

FINANCIAL PERFORMANCE 2017/18 - REVENUE OUTTURN

REPORT BY DIRECTOR FOR DIGITAL & RESOURCES

EXECUTIVE SUMMARY

1. PURPOSE

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2017/18 financial year for Joint Strategic Committee, Adur District and Worthing Borough Councils. At the time of publication of this report, the Statements of Accounts are in the process of being audited. Any adjustments that emerge as the audit proceeds will be reported to members later in the year.

The outturn positions are underspends of £495,023 in Adur District Council, and £812,788 in Worthing Borough Council. After allowance for proposed carry forward of budgets in 2018/19, this represents a 4% underspend against budget for both Councils.

The outturn figures include revenue savings that have been factored into the 2018/19 budget that have crystallised in 2017/18, earlier than projected. These include ICT maintenance costs, pension contributions and the capitalisation of staff costs. Also there are proposed carry forward requests, detailed in section 6.1, that will need to be met from these underspends which relate to committed spend that is now planned for 2018/19: Adur District Council £88,680 and Worthing Borough Council £231,330 (including the Joint Services proposals).

In addition there are some variances that relate specifically to 2017/18, some of which occurred in the last quarter of the year. In Adur District Council these include planning application fees and market income. Worthing Borough Council received additional income from commercial properties and theatres had a successful fourth quarter. There was also an improvement on some of the underachievements previously forecast, such as homelessness, bereavement services and Parks and Open Spaces.

This is an improved outcome to what was projected in the quarter 3 monitoring report when underspends of £14,000 and £46,100 were being forecast in Adur and Worthing respectively. The areas that have contributed to the net movement are highlighted in the report and appendix 5(b) and in addition to the above include: external borrowing costs, investment income, Minimum Revenue Provision, and income from Environmental Services, Building Control, and property investments.

1.2 The following appendices have been attached to this report:

- Appendix 1** (a) Joint Summary of 2017/18 Outturn
- Appendix 2** (a) Adur District Council – Summary of 2017/18 Outturn
(b) Adur District Council - Use of Earmarked Reserves
- Appendix 3** (a) Worthing Borough Council – Summary of 2017/18 Outturn
(b) Worthing Borough Council - Use of Earmarked Reserves
- Appendix 4** HRA Summary
- Appendix 5** (a) Major Variations – Budget to Outturn (over £20,000)
(b) Major Variations – Quarter 3 to Quarter 4
(c) HRA Major Variations – Budget to Outturn

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is asked to recommend that Adur District Council, at its meeting on 19th July 2018 and Worthing Borough Council at its meeting on 17th July 2018:-

- (a) NOTE the overall final outturn for 2017/18.
- (b) AGREE to the net carry over of an approval to use reserves where the original approval for 2017/18 was not utilised in-year as set out in paragraph 6.2 (General Fund) totalling:

| | |
|--------------------------|---------|
| Worthing Borough Council | £10,000 |
|--------------------------|---------|

- (c) APPROVE the net appropriations to General Fund Reserves in the year as detailed in paragraph 6.3 totalling:

| | |
|--------------------------|------------|
| Adur District Council | £655,819 |
| Worthing Borough Council | £1,315,127 |

- (d) AGREE the net carry over of revenue budget to 2018/19 funded from reserves as detailed in paragraph 6.1:

| | |
|--------------------------|----------|
| Adur District Council | £88,680 |
| Worthing Borough Council | £231,330 |

- (e) APPROVE the establishment of new Business Rates Smoothing Reserves for Adur District Council and Worthing Borough Council as detailed in paragraph 4.12, to earmark funds to address the timing difference between the Business Rates income received in the General Fund in year (net of reliefs), and the grant income paid from Central Government to reimburse lost revenue as a consequence of Government policy decisions on reliefs.
- (f) Joint Overview and Scrutiny Committee is asked to note the contents of the report and consider whether it needs to scrutinise anything in detail.

3. CONTEXT

3.1 Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends in expenditure or shortfalls in income emerge. 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.

