

**Report by the Director of Resources**

**Revenue Budget 2007/08**

**1.0 Summary**

1.1 This report summarises the budget recommendations from the Programme Committees and provides background information to enable the Committee to recommend to Council the level of council tax for 2007/08.

**2.0 Recommendation**

2.1 Members of Policy and Strategy Committee are requested to consider the information contained in this report and :-

- a) recommend the General Fund net revenue budget to Council on 15 February 2007; and
- b) recommend the average Band D council tax figure to Council on 15 February 2007.

**3.0 Introduction**

3.1 The report sets out the basis on which Policy and Strategy Committee should make a recommendation to the Council on the Revenue Budget for 2007/08 and the resultant level of council tax for 2007/08. Unlike last year, it is possible to give definitive figures in this report as the final Central Government grant settlement figures were released in November 2006.

**4.0 Background**

4.1 The budget papers for 2007/08, including the revised estimates for the current financial year have now been prepared in detail, and submitted to the Programme Committees who have referred their overall requirements to this Committee for approval.

**5.0 Revised Committee Expenditure for 2006/07**

5.1 Programme Committees have received a monitoring report earlier during the year. The overall projected net revenue outturn position for the Council is an estimated overspend of £129K, higher than previous monitoring reports.

5.2 The main variances are:-

**Table 1 – Main variances 2006/07**

| <b>Service</b>                      | <b>Monitoring<br/>Variances</b> | <b>Major Variances<br/>Arising from<br/>Removal of<br/>Notional Interest</b> | <b>Overall<br/>Variances</b> |
|-------------------------------------|---------------------------------|--|------------------------------|
|                                     | <b>£000</b>                     | <b>£000</b>  | <b>£000</b>                  |
| Property Management                 |                                 | (119)  | (119)                        |
| Land Charges                        | 41                              |  | 41                           |
| Revenues Collection                 | (61)                            |  | (61)                         |
| Council Tax Benefits                | 59                              |  | 59                           |
| Car Park Income                     | 43                              |  | 43                           |
| Rent Allowances                     | 57                              |  | 57                           |
| Gen. Fund Housing &<br>Homelessness | (25)                            |  | (25)                         |
| Building Control                    | (34)                            |  | (34)                         |
| Elections                           | 13                              |  | 13                           |
| Concessionary Travel                | 8                               |  | 8                            |
| Economic Regeneration               | (18)                            |  | (18)                         |
| Community Buildings                 |                                 | (113)  | (113)                        |
| Streetscene                         | 56                              |  | 56                           |
| Community Safety                    | (7)                             |  | (7)                          |
| Allotments                          | (7)                             |  | (7)                          |
| Net minor underspends               | (3)                             |  | (3)                          |
| Asset Management Revenue<br>Account |                                 | 239  | 239                          |
| <b>Estimated 2006/07 Overspend</b>  | <b>122</b>                      | <b>7</b>   | <b>129</b>                   |

5.3 A majority of the individual service variation can be accounted for by the removal of notional interest charges from service accounts such as property management and community buildings which show large savings. However, this effect is neutral as the corresponding credit is removed from the authority's asset management revenue account.

5.4 Every effort will be made to minimise the extra costs but most are either committed or demand driven and therefore little action can be taken.

## **6.0 Net Revenue Expenditure 2007/08**

6.1 The summary of the expenditure as approved by Programme Committees is attached as Annex A, with individual committee summaries attached as annexes B to F.

6.2 Since the budgets were approved by the Committees some further information has become available which changes the base figure:-

- a) Investment income – Due to the quarter percent increase in base interest rates to 5.0% in November 2006, the return on the Council’s treasury management portfolio has increased from that reported to Housing & Central Services Committee 21/11/06  
(-) £20,000
- b) CenSus Revenues savings - The new partnership programme manager will be starting in February 2007 with the brief to reduce operational costs by £150K over the 3 sites with Adur receiving a one third share  
(-) £50,000
- Total saving** **(-) £70,000**

6.3 An updated summary of the basic net budget requirement including the adjustments referred to in paragraph 6.2 above is as follows :-

**Table 2 – Summary of net expenditure to be funded by Council Tax**

|   |                   |
|---|-------------------|
|   | £                 |
| <b>Net Committee expenditure</b>                        | <b>10,485,910</b> |
| Less  |                   |
| Adjustments in 6.2 above                                | (70,000)          |
| Revenue Support grant                                   | (4,184,000)       |
| Redistributed Business Rate                             | (702,000)         |
| Collection Fund Surplus                                 | (40,000)          |
| <b>Amount required from Council Tax</b>                 | <b>5,489,910</b>  |
| Divided by council tax base – 22,207.7<br>= council tax | £247.21           |
| <b>Increase over 2006/07</b>                            | <b>4.88%</b>      |

- 6.4 In addition to 6.2(a) above, there has been a further increase in base interest rates to 5.25% as from 11/01/06. Feeding this into the Council’s investment portfolio produces a further additional £11,000 income. However, this assumes that rates will remain at 5.25% for the duration of 2007/08 and of course is subject to market fluctuations.
- 6.5 The net budget provision includes a net reduction in income of £75,000 in respect of Land Charge searches because of an expected change in the regulations relating to the setting of those charges. The regulations have not yet been confirmed and it is possible that the reduced income may not be as high as first forecast, and it is considered prudent to reinstate half of that shortfall, say £35,000.
- 6.6 Members may wish to decide to use this additional income to reduce the council tax lower than 4.9% or to address some of the growth bids outlined in tables 3 and 4 of this report.

6.7 A summary of major variations between 2006/07 and 2007/08, and projections through to 2008/09 and 2009/10 is shown in the attached schedule marked Appendix G. Members should be aware of the following points relating to the updated base budget:

- (a) Inflation is added to the base with an uplift comprising 2.5% for price increases, an assumed APT&C pay award of 2.25%, plus APT&C increments and for management grades an additional uplift of 1.5%. Some budgets have been increased by higher amounts where outside factors influence prices paid for supplies, and a view has been taken to limit inflation increases in certain budgets for 2007/08.
- (b) Unavoidable base budget changes are listed on the attached schedule. These relate to cost or income increases over and above the level of inflation applied, and areas of increased demand or growth such as Land Charges, the revenue repayment costs of new capital borrowing resulting from the agreed Capital Programme, plus some other smaller items.

