	(1,958,380)	(4,737,840)
Planning & Development		
Land Charges	(20,070)	(19,570)
	(20,070)	(19,570)
TOTAL FOR RESOURCES	1,111,680	(98,470)

ADUR - RESOURCES PORTFOLIO - 2020/2021 - SUBJECTIVE ANALYSIS

SERVICE / ACTIVITY	Employees	Direct Recharges	Premises	Transport	Supplies & Services	Third Party	Income	Service Controlled Budget	Support	Transfer to/from Reserves	Capital Charges	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL & RESOURCES												
Business and Technical Services												
Community Centres	-	37,130	68,720	-	4,230	-	-	110,080	36,150	-	15,720	161,950
Finance												
Corporate Management & Pension costs	1,211,730	58,650	125,890	-	623,620	-	(520,330)	1,499,560	752,400	(62,520)	-	2,189,440
Treasury Management	-	-	-	-	25,000	-	(355,040)	(330,040)	880	-	2,677,710	2,348,550
Revenues & Benefits												
Non Domestic Rates	-	58,880	-	-	7,470	-	(107,350)	(41,000)	-	-	-	(41,000)
DIRECTOR OF ECONOMY												
Major Projects and Investment												
Estates	-	15,960	149,010	-	15,240	-	(5,144,110)	(4,963,900)	113,000	-	113,060	(4,737,840)
Planning & Development												
Land Charges	-	35,170	-	-	20,200	-	(105,280)	(49,910)	30,340	-	-	(19,570)
TOTAL COST	1,211,730	205,790	343,620	0	695,760	0	(6,232,110)	(3,775,210)	932,770	(62,520)	2,806,490	(98,470)
Percentage Direct Cost	49%	8%	14%	0%	28%	0%						

RESOURCES SERVICES - SUMMARY OF CHANGES SINCE THE ORIGINAL BUDGET - 2020/2021

SERVICE / ACTIVITY	Original Estimate 2019/2020	Inflation	One off - items	Committed Growth	Compensatory savings	Impact of Capital programme	Bids for Investment in Services	Additional Income	Savings	Non-MTFP Other Changes	TOTAL BUDGET
	£	£	£	£	£	£	£	£	£	£	£
DIRECTOR FOR DIGITAL & RESOURCES											
Business and Technical Services											
Community Centres	124,760	550	-	25,000	-	-	-	-	-	11,640	161,950
Finance											
Corporate Management & Pension costs	1,945,200	38,540	-	167,000	-	-	-	-	(324,040)	362,740	2,189,440
Treasury Management	1,052,820	-	-	21,000	-	38,000	-	(33,000)	(58,330)	1,328,060	2,348,550
Revenues & Benefits											
Non Domestic Rates	(32,650)	(210)	-	-	-	-	-	-	-	(8,140)	(41,000)
DIRECTOR OF ECONOMY											
Major Projects and Investment											
Estates	(1,958,380)	1,330	-	(2,600)	-	-	-	-	(455,000)	(2,323,190)	(4,737,840)
Planning & Development											
Land Charges	(20,070)	(2,060)	-	-	-	-	-	-	-	2,560	(19,570)
TOTAL COST	1,111,680	38,150	0	210,400	0	38,000	0	(33,000)	(837,370)	(626,330)	(98,470)

This page is intentionally left blank