3. CONTEXT

- 3.2 The monitoring of the revenue budgets has been reported to the Joint Strategic Committee three times during the year. The last monitoring report was considered by the Committee on 6th March 2018.
- 3.3 The Joint Strategic Committee (JSC) budgets are held separately and operate as holding accounts. They represent pooled budgets of Adur and Worthing Councils. All expenditure and income in the joint budgets are recharged back to the respective authorities. This means that the net expenditure is fully allocated out to the two Councils and the overall position for the Joint Strategic Committee will be zero. An over or underspend reported in the Joint will be incorporated into the individual Councils' accounts via the allocation process.
- 3.4 Each joint service is allocated out to the Councils on an individual basis using an appropriate allocation for that service. Overall, Worthing's share of the joint outturn is approximately 60% and Adur's share is 40%.

4. REVENUE OUTTURN OVERVIEW

- 4.1 The final revenue outturns reported for Q4 are as follows:-

| Summary of 4th Quarter Budget Monitoring Report | | | |
|---|--------|--------|----------|
| | Joint | Adur | Worthing |
| | £000s | £000s | £000s |
| Current Budget 2017/18 | 20,802 | 9,166 | 13,469 |
| Projected outturn | 20,537 | 8,671 | 12,656 |
| Projected Forecast over/ (underspend) | (265) | (495) | (813) |
| Projected over/(underspend) percentage | (1.3%) | (5.4%) | (6.0%) |

- 4.2 The Summary Outturn for each body is reported in **Appendices 1 - 3**. The joint budgets are presented by service block. It is not possible to show them by Council portfolios as the responsibilities allocated to the portfolios in Adur and Worthing are not the same.
- 4.3 The headline budget variations across both the councils and joint shared services are:-
- Increased demand and spend on temporary and emergency accommodation within the Homelessness budget;
 - Increased income from commercial property;
 - Improvement in income from commercial services;
 - Business Rates;
 - External Borrowing Costs, Investments and Minimum Revenue Provision;
 - Revised timescales for commissioned studies related to major projects;
 - Capitalisation of staff costs;
 - Impact of the withdrawal from CenSus IT services within the Joint Services;
 - Vacancy Provision and Pension Costs.

4. REVENUE OUTTURN OVERVIEW

- 4.4 The third quarter monitoring report was presented to Joint Strategic Committee on 6th March 2018. Since this time the financial position has changed as follows:

| Comparison of 3rd budget monitoring report & 4th budget monitoring report | | | |
|--|-------|-------|----------|
| | Joint | Adur | Worthing |
| | £'000 | £'000 | £'000 |
| Over/(Under)spends reported at Quarter 3 | 88 | (14) | (46) |
| Over/(Under)spends reported at Quarter 4 | (265) | (495) | (813) |
| Difference | (353) | (481) | (767) |

The significant variations that impact on the final outturn from quarter 3 to quarter 4 are identified in appendix 5(b).

- 4.5 There needs to be a continued focus on improving financial management. As part of this process, the current Medium Term Financial Plan (MTFP) includes a number of key financial health indicators, which are:

- Continue to maintain a General Fund balance at a minimum balance of 6% and a maximum of 10% of the General Fund Net Revenue Budget. (This will measure overall financial health).
- Revenue outturn to be within 2% of the Total Budget Requirement. (This will measure accuracy of budget preparation).
- Revenue outturn for Total Executive Member and Joint Strategic Committee Requirements to be within 1% of the estimate of Total Executive Member Requirements contained in the quarter 3 monitoring report. (This will measure accuracy of budget monitoring).

- 4.6 There is a continued need for an improvement in reporting of individual services and more focus on budget monitoring with particular emphasis on high-risk and cross-cutting areas to highlight potential over or under achievements during the year.

For the past five years, the Councils have undertaken reviews of revenue base budgets and this exercise contributed to the savings needed to meet the budget requirement between 2012/13 and 2018/19. We intend to carry out a similar exercise for the 2019/20 budget round to ensure that any on-going variances are properly reflected in future years' budgets.