6.8 Growth items from Programme Committees are detailed in tables 3 and 4 as follows:-

**Table 3 - Housing & Central Services Committee Growth Bids**

| No  | Revenue Growth Bid Description   | £'000 | % Tax |
|-----|--|-------|-------|
| 1.  | Pay & Grading Review – estimate based on 3% growth in salaries budget. 2006/07 base budget included £60K in respect of the pay & grading review process (consultant's fees etc.)   | 260   | 4.9%  |
| 2.  | Establishment of reserve fund for self-financed capitalised repairs via ring-fencing and set aside of increased Southwick Square garage and shop rents. If members should choose this option, it will only happen if there is a general under spend across the Council's general fund.   | 35    | 0.7%  |
| 3.  | Continuation of funding on temporary post CE400(T), Student Environmental Health Officer.  | 9     | 0.2%  |
| 4.  | Make permanent post CS17(T), Admin. Assistant. Post currently funded by income from WBC for Joint Chief Executive. This item was discussed at Housing & Central Services Committee 21/10/06 where it was felt that whilst discussions on increased partnership working and the pay and grading review were ongoing, additional permanent posts could not be supported. The item was starred and identified for further discussion at this committee. | 15*   | 0.3%  |
| 5.  | Continuation of funding on temporary post CE396(T), Environmental Health Technician (Contaminated Land).   | 22    | 0.4%  |
| 6.  | Provision of a part time (6 hours per week) Help Point resource at Southwick Library on the same basis as Lancing library.   | 4     | 0.1%  |
| 7.  | Increase in Civic Centre building maintenance budget to match historic level of demand.  | 10    | 0.2%  |
| 8.  | Printer consumables – demand for use of local printers instead of Multi Functional Devices (MFDs)  | 7     | 0.1%  |
| 9.  | Local Government White Paper/Worthing BC Partnership working - Possible new political structure - consultation   | 20    | 0.4%  |
| 10. | Business continuity planning – below £10K de minimis capital value   | 7     | 0.1%  |
| 11. | Work station health & safety requirements – below £10K de minimis capital value  | 5     | 0.1%  |
| 12. | Radio/audio kit for communications – below £10K de minimis capital value   | 2     | 0.0%  |

|              |   |            |             |
|--------------|---|------------|-------------|
| 13.          | Fire safety compliance – removed from capital programme as does not produce a capital asset | 25         | 0.5%        |
| <b>Total</b> |   | <b>421</b> | <b>8.0%</b> |

**Table 4 – Community & Leisure Services Committee Growth Bids**

| No           | Revenue Growth Bid Description   | £'000     | % Tax       |
|--------------|--|-----------|-------------|
| 1.           | AWS managerial shortfall – with the introduction of the new Refuse and Recycling service it will be necessary to review the current management structure at Commerce Way. Existing staff time will, by necessity, be devoted to the introduction of the new service and additional management will be required for the residual non-AWS services – grounds maintenance, building maintenance, Adur Watch etc | 40        | 0.7%        |
| 2.           | Worthing B C – continuation of Coast defence and land drainage support   | 10        | 0.2%        |
| 3.           | Beach safety patrol  | delete    |             |
| 4.           | Safer Adur Team – contribution to new post   | delete    |             |
| 5.           | Mini recycling centres – below £10K de minimis capital value   | 4         | 0.1%        |
| 6.           | Parks and landscape improvements – below £10K de minimis capital value   | 6         | 0.1%        |
| 7.           | Security measures against the illegal occupation of Council owned land – below £10K de minimis capital value   | 6         | 0.1%        |
| 8.           | Ditch clearing   | 15        | 0.3%        |
| <b>Total</b> |  | <b>81</b> | <b>1.5%</b> |

#### 6.9 Financial risks and uncertainties regarding the 2007/08 budget

The following commentary highlights risks and uncertainties that may impinge upon the level of reserves in 2007/08 and future years:

a) Recycling – Information was received from WSCC in early January 2007 that the closure of Halewick Lane and subsequent transfer of recycling processing to Ford would result in a reduction in the sale value of recyclables as they are co-mingled as opposed to previously being sorted. This together with a lower than forecast rate per tonne for recycling credits, would have resulted in a significant shortfall of income from recycling for both Adur and Worthing. Subsequent negotiations and lobbying has resulted in an expected improved position back to the levels previously budgeted, but at the time of writing the report, this has not been confirmed.

Officers will update Members if further information is to hand by the time of the Committee.

b) Pay & Grading Review – Undertaking full pay and grading review is a condition of the 3-year pay agreement reached in April 2004.

The 1997 National Pay Agreement for local authorities introduced the principle of Single Status, with the objective of removing the then existing distinction between 'manual workers' and 'officers'. The Local Government Pay Commission, in its report of October 2003, recommended:

*“Every local authority which has not yet done so should undertake a pay audit (pay and grading review) and develop an action plan for implementing a pay structure embodying the equal value principles required by the Single Status Agreement with objectives, a staged timetable and deadlines. This should form part of a longer-term strategic plan for addressing any gender pay gap revealed by the pay audit including tackling occupation segregation.” (Chapter 5, Para 27)*

A key element of the 2004 Pay Agreement that followed publication of the Local Government Pay Commission Report, is the requirement on those authorities that have not already done so to complete local pay and grading reviews.

Worthing Borough Council and Adur District Council have agreed to work together to undertake a Joint Local Pay and Grading Review. The 2004 Implementation Agreement requires both local parties to negotiate towards a settlement by April 1<sup>st</sup> 2007. Failure to implement the Agreement may well leave the authorities vulnerable to significant legal and financial risks.

The Equal Pay Act gives a special role to job evaluation, in that an employer can use a non-discriminatory analytical job evaluation scheme as a defence against an equal pay claim. Included in this review will also be a Gender Impact Assessment which will analyse the ‘before’ and ‘after’ outcomes for any gender pay gaps. Although the GLPC scheme is ‘equality proof’, the organisations could still be at risk of backdated equal pay claims going back up to 6 years if the identified gaps are not bridged.

Realistic Timescales – A very short timescale has been allocated to this project and could be argued as being unrealistic. However the original project plan is currently on course to complete the JLPGR by April 2007 and for the outcomes to be implemented by end June 2007 (backdated to April 1<sup>st</sup> 2007).

Remaining tasks for completion - In broad terms this process will consist of a number of stages:

- Job evaluation process producing a rank order of jobs and moderation
- Developing the pay and grading structure
- Carrying out the pay modelling, and costing the preferred option/s; and
- Gender impact assessments

Pay Protection - The job evaluation process will create different impacts on different occupational groups. The 2004 Implementation Agreement requires that local pay and grading reviews should include proposals for pay protection and the details are a matter for local determination. For the purpose of initial pay modelling and costing, the authorities have agreed with Unison to base initial analysis (without commitment) on 3 years fixed pay protection at 100% over 3 years. This may change depending on final outcomes but gives a starting point for calculations and costings.

Implementation and costs - The experience of pay and grading reviews in local authorities that have completed them demonstrates that there will be additional pay bill costs arising from implementation of the results. Until such time as the review is complete, it will not be possible to provide an exact figure in terms of overall cost. It is anticipated that this will be in February/March 2007, after the Council’s budget has been agreed and the Council Tax for 2007/08 has been set.

Final implementation will depend on various issues including cost and negotiation of recommended outcomes with staff side. If the initial recommendations for implementation are deemed as too costly, the authorities will be faced with various options which will bring with them their own implications if applied:

- Fully implement the outcomes of the JLPGR for both authorities with effect from. 1<sup>st</sup> April 2007
- Implement JLPGR at only one of the affected authorities.
- Phase in green circled posts (those that have attracted a higher salary through JLPGR).
- Only bridge the gender pay.
- Part Implementation for certain service areas only – e.g. where staff are formally joint working i.e., AWS
- Abandon implementation of the JLPGR in full

Implications for not implementing JLPGR in full - The implications of not implementing the outcomes of the JLPGR in full are various. This report outlines some of these implications as follows:

- ***Loss of staff morale***
- ***An affect on joint working***
- ***Possible breach of the Local Pay Agreement***

## **Conclusions and Way Forward**

(i) The JLPGR is currently on target for completion and will provide recommendations for implementation by 1<sup>st</sup> April 2007. Failure to implement the Agreement may well leave the Council vulnerable to significant legal and financial risks. The best means of reducing risk of Equal Pay Claims will be for the Council to complete and implement the joint local pay and grading review outcomes, in full, in accordance with the 2004 National Pay Agreement. The Partnership Strategy between Adur and Worthing could be severely affected if one or both of the authorities decides not to implement the final recommended outcomes.