- 4.7 Major variations between budget and actual outturn for 2017/18 are detailed in appendix 5(a). Details of other less significant variations and outturn are available on request from the finance team.

4. REVENUE OUTTURN OVERVIEW

As highlighted earlier in this report, any JSC over/underspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported underspends in Adur and Worthing Councils in the table above include the total share transferred from the JSC.

- 4.8 There are a number of key issues listed above which require a more detailed explanation. These are listed below.

4.9 Housing Management

The cost of providing emergency and temporary accommodation continues to increase and reflects: rising demand across the South East, including Adur and Worthing; changes to service delivery; and the lack of housing supply for those needing affordable accommodation. In March there were on average 88 cases in emergency accommodation in Worthing and 37 cases in Adur, this compares with 65 cases and 30 cases respectively in April 2017. The overspend net of grant in Worthing is £146,000, Adur costs were on budget.

Emergency accommodation (EA) is where we place individuals / families that meet certain initial criteria whilst we fully assess our duty to house the household. Investigation of this duty should take 33 days, at which time if we accept a full housing duty, the household is moved into long term temporary accommodation (TA). The household will also be added to the housing register, assigned a 'banding' and is able to bid for suitable properties that become available.

Across the South East there is competing demand between local authorities for both emergency and temporary accommodation, the latter often being leased private sector accommodation. As a consequence prices in some areas (e.g. Worthing) are being pushed beyond the reach of the Councils and the supply of suitable emergency and temporary accommodation within the Borough is reduced. The Councils are still faced with placing some clients in costly budget accommodation hotel chains when no other suitable options are available.

During 2017/18 the Councils have expanded the supply of EA by securing more leasehold units. Additionally, Worthing Council's Planning Committee has approved plans, put forward by Worthing Housing department in conjunction with Roffey Homes and Worthing Churches Homeless Project, to convert a former NHS building into a 37 bedroom temporary accommodation centre. The Council will have nomination rights for 18 units of accommodation which will provide a saving of £160 per week per unit compared to the cost of bed and breakfast. There is very real competition in the housing market for suitable properties; however the team is committed to continuing to explore options to increase the supply of suitable emergency accommodation.

4. REVENUE OUTTURN OVERVIEW

4.9 Housing Management

In response to this, the Councils have adopted a new strategy for sourcing both temporary and emergency accommodation as agreed at the Joint Strategic Committee in September 2017. The Councils committed to investing £3m in emergency temporary accommodation to reduce the need to rely on expensive private sector provision as a solution.

Since this time the Councils have successfully procured a number of leased temporary accommodation units in the local area. Officers are continuing to actively appraise other potential property purchases that will allow the Councils to directly provide high quality emergency accommodation at rates much lower than the private sector. A cross Council working group is meeting regularly to appraise and progress these schemes as quickly as possible, while ensuring the Councils are spending their investment wisely.

In addition a new Private Rental Scheme (PRS) is being explored and may be piloted as a way of addressing the Councils' need to help prevent homelessness. The proposal is to create a scheme whereby the Councils work with private landlords, offering a package of services to encourage them to offer below market rents, enabling placements of people at risk of homelessness and avoiding the need for emergency accommodation. This scheme, if proved viable following a small scale trial, could reduce costs whilst fulfilling the Councils' duty to prevent homelessness.

A further budget pressure has resulted from a government change in housing benefit subsidy. Previously councils received a payment of a management fee per temporary accommodation placement via housing benefit; this has been replaced by a grant. The initial impact of this was a predicted shortfall of £75,000 for Worthing in 2017/18. With ever increasing demand and an increasing number of households remaining in temporary accommodation, the shortfall for Worthing Borough Council in 2017/18 is £146,000. Adur District Council is not being affected to the same extent, as the basis of the grant funding is closer to the current demand in the area. This will continue be a budget pressure.