(ii) It is suggested that Members confirm their commitment to the implementation of the Joint Local Pay and Grading Review, but defer any decisions on how to handle the implementation until the results of the whole process are known, and the full implications for implementing any recommendations have been evaluated. This will be after the Council's Budget for 2007/08 has been set.

(iii) Members are recommended that, if full implementation costs are deemed to be too high, the Council commits to dealing with, at the very least, pay implications that are required to bridge any gender pay gaps that might be identified. Other authorities such as Arun District Council have taken this route. It is also recommended that part implementation takes place in certain service areas where staff are already formally committed to joint working i.e., AWS.

c) Concessionary Fares – the base free bus travel budget for 2007/08 is only 2.8% higher than the budget for 2006/07, so in itself does not cause the significant problems of last year.

However, as part of the process for 2006/07 one of the bus operators, Stagecoach South, has lodged two appeals with the Department for Transport (DfT) against the mechanism used to allocate costs to the operators. The first, and smallest appeal, relates to a shortfall in funding of £159,000 across the whole CountyCard operation, which equates to approximately 1.1% of the total budget.

The second and much more significant appeal relates to alleged increased costs in respect of the 700 bus route from Brighton to Chichester and the Pulse service which runs mainly throughout Worthing, but partly into the Adur District.

This total claim is in excess of £1.1 million and, if the DfT find in favour of the operators, any resultant costs would be shared between 4 or 5 authorities, but even on the shared basis, costs could be significant.

East Sussex County Council, as the Free Bus travel administering body for the Sussex County Card system, has responded to the appeal, the results of which are expected by the end of January.

## 7.0 Medium Term Financial Strategy

7.1 In preparing the budget for 2007/08 it is also necessary to consider the impact of decisions being made in the financial years 2008/09 and 2009/10.

7.2 Taking the figures from the table above and combining it with forecasted Finance Settlement figures (assuming current RPI – 3.9% November 2006) and projections for 2008/09 and 2009/10 produces the following:-

**Table 5 – Three-year projection of council tax**

|   | <b>2007/08</b> | <b>2008/09</b> | <b>2009/10</b> |
|---|----------------|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    | <b>£000</b>    |
| Total Budget Requirement (inc. 6.2)     | 10,416         | 10,835         | 11,349         |
| Less                                    |                |                |                |
| Revenue Support grant                   | (4,184)        | (4,347)        | (4,516)        |
| Redistributed Business Rate             | (702)          | (729)          | (757)          |
| Collection Fund Surplus                 | (40)           | (40)           | (40)           |
|   |                |                |                |
| <b>Amount required from Council Tax</b> | <b>5,490</b>   | <b>5,719</b>   | <b>6,036</b>   |
|   |                |                |                |
| Divided by council tax base             | 22,207.7       | 22,350         | 22,500         |
|   |                |                |                |
| <b>Council tax - Band D</b>             | <b>247.21</b>  | <b>255.88</b>  | <b>268.27</b>  |
| <b>Increase over previous year</b>      | <b>4.88%</b>   | <b>3.51%</b>   | <b>4.84%</b>   |

## 8.0 Finance Settlement

8.1 Details of the Finance Settlement were announced on 28 November 2006. The announcement represented an update of the 2 year settlement which was released in December 2005.

- 8.2 Total grant for 2007/08 amounts to £4,886,000 split between Revenue Support Grant of £4,184,000 and Redistributed Business Rate of £702,000. This is as was indicated in the 2006/07 Settlement and has been confirmed on 18 January 2007.
- 8.3 Adur appears to have fared reasonably well, in that the year on year grant increase equates to some £239,520 (5.2%) more than 2006/07. District Councils generally received a minimum allocation increase of 3.7%.
- 8.4 The grant distribution mechanism is unchanged from 2006/07 and is now referred to as the 'four block' model.
- 8.5 The four blocks are:-
- a) Relative Needs Block – designed to recognise the relative needs of individual authorities – not intended to measure the actual amount needed by any authority to provide local services, but to simply recognise the various factors which affect local authorities' costs locally
  - b) Relative Resources Amount – a negative figure – takes account of the fact that areas that can raise more locally through high tax bases require less support from Government to provide services
  - c) Central Allocation – distribution of the amount left over after the distribution of the Relative Needs Block and the Relative Resources Amount
  - d) Floor Damping Block – mechanism for ensuring that all authorities receive a minimum guaranteed grant, irrespective of the results of the previous three allocation methods. For Districts this is 3.8% for 2007/08.
- 8.6 These various methods of grant allocation mean that it is generally not possible to identify grant elements against actual spend.

## **9.0 Central Government's Reserve Capping Powers**

- 9.1 In his statement on 28 November 2006 Phil Woolas, MP Minister for Local Government, reiterated central government's expectation for local budget setting and council tax decisions.
- 9.2 He stated that 'we expect to see an average council tax increase in England in 2007-08 of less than 5 per cent. We will not allow excessive council tax increases. We have used our reserve capping powers in previous years to deal with excessive increases and won't hesitate to do so again if that proves necessary.'

## **10.0 Local Authority Business Growth Incentive Scheme**

- 10.1 Local Authority Business Growth Incentive Scheme (LABGI) was a new initiative in 2005/06 that, under certain circumstances, provides authorities with extra grant based on additional Business Rate income resulting from new commercial developments.

- 10.2 The LABGI formula takes into account the increase in RV between 31 December 2005 and 31 December 2006, provided that the increase is greater than the 'threshold' .
- 10.3 The threshold calculation is based on average growth of rateable value over the period 1995 to 2003, which, unfortunately for Adur, included the opening of the Power Station which had a rateable value in excess of £3.5 million.
- 10.4 This means that Adur had the highest percentage increase in RV over the base period in the whole of Sussex and therefore the highest threshold, and will not receive any benefit from the new initiative for a second year.
- 10.5 Adur would only be entitled to grant if the £35 million RV increased by more than 1.8%, over £600,000, between December 2005 and December 2006.
- 10.6 Officers have asked DCLG whether there are any special provisions for such large increases, but have received a negative response.
- 10.7 Earlier indications that the process would be reviewed after the first year have not come to fruition.

## **11.0 Financial Administration – Robustness of Estimates, Adequacy of Revenue Reserves and Budget Monitoring**

- 11.1 The Local Government Act 2003 introduced the following sections, which a local authority needs to comply with in dealing with its annual budget process.

### **(a) Section 25: Budget calculations: report on robustness of estimates etc**

Section 25 of the Act requires an authority's Chief Finance Officer [in Adur this is the Director of Resources] 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.

### **(b) Sections 26 and 27: Minimum reserves**

Section 26 gives the Secretary of State power to determine minimum reserves for local authorities in England by regulation. This minimum applies to the budget process: authorities have to ensure that their budget makes allowance for reserves at least equal to the minimum. Nothing in the Section prevents these reserves being used during the year, even if as a result they fall below the minimum. However, if it forecast that this is likely to happen, Section 27 requires the Chief Finance Officer to report to the authority, at the time the following year's budget and Council Tax is being considered, to explain the reasons and any action considered necessary to prevent a repetition.

**(c) Sections 28 and 29: Budget monitoring: general**

Local authorities need to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge. These Sections make this a statutory duty. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action, as they consider necessary. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or the authority might decide to take no action but to finance the shortfall from reserves.

**11.2 Action Taken To Comply With Statutory Duty**

**(a) Budget calculations: report on robustness of estimates etc**

(i) 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.

(ii) Overall view on the robustness of the estimates

In terms of preparing budget estimates for 2007/08 we have a well-documented process that has attempted to integrate corporate and financial planning for Members and support the development of a medium term budget strategy. Increasingly Members focus is on delivering services more efficiently and ensuring that Council tax increases are kept at the lowest level practicable. This has been demonstrated in their direction and management of the restructuring process for 2005/06 and 2006/7 and their focus on partnership working to deliver high quality services more economically. All these ventures have contributed to enabling Members to direct attention and support to priority service areas whilst maintaining core services to the whole of Adur. The Corporate and Financial overview submitted to this Committee on 17th October provided a snapshot of the Council's current financial position, taking account of underlying patterns of revenue expenditure, existing policy commitments and assessed resource prospects for 2007/08 and future years.

As part of the ongoing discussions with Members since the summer of 2006, the budget strategy agreed in July 2006 proposed a number of options for Members to consider to ensure the longer term financial health and stability of the council, whilst absorbing the very substantial costs pressures including the pension contributions back funding deficit, working within the constraints of historically low financial settlement and the threat of capping.

It is planned that substantial savings will be realised in future years from the integration of Information and Communications Technology services and operational management with the CenSus (Central Sussex comprising Adur, Horsham and Mid Sussex) partnership as well as the shared Revenues service that is due to go live in February 2007.

However, at the time of writing the report the Council is faced with some significant items of expenditure which are not certain at this stage, either by virtue of the fact that announcements have not been made or confirmation of the amounts remains uncertain. Once these items become clear the funding strategy will be determined depending on the extent of the sums involved

**(b) Sections 26 and 27: Minimum reserves**

- (i) There is now a statutory requirement for local authority Chief Financial Officers to report at budget time on the adequacy of reserves held by their Council. The purpose is to ensure Members have authoritative advice available to them when they make their decisions on the budget and Council Tax levels and that they pay due regard to that advice in doing so. This Council has always paid full regard to the advice of its Chief Financial Officer.
- ii) CIPFA's Code of Practice on Local Authority Accounting (2002) advises that *"Revenue reserves result from events which have allowed monies to be set aside, surpluses, or decisions causing anticipated expenditure to have been postponed or cancelled. Reserves of this nature are available and can be spent or earmarked at the discretion of an authority."*
- (iii) CIPFA published in February 2003 a "Guidance Note on Local Authority Reserves and Balances" which includes a section covering the "Principles to assess the adequacy of reserves". This states the following, *"In order to assess the adequacy of unallocated general reserves when setting the budget, finance directors should take account of the strategic, operational and financial risks facing the authority. Setting the level of general reserves is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:*

***Budget assumptions***

- § *The treatment of inflation and interest rates*
- § *Estimates of the level and timing of capital receipts*
- § *The treatment of demand led pressures*
- § *The treatment of planned efficiency savings/productivity gains*
- § *The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments*
- § *The availability of other funds to deal with major contingencies and the adequacy of provisions*

### **Financial standing and management**

- § *The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates etc)*
- § *The authority's track record in budget and financial management including the robustness of the medium term plans*
- § *The authority's capacity to manage in-year budget pressures*
- § *The strength of the financial information and reporting arrangements*
- § *The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level*
- § *The adequacy of the authority's insurance arrangements to cover major unforeseen risks*

iv) 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 a 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. supplementary estimates); 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.

(v) **General Fund Working Balance**

The opening General Fund balance as at 1 April 2006 is £832,000. The latest forecast is for an overspend in the current year of £129,000, which leaves a forecast balance at 31 March 2007 of £703,000.

The Council's medium term budget strategy provides for no planned drawdown from the Working Balance to support annual budget requirements. As indicated earlier in the report, the revised budget for 2006/07 suggests a drawdown of £129,000, however the estimate for next year assumes no drawdown from the working balance.

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

|            |  | <b>£'000</b> |
|------------|--|--------------|
| 31.03.2006 | Balance carried forward – per Final Accounts | 832          |
| 31.03.2007 | Overspend to be met from working balance     | 703          |
| 31.03.2008 | No planned drawdown expected                 | 703          |
| 31.03.2009 | No planned drawdown expected                 | 703          |

(vii) The Director of Resources recommends that when the budget strategy is next reviewed, the continuation of the policy of having no planned drawdown will continue as indicated in the table above. It is also highly likely that, once the final accounts for 2006/07 are known, there will be a reduction in or no recommended drawdown for this year, due to the possibility for the authority to underspend in the final few months of the financial year.

- (viii) Reserves are an authority's cushion against the unexpected. As an authority is exposed to increasing levels of risk, balances become more important. Adur is continually embarking on a programme of substantial change across a variety of services as well as wide ranging partnership arrangements and it is therefore important to consider carefully whether the current level of un-earmarked balances is appropriate.
- (ix) However, on the basis of the figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, the Director of Resources considers this to be marginally above the safe minimum level and advises strongly against any withdrawal from balances to support the council tax.

To confirm this view, a limited number of yardsticks are available not least one formerly used by the Audit Commission's as a criteria for assessing a "good" ranking under their CPA methodology, which expects the GF Working Balance to be at least 5% of forecast net operating expenditure. For 2007/08 the 5% minimum would equate to around £520,000. The Council is advised, however, to set itself a slightly higher minimum limit of 6% (£600,000) with an upper limit of 10% (approx. £1,000,000); the forecast level falls within these parameters.

### **Earmarked Reserves**

- (x) CIPFA says, "*earmarked reserves are a means of building up funds to meet known or predicted liabilities*". By definition they are there to be spent for specific purposes, primarily on a planned basis.
- (xi) As at 31st March 2006, the Council held earmarked revenue reserves of £40,000 in relation to the Civil Emergencies/Emergency Planning Fund (Policy & Strategy Committee 29/06/06 refers)
- (xii) It is to be hoped that the Council will have the occasional opportunity in the future to put money into earmarked reserves, which could be used in supporting one-off rather than recurring revenue expenditures.
- (c) To conclude this section, it is worth remembering that the Council has a long proven record of managing its financial affairs within tight budgetary constraints and without the benefit of substantial surplus cash held in reserve. The authority has grown used "to cutting its cloth" accordingly, and has done so successfully. Provided, in the future, the Council remains prudent and maintains a regular review of its budget strategy the level of revenue reserves should prove adequate, certainly over the lifetime of the medium term financial plan.

## 12.0 Budget Judgement

- 12.1 The final budget decision will reflect what Members judge to be the necessary balance next year between spending on services, the level of council tax increase and/or efficiencies sustainable. Members have already made a commitment to keeping council tax increases to the minimum level practicable in 2007/08. Given the statement from the Minister for Local Government, it is recommended that the level of increase is kept below 5% for 2007/08.
- 12.2 There should be no use of reserves so the Council must set a balanced budget.
- 12.3 In 2007/08, a 1% increase in council tax generates £52,345 additional income.
- 12.4 Adur's share of the Collection Fund surplus that is available to reduce the council tax levy for next year is £40,000 and is included in the summary.