4.10. Commercial Property

Additional commercial rent income was generated from commercial properties, and rent reviews. (Adur £74,000 and Worthing £77,000). Both Councils showed an improvement on the additional income that was reported in quarter 3.

| | Quarter 3 £'000 | Quarter 4 £'000 | Improvement £'000 |
|----------|--------------------|--------------------|----------------------|
| Adur | 69 | 74 | 5 |
| Worthing | 50 | 77 | 27 |

4. REVENUE OUTTURN OVERVIEW

4.11 Commercial services

Car Parks

Worthing - Income from off street parking exceeded the budget by £108,000 for the year, lower than the projected £150,000 in quarter 3. The over-achievement against budget is in part due to the increased take up of the Town Centre Workers deal allowing customers working in the BN11 area to park for £4 per day. Parking income in Q4 was lower compared to the same period the previous year, which is believed to be linked to the cold weather during this period, which also affected local retailers.

Adur- Overall there is an underachievement in the service of £49,000. There was a shortfall in Enforcement PCN income of £32,000 which reflects the reality that the income target was too high in relation to the high level of compliance in the district; this has been addressed in the 2018/19 budget. Additionally, within off street parking there was an overspend of £23,000 for improvement works including the installation of height barriers and making machines more secure from theft to protect future income streams. Spend was partially offset by additional income of £6,000.

Development Management

Worthing Development Management income has underachieved against budget for 2017/18 by £148,000, Adur has overachieved by £130,000 due to some large scale applications during the year including Southern Housing Group, the Monks Farm site and phase 1 of the Adur Civic Site.

Adur's Planning policy team overspent the budget by £65,000 this is due to additional costs arising from the progression and examination of the Adur Local Plan. There was a net saving within Worthing of £46,000.

Waste and Cleansing

Commercial Waste income exceeded the budget by £7,000 in Adur and £45,000 in Worthing at the end of the financial year. Disposal costs, however, were over budget due to a price increase notified after the budget was set, for Adur this was an additional cost of £43,000 and for Worthing £186,000. This is in line with what was projected at quarter 3.

Agency staff costs were £200,000 higher than budget due to a combination of the higher minimum wage, long term sickness, extra crew required to cope with the increasing numbers of properties and an increase in the take up of the green bin service. The on-going staffing issues meant that some of the staff savings identified in the savings plan were not implemented. The delay to the delivery of the new fleet increased vehicle running costs in the first part of the year. The expenditure was necessary to enable the smooth running of the service.

4. REVENUE OUTTURN OVERVIEW

4.11 Commercial services

Waste and Cleansing

However, the Adur and Worthing service received £101,000 income from West Sussex County Council, which was a share of the income from the sale of recycling materials in 2016/17 which is distributed in the following financial year. This additional income offset the cost pressures experienced by the service throughout 2017/18.

Although it is still early days, the new refuse and recycling fleet is now showing a saving on transport costs of around £16,000.

The 2017/18 budget included additional income generation and expenditure reduction targets of £435,000. Overall the service has overspent by £48,000 and so this target has almost been achieved for the year. This is a significant improvement on the outturn overspend projected in quarter 3 of £192,000.

Looking ahead to 2018/19, the budget for tipping charges has now been corrected and the issues with staffing are being resolved so it is expected that the service will deliver on budget in the forthcoming year.

Bereavement Services

The crematorium generates a net income to the council of £1.4m. The outturn position is an overall shortfall in income within the crematorium service of £15,000 (1% shortfall); this includes a £18,000 rebate to a funeral director for direct cremations and a £16,000 shortfall in the Cameo abatement rebate scheme. The memorial service (including the Memorial Garden) income has underachieved by £22,000. Going forward, new brochures and application forms are being printed and we are developing an e-commerce portal on the Worthing Crematorium website to support online sales.

Parks and Open Spaces

Beach Hut income was in line with the budget for the year. An income shortfall relating to new huts was previously forecast to members of £23,000 but additional income has been generated to offset this from charging administration costs on beach hut sales.

Brooklands Par 3 Golf course has been closed since the works started on the Rampion wind farm in 2016. It was expected that the course would be opened and returned to Council in 2017/18 and the income budget of £98,000 was reinstated. There has subsequently been a delay in Rampion's operations and the course has not been reinstated yet or returned to the Council. Loss of income was successfully claimed under contractual obligation from Rampion for £65,166.82 in March 2018 to cover the period 15th March 2017 to end of March 2018. Overall there was an underachievement against the service of £28,000 which is an improvement on the £90,000 forecast in quarter 3.

4. REVENUE OUTTURN OVERVIEW

4.11 Commercial services

Parks and Open Spaces

In Adur there was a £43,000 underspend against budget for the year, this was mainly within grounds maintenance and services. This was not projected at quarter 3.

Building Control and Land Charges

Building Control and Land charges income was not predicted to meet its income budget. The final outturn position is a shortfall of £60,000 Adur and £69,000 Worthing. The service is under increasing levels of competition from the private sector albeit it has increased fee income compared to last year. In response to the budget shortfall and to secure savings for next year a restructure of the service has been undertaken and a new Building Control Partnership Manager has been appointed.

Land Charges has moved to Planning and Development as a result of the recent restructure. Fee income is down for the service but this is due to fluctuations in the property market. The service has been affected by delays in implementing software from an external supplier and this has impacted performance and customer satisfaction. The system contract is being closely managed and there has been improved progress recently.

Markets

Income from markets and bus shelter advertising in Adur overachieved by £68,000, this was due to better and more robust reporting. The underspend includes a £35,000 receipt relating to prior years which was received at the year end; this had not been previously reported as it was not known until quarter 4.

Theatres and Museums

Theatres and Museums have recorded an underspend of £32,000. Monitoring and management of costs, together with service efficiencies and increased ticket sales for live events have made significant contributions to the effective management of this budget. Over the year, increased venue hire, maximisation of VAT opportunities and an improvement in the income from catering have contributed.

£95,000 was received in maintenance levy; of this £78,000 was in excess of the approved budgeted and has been transferred to the Theatre Levy Reserve for future maintenance requirements, this is excluded from the Worthing outturn figure.

4. REVENUE OUTTURN OVERVIEW

4.12 Business Rates

Additional net income was received in relation to Business Rates by Adur £74k and Worthing £425k during 2017/18; the table below shows a breakdown:

| | Adur | | Worthing | |
|---|--------|-----------|----------|------------|
| | Budget | Actual | Budget | Actual |
| | £000 | £000 | £000 | £000 |
| Income - Fixed in January | 7,199 | 7,199 | 12,515 | 12,515 |
| Less: Tariff Payment | -4,641 | -4,787 | -9,540 | -9,552 |
| | 2,558 | 2,412 | 2,975 | 2,963 |
| Plus: s31 Grants from Govt | 433 | 644 | 650 | 1,037 |
| Less: Levy Payment | -605 | -596 | -605 | -555 |
| Net Income | 2,386 | 2,460 | 3,020 | 3,445 |
| Additional income above budget for 2017/18 | | 74 | | 425 |

The precept income from the Collection Fund is set before the start of the financial year as part of the budget process and the tariff payment is usually fixed by Government around the same time (although in December 2017 they announced a retrospective adjustment to the 2017/18 tariff figures).

The section 31 grants are a reimbursement by Government for the income lost by local authorities for any reliefs or support given to local businesses under the business rate retention scheme. This year there were a number of tax changes announced as part of the Budget Statement that have impacted on the income for the reporting year. However the changes were made after the income to be taken from the Collection Fund was determined. The result is a timing difference between when the grant is received (in 2017/18) and accounted for and when the Council will fund actual loss of income to the Collection Fund which will be in 2019/20.

To address this timing issue and protect the budget position in 2019/20, it is proposed that a Business Rate Smoothing Reserve is established for both Councils and the outturn figures includes the transfer of the surplus income from the General Fund (£74,000 for Adur and £425,000 for Worthing), which the committee is asked to ratify. This reserve will be used to compensate the Councils for reduced business rate income in 2019/20.