## 13.0 Council Tax Base

- 13.1 Previously, it was required that the authority's council tax base be approved by a meeting of the full Council. However, Section 84 of the Local Government Act 2003 removed this requirement and it is now sufficient to report the agreed base within this report. The calculation of the authority's council tax base for 2007/08 is detailed in appendix H and totals 22,207.7. This is 200.6 above the current year figure and reflects the increased number of houses being built in the District (e.g. one new Band D property increases the tax base by one).
- 13.2 The amounts calculated for different parts of the District are as follows:

**Table 6 – Council tax base**

| Area         | Tax base        |
|--------------|-----------------|
| Lancing      | 6,642.5         |
| Sompting     | 3,017.1         |
| Unparished   | 12,548.1        |
| <b>Total</b> | <b>22,207.7</b> |

## 14.0 Special Expenses

- 14.1 At the Extraordinary Council meeting held on 10 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. Expenditure of £238,170 falls under this regulation and is financed from a Band D council tax of £15.30 charged in all areas of the district except Lancing.

**Table 7 – Provisional Council Tax including Special Expenses**

| District                      | Council Tax | Special Expenses | Parish Precept | Total Council Tax |
|-------------------------------|-------------|------------------|----------------|-------------------|
|                               | £           | £                | £              | £                 |
| Shoreham, Southwick & Coombes | 236.48      | 15.30            | 0              | 251.78            |
| Sompting                      | 236.48      | 15.30            | To follow      | To follow         |
| Lancing                       | 236.48      | 0                | To follow      | To follow         |

### **15.0 Adur Band D Council Tax for 2007/08 and other Precepts**

- 15.1 The Adur Band D council tax for 2007/08 will depend on Members' decisions. Details of the actual council tax will be provided to Council on 15 February 2007 once recommendations on the level of council tax increase are forthcoming from this Committee.
- 15.2 The West Sussex County Council precept for 2007/08 is not yet known and will be confirmed at the County Council meeting of 9 February 2007. Similarly the Sussex Police Authority meeting is not until 15 February and details will also be confirmed at Council meeting.
- 15.3 Lancing and Sompting Parish precepts are due to be set at the end of January 2007 and their respective Band D equivalents will be calculated once known.
- 15.4 The precepts, together with Adur's own council tax requirement, combine to form the call on the Collection Fund for 2007/08.

### **16.0 Conclusions**

- 16.1 This report sets out the background to the budget decision for Adur District Council for 2007/08. Members of Policy and Strategy Committee are asked to confirm the recommendations it wishes to make to Council for the eventual decision on 15 February 2007.

## **Local Government Act 1972**

### **Background Papers:**

Budget Papers to Committees  
Government grant notification papers

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## **Appendix**

### **1.0 Council Priority**

1.1 This report acknowledges the need to link all Council priorities with resource allocation in order to meet and deliver those objectives.

### **2.0 Specific Targets**

2.1 (A) Matter considered and no issues identified.  
(B) Matter considered and no issues identified.

### **3.0 Sustainability Issues**

3.1 Matter considered and no issues identified.

### **4.0 Equality Issues**

4.1 Matter considered and no issues identified.

### **5.0 Community Safety issues (Section 17)**

5.1 Matter considered and no issues identified.

### **6.0 Human Rights Issues**

6.1 Matter considered and no issues identified.

### **7.0 Financial Implications**

7.1 Contained within the report.

### **8.0 Legal Implications**

8.1 Matter considered and no issues identified.

### **9.0 Consultations**

9.1 Matter considered and no issues identified

### **10.0 Risk assessment**

10.1 Matter considered and no issues identified.

### **11.0 Health & Safety Issues**

11.1 Matter considered and no issues identified.

### **12.0 Procurement Strategy**

12.1 Matter considered and no issues identified.

## **13.0 Partnership working**

13.1 Matter considered and no issues identified.

# FINANCING OF COMMITTEE EXPENDITURE

Annex A

| Estimate 2006/07<br>£ | Revised Estimate 2006/07 | Service   | Estimate 2007/08 |              | Estimate 2007/08<br>£ |
|-----------------------|--------------------------|---|------------------|--------------|-----------------------|
|                       |                          |   | Expenditure<br>£ | Income<br>£  |                       |
| 5,731,610             | 5,721,160                | Community and Leisure Services                    | 7,318,290        | (1,456,300)  | 5,861,990             |
| 1,630,270             | 1,586,620                | Planning and Regulatory                           | 2,140,990        | (507,180)    | 1,633,810             |
| 3,342,640             | 3,283,020                | Housing and Central Services                      | 22,567,930       | (18,898,850) | 3,669,080             |
| 75,110                | 77,920                   | Licensing   | 167,240          | (85,200)     | 82,040                |
| 10,779,630            | 10,668,720               | Asset Management Revenue Account                  | 32,194,450       | (20,947,530) | 11,246,920            |
| (901,860)             | (662,370)                | Net committee expenditure                         | 0                | (761,010)    | (761,010)             |
| 9,877,770             | 10,006,350               |   | 32,194,450       | (21,708,540) | 10,485,910            |
| 0                     | (128,580)                | <b>Amount to/(from) reserves - or net savings</b> |                  |              | 0                     |
| 9,877,770             | 9,877,770                | Net expenditure                                   |                  |              | 10,485,910            |
| (3,894,670)           | (3,894,670)              | Revenue support grant                             |                  |              | (4,184,000)           |
| (751,810)             | (751,810)                | Business rate                                     |                  |              | (702,000)             |
| (44,000)              | (44,000)                 | Collection fund                                   |                  |              | (40,000)              |
| 5,187,290             | 5,187,290                | Amount required from Council Tax - Adur District  |                  |              | 5,559,910             |
| <b>235.71</b>         |                          | <b>Average Band D Council Tax - Adur District</b> |                  |              | <b>250.36</b>         |
|                       |                          | % increase  |                  |              | <b>6.22%</b>          |
|                       |                          | Council Tax base - 2006/07                        |                  |              | 22,007.1              |
|                       |                          | - 2007/08   |                  |              | 22,207.7              |
|                       |                          | Council Tax Yield - 1% = £52,345                  |                  |              |                       |