4.13 External Borrowing Costs, Investments and Minimum Revenue Provision

There are variances for both Adur and Worthing. For both Councils the MRP costs were lower than the budget due to re-profiling of the capital programmes: Adur had a favourable variance of £272k and Worthing had a favourable variance of £304k.

4. REVENUE OUTTURN OVERVIEW

4.13 External Borrowing Costs, Investments and Minimum Revenue Provision

Investment returns were above budget for both Councils due to the increase in Bank Base Rate in November 2017. Adur General Fund exceeded its income budget by £8k and the HRA exceeded its income budget by £18k. Worthing exceeded its income budget by nearly £40k.

In addition, for Worthing officers are taking advantage of the stability in interest rates to arrange some short term rather than long term borrowing, resulting in reduced costs from lower interest rates and reduced provision for repayment of debt, giving a net favourable variance of £53k. Most of Adur's borrowing is at long term fixed rates, so the Council does not benefit to the same degree from the current market. However, new long term borrowing at better than forecast rates resulted in a net favourable General Fund variance of £3k. There was a saving of £54k in interest costs for the HRA. Both Councils are also fixing longer term borrowing with the PWLB to fund the purchase of properties, as approved in their budgets.

The new loan from Worthing Borough Council to Worthing Homes resulted in additional income, in excess of the budget, of £26k after costs, due to receipt in 2017/18 of part of the arrangement fee, which had been in the budget for 2016/17.

4.14 Impact of Capital Expenditure on Major Projects

In the final quarter of 2017/18 Worthing Borough Council commissioned the complete demolition of Teville Gate Multi Story Car Park and surrounding buildings. Significant work also focused on developing the Land Pooling Agreement with London & Continental Railways which was approved at April 2018 Joint Strategic Committee Meeting. The focus on capital expenditure and formalising the relationship with London & Continental Railways has resulted in a revenue underspend of £154,000 against major projects and this is in the main due to the rescheduling of commissioning studies on the large scale projects during the year. This was not projected to be an underspend in the quarter 3 monitoring report.

A budget carry forward of £114,000 has been requested for the work in 2018/19 to enable progress and studies to support schemes identified in the Worthing Investment Prospectus.

4.15 Capitalisation of Staff Costs

During 2017/18 the Council surveyors spent a larger proportion of their time working on capital schemes than forecast, particularly in Worthing. This has resulted in an underspend of £155,000 in the Worthing revenue accounts due to a larger proportion of the staff costs now being charged to capital. Improvements to forecasting practice in the service are underway.

4. REVENUE OUTTURN OVERVIEW

4.16 Joint Services

Payroll Services

The Payroll department continued to provide a paid payroll service to South Downs Leisure Trust during 2017/18. It was not anticipated that this contract would continue beyond 2016/17, therefore the net underspend within Finance of £35,000 includes income received of £68,000 that was not budgeted in 2017/18.

Digital and ICT

As a result of our strategy to withdraw from Census ICT and migrate to cloud hosting, there was a net underspend within Digital and ICT of £132,000, with benefits being realised earlier than expected. The underspend was mainly due to maintenance expenditure being below budget and the identification of projects that are no longer required as a result of our digital strategy, resulting in a saving.

Revenues and Benefits

Overpayments of Housing Benefit occur where entitlement is re-assessed retrospectively due to a change in customers' circumstances, and invoices are raised, with a variety of recovery methods employed in order that monies are repaid to the Council. A number of new initiatives have been implemented during the last two years to identify changes in circumstances and consequently both the number and value of overpayments has increased.

This has resulted in income from the recovery of housing benefit overpayments exceeding its budget for Worthing by £121,000, as projected in quarter 3. The underachievement in the recovery of court costs in respect of Council Tax and Business Rates arrears in both Adur and Worthing as a result of changes in the process, which takes a more customer focused approach in engaging with customers earlier in the process prior to Court action being instigated, has been previously reported. Included in the outturn is a shortfall of income of £53,000 for Adur and £116,000 for Worthing which related to court income and the existence of income budgets that should have been removed from the budget.

On 1st October 2017 Adur's Revenues & Benefits team joined the Worthing service. There have been some additional set up costs/curtailment costs due to the merging of the teams. It was anticipated that these costs would be contained within the current budget, however there was an overspend within the service of £60,000 Adur and £64,000 Worthing. The Adur overspend includes an allowance for redundancy costs associated with the transition of £69,000.

In Worthing the overspend relates to a combination of: increased agency staff costs £12,000, printing, stationery and postage £33,000, a vacancy provision of £12,000 and an erroneous income budget of £10,000.

4. REVENUE OUTTURN OVERVIEW

4.16 Joint Services

Elections

During work on the 2017/18 claim for election expenses to Central Government (Police and Crime Commissioner and General elections) an error relating to VAT was identified associated with prior year claims. The VAT on supplies has been reclaimed from HM Revenues and Benefits (HMRC) by Adur and Worthing which should have been claimed by Central Government as they reimburse gross costs to Councils; (Adur £32,000 and Worthing £40,000). A declaration has been made to HMRC and the matter was reported in quarter 3. This cost has partially been offset by underspends within the service of £14,000 Adur and £30,000 Worthing which has not been previously forecast, resulting in a net overspend of £18,000 in Adur and £10,000 in Worthing.

4.17 Vacancy Provision and Pension Costs

Vacancy Provision

The Councils had a total vacancy saving target of £760,150 for 2017/18. The final outturn position was an underachievement of £23,650 against this target which is a £61,850 improvement on the £85,500 forecast in quarter 3. There was a higher level of staff turnover in the last three months of the year than anticipated. The Councils' budgets for salaries in 2017/18 was £25.6m so this equates to a 0.1% overspend.

Pension Costs

Additional pension strain and back funding costs were incurred by Adur in 2017/18 of £96,000. Worthing's pension contribution costs were £71,000 lower than budgeted. The reason for these differences is the final pension figures were not received from the actuary until after the 2017/18 budget had been finalised. The outcome of the actuary reports have been built into the 2018/19 budget. These variances have not previously been reported.

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

- 5.1 Adur Homes is held within a ring fenced Housing Revenue Account, which is shown in Appendix 4. Overall the HRA contained net expenditure within budget and showed an overall underspend against its budget of £47,909. Previous forecasts estimated a larger underspend of £150,000 but the outturn figure includes the impact of the depreciation charge for the year, which had a variance of £110,000. The significant variances are detailed in appendix 5(c).
- 5.2 The HRA Reserve stood at £1.939m at 31st March 2018 which will be used to support the HRA over the next 5 years as it addresses the impact of the 1% rent reductions.

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.1 Recommended Carry Forwards of Unspent Budget

Any unspent funds are placed into reserves at the year end. Budgets in respect of the following items remain unspent at 31st March 2018 and are required to complete existing initiatives in 2018/19.

The focus for carry forward proposals this year is on existing commitments or other essential items rather than bids for new initiatives. This is to build capacity in the reserves to protect the Councils' interests for the next two years. It is recommended that these amounts are carried forward to 2018/19 and funded from the respective Capacity Issues Reserves. The Committee may wish to consider how these items contribute to the Councils' priorities when approving the carry forwards.

The following are recommended for carry forward for the Joint Committee, Adur District Council and Worthing Borough Council:

| Proposed Carry Forward of unspent budgets within the Joint Strategic Committee | | | |
|---|--------|--------|---------|
| | ADC | WBC | Joint |
| | £ | £ | £ |
| Digital and Resources - Delivery of change and re-design projects | 16,000 | 24,000 | 40,000 |
| Digital and Resources - Staff Travel plan - produce a travel action plan which will outline key actions aimed at changing patterns of travel behaviour and increasing use of more active and sustainable transport modes in order to reduce pressure on car parking. | 2,130 | 3,200 | 5,330 |
| Digital and Resources - Refurbishment of seats in the Town Hall Council Chamber. | - | 5,000 | 5,000 |
| Digital and Resources - Increase to the budget development fund for new projects designed to deliver future income growth or business efficiencies. | 30,000 | 45,000 | 75,000 |
| Total carry forward proposals for the Joint Strategic Committee shared between Adur and Worthing | 48,130 | 77,200 | 125,330 |