| Actual<br>2005/06 | Original<br>Estimate<br>2006/07 | Revised<br>Estimate<br>2006/07 | Service   | Estimate 2007/08 |             | Estimate<br>2007/08 |
|-------------------|---------------------------------|--------------------------------|---|------------------|-------------|---------------------|
|                   |                                 |                                |   | Expenditure      | Income      |                     |
| £                 | £                               | £                              |   | £                | £           | £                   |
| 379,816           | 949,640                         | 958,040                        | Financial Services Division<br>Concessionary Travel   | 962,050          | 0           | 962,050             |
| 379,816           | 949,640                         | 958,040                        | Total Financial Services Division                     | 962,050          | 0           | 962,050             |
|                   |                                 |                                | Direct Services Division                              |                  |             |                     |
| 49,255            | 62,900                          | 56,650                         | Allotments  | 82,480           | (18,810)    | 63,670              |
| 231,589           | 185,960                         | 190,960                        | Countryside and Open Spaces                           | 191,560          | (8,150)     | 183,410             |
| 391,218           | 415,450                         | 388,410                        | Parks   | 460,290          | (46,810)    | 413,480             |
| 241,641           | 266,090                         | 248,300                        | Recreation Grounds                                    | 323,870          | (45,370)    | 278,500             |
| 137,085           | 160,630                         | 169,600                        | Cemeteries and Churchyards                            | 271,470          | (90,890)    | 180,580             |
| (28,593)          | (45,310)                        | (2,040)                        | Car Parks   | 267,910          | (258,040)   | 9,870               |
| 59,703            | 64,060                          | 56,810                         | Highways  | 63,250           | (6,000)     | 57,250              |
| 13,421            | 28,580                          | 19,480                         | Transportation  | 46,900           | 0           | 46,900              |
| 164,841           | 180,690                         | 154,700                        | Public Toilets  | 171,270          | 0           | 171,270             |
| 1,478             | 22,890                          | 22,750                         | Visual Quality Initiative                             | 23,290           | 0           | 23,290              |
| 53,269            | 46,080                          | 101,520                        | Streetscene   | 176,810          | (34,000)    | 142,810             |
| 19,439            | 26,610                          | 11,450                         | Street Lighting                                       | 12,300           | 0           | 12,300              |
| (12,446)          | (18,550)                        | (16,280)                       | Beaches and Amenities                                 | 33,960           | (53,480)    | (19,520)            |
| 46,372            | 37,490                          | 20,310                         | Land Drainage & Coast Protection                      | 31,310           | (5,470)     | 25,840              |
| 3,572             | 4,430                           | 3,220                          | Drain Clearing  | 4,220            | (1,120)     | 3,100               |
| 496,927           | 527,930                         | 473,810                        | Street Sweeping and Other Cleaning                    | 635,190          | (126,740)   | 508,450             |
| 654,571           | 662,360                         | 691,510                        | Refuse Collection                                     | 0                | 0           | 0                   |
| 248,400           | 345,260                         | 355,550                        | Home Recycling  | 0                | 0           | 0                   |
| 0                 | 0                               | 0                              | Refuse and Recycling Joint Working                    | 1,473,030        | (342,300)   | 1,130,730           |
| 0                 | 0                               | 61,300                         | Trade Refuse  | 346,570          | (286,160)   | 60,410              |
| 67,639            | 59,010                          | 100,870                        | Adur & Worthing Services                              | 78,250           | 0           | 78,250              |
| 2,839,383         | 3,032,560                       | 3,108,880                      | Total Direct Services Division                        | 4,693,930        | (1,323,340) | 3,370,590           |
|                   |                                 |                                | Planning and Community Division                       |                  |             |                     |
| 139,573           | 130,930                         | 112,910                        | Economic Regeneration                                 | 94,360           | 0           | 94,360              |
| 53,789            | 89,530                          | 98,870                         | Area Investment Framework/Shoreham Renaissance        | 157,440          | (50,000)    | 107,440             |
| 13,545            | 13,870                          | 12,170                         | CCTV  | 12,320           | 0           | 12,320              |
| 0                 | 0                               | 0                              | Five Town Centre Network                              | 66,030           | (66,030)    | 0                   |
| 26,313            | 25,540                          | 30,450                         | Sustainable Development                               | 33,950           | 0           | 33,950              |
| 166,677           | 178,100                         | 170,870                        | Community Safety                                      | 194,440          | (8,000)     | 186,440             |
| 261,144           | 274,400                         | 160,920                        | Community Buildings                                   | 156,330          | 0           | 156,330             |
| 80,415            | 89,570                          | 95,550                         | Community and Health Development                      | 101,020          | 0           | 101,020             |
| 241,862           | 251,650                         | 251,380                        | Community and Welfare Grants                          | 261,840          | 0           | 261,840             |
| 667,351           | 515,800                         | 537,060                        | Leisure Centres Management                            | 391,740          | 0           | 391,740             |
| 181,751           | 180,020                         | 184,060                        | Leisure Development                                   | 192,840          | (8,930)     | 183,910             |
| 1,832,419         | 1,749,410                       | 1,654,240                      | Total Planning and Community Division                 | 1,662,310        | (132,960)   | 1,529,350           |
| 5,051,618         | 5,731,610                       | 5,721,160                      | <b>Community and Leisure Services Committee Total</b> | 7,318,290        | (1,456,300) | 5,861,990           |

**Planning and Regulatory Committee - Summary**

**Annex C**

| Actual<br>2005/06 | Original<br>Estimate<br>2006/07 | Revised<br>Estimate<br>2006/07 | Service  | Estimate 2007/08 |                  | Estimate<br>2007/08 |
|-------------------|---------------------------------|--------------------------------|--|------------------|------------------|---------------------|
|                   |                                 |                                |  | Expenditure      | Income           |                     |
| £                 | £                               | £                              |  | £                | £                | £                   |
| 254,365           | 274,460                         | 314,320                        | Planning & Community Division                  |                  |                  |                     |
| 304,074           | 291,500                         | 229,320                        | Development control                            | 583,050          | (231,500)        | <b>351,550</b>      |
| 187,285           | 202,890                         | 169,270                        | Planning policy and implementation             | 335,080          | (86,500)         | <b>248,580</b>      |
|                   |                                 |                                | Building control                               | 330,780          | (166,520)        | <b>164,260</b>      |
| <b>745,725</b>    | <b>768,850</b>                  | <b>712,910</b>                 | <b>Total Planning &amp; Community</b>          | <b>1,248,910</b> | <b>(484,520)</b> | <b>764,390</b>      |
|                   |                                 |                                | Adur & Worthing Services Division              |                  |                  |                     |
| 50,476            | 55,040                          | 49,730                         | Dog warden                                     | 54,570           | (1,690)          | <b>52,880</b>       |
| <b>50,476</b>     | <b>55,040</b>                   | <b>49,730</b>                  | <b>Total Adur &amp; Worthing Services</b>      | <b>54,570</b>    | <b>(1,690)</b>   | <b>52,880</b>       |
|                   |                                 |                                | Legal & Democratic Services Division           |                  |                  |                     |
| 132,696           | 168,540                         | 181,900                        | Elections                                      | 168,650          | 0                | <b>168,650</b>      |
| <b>132,696</b>    | <b>168,540</b>                  | <b>181,900</b>                 | <b>Total Legal &amp; Democratic Services</b>   | <b>168,650</b>   | <b>0</b>         | <b>168,650</b>      |
|                   |                                 |                                | Housing Need & Environment Health Division     |                  |                  |                     |
| 297,622           | 310,180                         | 296,160                        | Environmental health - Domestic                | 301,200          | (13,990)         | <b>287,210</b>      |
| 234,945           | 274,560                         | 290,560                        | Environmental health - Commercial              | 306,780          | (2,430)          | <b>304,350</b>      |
| 53,146            | 53,100                          | 55,360                         | Pest control                                   | 60,880           | (4,550)          | <b>56,330</b>       |
| <b>585,713</b>    | <b>637,840</b>                  | <b>642,080</b>                 |  | <b>668,860</b>   | <b>(20,970)</b>  | <b>647,890</b>      |
| <b>1,514,609</b>  | <b>1,630,270</b>                | <b>1,586,620</b>               | <b>Planning and Regulatory Committee Total</b> | <b>2,140,990</b> | <b>(507,180)</b> | <b>1,633,810</b>    |

**Housing & Central Services Committee**  
**Services Summary**

**Annex D**

| Actual<br>2005/06 | Original<br>Estimate<br>2006/07 | Revised<br>Estimate<br>2006/07 | Service   | Estimate 2007/08  |                     | Estimate<br>2007/08 |
|-------------------|---------------------------------|--------------------------------|---|-------------------|---------------------|---------------------|
|                   |                                 |                                |   | Expenditure       | Income              |                     |
| (115,399)         | (96,090)                        | (54,640)                       | Corporate and Legal Services Division                                       | 125,490           | (125,490)           | 0                   |
| (131,408)         | (84,670)                        | (203,280)                      | Land Charges  | 262,190           | (495,030)           | (232,840)           |
| 24,549            | 0                               | 0                              | Property Management   | 0                 | 0                   | 0                   |
| 631,494           | 724,250                         | 662,870                        | Golden Sands Caravan Park   | 888,090           | (215,150)           | 672,940             |
| 135,924           | (6,570)                         | 52,720                         | Collection of Revenues  | 4,271,150         | (4,187,580)         | 83,570              |
| 409,854           | 404,800                         | 461,310                        | Council Tax Benefits  | 12,756,310        | (12,230,460)        | 525,850             |
|                   |                                 |                                | Rent Allowances   |                   |                     |                     |
| 955,014           | 941,720                         | 918,980                        | <b>Total Legal and Democratic Services</b>                                  | <b>18,303,230</b> | <b>(17,253,710)</b> | <b>1,049,520</b>    |
|                   |                                 |                                | Housing Need & Environmental Health Division                                |                   |                     |                     |
| 504,468           | 548,470                         | 547,560                        | Housing General District  | 727,500           | (124,400)           | 603,100             |
| 299,302           | 284,690                         | 260,730                        | Homelessness  | 977,860           | (718,190)           | 259,670             |
| 803,770           | 833,160                         | 808,290                        | <b>Total Housing Need &amp; Environmental Health</b>                        | <b>1,705,360</b>  | <b>(842,590)</b>    | <b>862,770</b>      |
|                   |                                 |                                | Financial Services Division   |                   |                     |                     |
| (2,224)           | 27,460                          | 26,860                         | Miscellaneous   | 41,880            | (14,420)            | 27,460              |
| 494,254           | 495,200                         | 487,230                        | Non Distributed Costs   | 901,750           | (260,000)           | 641,750             |
| 492,029           | 522,660                         | 514,090                        | <b>Total Financial Services</b>   | <b>943,630</b>    | <b>(274,420)</b>    | <b>669,210</b>      |
|                   |                                 |                                | Democratic Representation Management  |                   |                     |                     |
| 100,932           | 128,070                         | 104,720                        | Members Expenses and Allowances   | 155,690           | (49,800)            | 105,890             |
| 326,365           | 335,600                         | 336,500                        | Member Support  | 496,310           | (139,000)           | 357,310             |
| 427,297           | 463,670                         | 441,220                        | <b>Total Democratic Representation Management</b>                           | <b>652,000</b>    | <b>(188,800)</b>    | <b>463,200</b>      |
|                   |                                 |                                | Corporate Management  |                   |                     |                     |
| 54,456            | 52,230                          | 66,570                         | Executive Office  | 82,270            | (26,400)            | 55,870              |
| 65,235            | 40,960                          | 27,690                         | Community Planning  | 104,510           | (69,130)            | 35,380              |
| 476,219           | 506,400                         | 506,180                        | General Corporate Management  | 776,930           | (233,800)           | 543,130             |
| 595,910           | 599,590                         | 600,440                        | <b>Total Corporate Management</b>   | <b>963,710</b>    | <b>(329,330)</b>    | <b>634,380</b>      |
| (75,575)          | (18,160)                        | 0                              | Less - net effect of restructuring  | 0                 | (10,000)            | (10,000)            |
|                   |                                 |                                | Economies resulting from the implementation of EDRMS                        |                   |                     |                     |
| <b>3,198,445</b>  | <b>3,342,640</b>                | <b>3,283,020</b>               | <b>Total Housing &amp; Community Services Committee - Net Service Costs</b> | <b>22,567,930</b> | <b>(18,898,850)</b> | <b>3,669,080</b>    |

**Licensing Committee - Summary**

**Annex E**

| Actual<br>2005/06 | Original<br>Estimate<br>2006/07 | Revised<br>Estimate<br>2006/07 | Service                                      | Estimate 2007/08 |          | Estimate<br>2007/08 |
|-------------------|---------------------------------|--------------------------------|--|------------------|----------|---------------------|
|                   |                                 |                                |  | Expenditure      | Income   |                     |
| £                 | £                               | £                              |  | £                | £        | £                   |
| 46,761            | 75,110                          | 77,920                         | Environmental Services Division<br>Licensing | 167,240          | (85,200) | <b>82,040</b>       |
| 46,761            | 75,110                          | 77,920                         |  | 167,240          | (85,200) | <b>82,040</b>       |
| 46,761            | 75,110                          | 77,920                         | Committee total                              | 167,240          | (85,200) | <b>82,040</b>       |

**Asset Management Revenue Account****ANNEX F**

| Estimate<br>2006/07                         | Revised<br>Estimate<br>2006/07              | Item  | Estimate<br>2007/08   |
|---|---|---|---|
| £<br>1,479,340<br>7,500                     | £<br>1,553,130<br>9,430                     | 1. Interest on long-term loans<br>2. Interest on temporary borrowing  | £<br><b>1,479,340</b><br><b>7,500</b>                                   |
| 1,486,840<br>(519,250)<br>(19,000)<br>(200) | 1,562,560<br>(551,560)<br>(23,200)<br>(200) | Total interest paid on borrowings<br>Less Income :<br>3. Investment income<br>4. Interest on overnight balances<br>5. Interest on Government Stock - Ex HRA | <b>1,486,840</b><br><b>(519,250)</b><br><b>(19,000)</b><br><b>(200)</b> |
| 948,390<br>(618,590)                        | 987,600<br>(595,940)                        | Net interest<br><br>Recharged to Housing Revenue<br>6. Account  | <b>948,390</b><br><b>(618,590)</b>                                      |
| 329,800<br>0                                | 391,660<br>(50,000)                         | 7. Less contribution from discount fund   | <b>329,800</b><br><b>(50,000)</b>                                       |
| 329,800<br>294,830                          | 341,660<br>247,030                          | 8. Principal (Minimum Revenue Provision)  | <b>279,800</b><br><b>317,160</b>  |
| 624,630<br>1,526,490                        | 588,690<br>1,251,060                        | Total financing costs charges payable by<br>General Fund<br>Less<br>9. Depreciation charges made to services  | <b>596,960</b><br><b>1,357,970</b>                                      |
| (901,860)                                   | (662,370)                                   | <b>Net adjustment to General Fund</b>   | <b>(761,010)</b>  |

| <b>Annex G – Major Variations 2007/08 – 2009/10</b>   |                         |                         |                         |  |
|---|-------------------------|-------------------------|-------------------------|--|
|   | <b>2007/08<br/>£000</b> | <b>2008/09<br/>£000</b> | <b>2009/10<br/>£000</b> |  |
| <b>2006/07 Base Budget</b>  | 9,878                   | 9,878                   | 9,878                   |  |
| <b>Inflation</b>  | 351                     | 757                     | 1,180                   |  |
| <b>2006/07 Base Budget updated for inflation</b>  | 10,229                  | 10,635                  | 11,058                  |  |
| <b>Growth – Additional Costs</b>  |                         |                         |                         |  |
| 1. Pension deficit  | 90                      | 90                      | 160                     |  |
| <p>All members of the West Sussex County Council Pension Fund are required to recover pensions back funding deficits from 2005/06. Phased increases over a three year period have been allowed and the cost to Adur in 2007/08 (the third year) is an additional £90k culminating in an ongoing commitment of £250K total from then on. Contributions will be reviewed at the next actuarial review in one year.</p> <p>Nearly all local authorities will be similarly affected and it is important to stress that the West Sussex County Council Pension Fund is in fact one of the better performing pensions authorities nationally. Members will already be aware of the reasons contributing to the deficit on the pension fund which are mainly as a result of stock market falls, longevity of members and the adverse impact of changes to the government's tax regime.</p> |                         |                         |                         |  |
| 2. Choice based lettings  | 15                      | 15                      | 15                      |  |
| <p>A part funded government scheme which allows customers who are in a position to be re-housed to have greater choice over the accommodation that they are offered. Costs relate primarily to the advertisement of the service.</p>  |                         |                         |                         |  |
| 3. Interest on stepped LOBOs  | 60                      | 120                     | 120                     |  |
| <p>Interest on stepped Lender Option Borrower Options – The Council holds £10m of borrowings in this type of financial instrument, the principle of which is borrowers pay suppressed interest rates for, say, the first 3 years on a 50 year loan and slightly higher than market rates</p>  |                         |                         |                         |  |

|    |   |   |                    |                     |                      |
|----|---|---|--------------------|---------------------|----------------------|
|    |   | for the remaining 47 years. The rationale for this is that the interest rates on the loans are fixed and projections at the times the loans were taken out were for rates to rise in the future. As such, increased returns on our investment portfolio would offset the stepped interest rate once it kicked in. The name of the financial instrument refers to the lender having the option to raise the interest rate (after the suppressed rate period) and the borrower then having the option to take the increased rate or repay the loan. |                    |                     |                      |
| 4. | Land Registration   | This item relates to the ongoing implications of the Land Registration Act 2003 and Land Registration Regulations (Amendment) (No 2) Rules 2005 and specifically lease format revisions.  | 20                 | 20                  | 20                   |
| 5. | Land Charges – limited income   | The implementation of the Constitutional Reform Act from April 2007 requires that local authorities can not make a 'profit' on land charges fees. The increased cost of £75,000 represents the lost income thereby ensuring the account breaks even.  | 75                 | 75                  | 75                   |
| 6. | Energy and utilities  | Costs for utilities continue to rise above the costs of inflation and a budget assumption of 10% increase in costs has been used.   | 20                 | 20                  | 20                   |
| 7. | Car Park Income   | Car park income less than originally budgeted   | 50                 | 50                  | 50                   |
| 8. | E-Government maintenance – systems  | Systems maintenance and licence in respect of the new Office 2003 software which has been rolled out across the authority.  | 20                 | 20                  | 20                   |
| 9. | Capital Financing Costs<br>Capital programme 2006/07<br>Capital programme 2007/08<br>Capital programme 2008/09<br>Capital programme 2009/10 | Ongoing capital finance costs associated with the 2006/07 programme (£72k) and the first year costs in respect of an assumed capital budget of £1 million. At current interest rates the cost to the General Fund of borrowing £500k is approximately £12.5k per annum in   | 72<br>25<br>0<br>0 | 72<br>90<br>25<br>0 | 72<br>90<br>90<br>25 |

|     |                                 |   |     |     |     |
|-----|---------------------------------|---|-----|-----|-----|
|     |                                 | year one rising to £25k in year two, if funded by capital receipt or £45k if funded by Prudential Code borrowing.   |     |     |     |
| 10. | Ropetackle                      | Residual revenue effect of Member's decision to offer a grant to the Ropetackle Trust as a voluntary/community body. Policy & Strategy Committee 17/10/06 refers. | 4   | 0   | 0   |
| 11. | Benefits administration / grant | Reduction in Benefits administration/ grant   | 50  | 40  | 40  |
|     |                                 |   | 501 | 637 | 797 |

|     |                                       |  |      |       |       |
|-----|---------------------------------------|--|------|-------|-------|
|     |                                       |  |      |       |       |
|     | <b>Savings</b>                        |  |      |       |       |
| 12. | Restructuring - Phase 2 – years 1 & 2 | Changes are made for departmental and staff structural changes resulting from the decision taken by Members in response to the paper entitled "Reshaping Adur" at Policy and Strategy Committee 23/11/04. That decision reduced staffing levels and management costs within the organisation. The savings result from the full year effect of phase two that became effective from April 2006. | (32) | (32)  | (32)  |
| 13. | Leisure Trust                         | The saving on this project has increased from the estimate supplied last year due to Adur increasing their contribution to capital works which has further reduced the management fee we pay to Impulse Leisure.   | (15) | (43)  | (73)  |
| 14. | Best Value survey                     | Public consultation required every three years by the Audit Commission to pose specified questions on a variety of services. This occurred in the 2006/07 financial year and as such will reappear again in the 2009/10 budget.  | (16) | (16)  | 0     |
| 15. | Electoral Reform Act                  | The cost of ICT hardware, software and support for ICT provision at count venues. This drops out of the base from 2007/08.   | (20) | 0     | 0     |
| 16. | CenSus – EDRMS                        | These are estimated savings arising from the roll out of   | (10) | (125) | (180) |

|     |                      |   |       |       |       |
|-----|----------------------|---|-------|-------|-------|
|     |                      | the electronic document record management system across the Council and represent greater efficiencies in back-office systems and more streamlined processes through the reduction of paper usage and officer time. |       |       |       |
| 17. | Environmental Health | Temporary post CE400(T) – Student EHO – funding for post terminates   | (9)   | (9)   | (9)   |
| 18. | Environmental Health | Temporary post CE396(T) – Environmental Health Technician (Contaminated Land) – funding for post terminates   | (22)  | (22)  | (22)  |
|     |                      |   | (124) | (247) | (316) |

|     |   |   |       |       |       |
|-----|---|---|-------|-------|-------|
|     | <b>Additional Income</b>                            |   |       |       |       |
| 19. | Increased income on former Fund Manager investments | Previously, £10m of the Council's investment portfolio was held with Alliance Bernstein Ltd. However, due to comparatively better performance by the in-house team, the decision was taken to cancel the fund manager arrangement and invest the money ourselves with a consequent increase in investment returns. Housing & Central Service Committee 03/10/06 refers. | (50)  | (50)  | (50)  |
| 20. | Increased PSL Rents                                 | Report to Housing and Central Services Committee 21 November 2006   | (45)  | (45)  | (45)  |
| 21. | Southwick Square rent increases                     | The budget includes assumptions regarding rent increases during the year.   | (25)  | (25)  | (25)  |
| 22. | CenSus Partnership (from 6.2)                       | Partnership savings arising from streamlining of Revenues operations  | (50)  | (50)  | (50)  |
| 23. | Investment Income (from 6.2)                        | Additional investment income arising from rise in base interest rates to 5.0% in November 2006  | (20)  | (20)  | (20)  |
|     |   |   | (190) | (190) | (190) |

|                                 |               |               |               |
|---------------------------------|---------------|---------------|---------------|
| <b>TOTAL BUDGET REQUIREMENT</b> | <b>10,416</b> | <b>10,835</b> | <b>11,349</b> |
|---------------------------------|---------------|---------------|---------------|