| Proposed Carry Forward of Unspent Budgets within Adur District Council | |
|---|-------------|
| Wellbeing: The balance of the Grants budget has been allocated through the Adur Grants process (3rd round) and by Officer Decision to Going Local Grants | £ 40,550 |
| Total carry forward proposals for Adur District Council | 40,550 |

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.1 Recommended Carry Forwards of Unspent Budget

| Proposed Carry Forward of Unspent Budgets within Worthing Borough Council | |
|--|----------------|
| | £ |
| Wellbeing: This provides £10,000 towards the Going Local Grants. The grant has been awarded and the recipients are awaiting a contract from our legal team to sign before funding is released. | 10,000 |
| Economy: This income has resulted from Phase 1 of the scheme to introduce street furniture licensing in Warwick Street. The next Phase is to introduce the scheme into Montague Street and Portland Road and the set up for this will be funded from the carried forward amount from 2017/18. | 3,850 |
| Economy: Worthing Borough Council has adopted the Seafront Investment Plan (SIP) to guide future development of the seafront. This income will support the delivery of the phased developments associated with the SIP. The alignment of Concessions to the SIP is also required; therefore a Concessions Review is likely to take place in 2018-19 which may require external consultancy. | 6,530 |
| Economy: The development of Grafton Car Park is identified as a key priority in the Council's Platforms for Places. The carry forward of this budget is required to support the ongoing site investigation, site preparation and consultancy work required to address key issues prior to offering the site to market or pursuing a development of the site in 2018/19. | 113,750 |
| Economy: Additional income of £6,000 was received in 2017/18 for the Observation Wheel. It is proposed to use this income in 2018/19 to reinvest in an Outdoor Event planned for Autumn. | 6,000 |
| Culture: This budget was set aside for the provision of equipment for Museums implementation of the new Theatres Booking System -Spectrix. A delay in implementation of the project resulted in the budget remaining unspent and it is therefore requested that the budget is carried forward to 2018-19, when the new system will be implemented in May 2018. | 5,000 |
| Culture: An opportunity has arisen to purchase a new van to replace the existing van which is no longer fit for purpose. The cost of purchase will be partly met by sponsorship arranged by the fundraising manager, theatres needs to provide £9,000 towards the total cost of the £18,000. | 9,000 |
| Total carry forward proposals for Worthing Borough Council | 154,130 |

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.2 Recommended Carry Forwards of 2017/18 Approvals to Use Reserves

The following unspent items were approved for 2017/18 and were planned to be funded from reserves. It is recommended that these approvals to utilise reserves are carried forward from 2017/18 to 2018/19. ***No transfer to reserves is required as the funds have been previously set aside.***

| Worthing Borough Council - Proposed Carry Forwards (not yet spent and previously approved) - Existing Reserves | |
|---|---------------|
| Wellbeing: This provides £10,000 towards the Going Local Grants. The grant has been awarded and the recipients are awaiting a contract from our legal team to sign before funding is released | £ 10,000 |
| TOTAL FOR WORTHING BOROUGH COUNCIL | 10,000 |

6.3 Movements and Use of Reserves

As part of the 2017/18 final accounts process, officers have identified amounts that are recommended for transfer to reserves for specific purposes or planned as part of the budget process, as detailed below.

In 2017/18, both authorities drew down on reserves to fund redundancy costs. A detailed breakdown of the reserve positions is included in **Appendix 2b** for Adur and **Appendix 3b** for Worthing.

Adur District Council:

| Adur District Council transfers to General Fund Earmarked Reserves 2017/18 | | |
|---|---------|----------------|
| Budgeted/Committed contributions to/from reserves: | £ | £ |
| <ul style="list-style-type: none"> Increase in Grants Carried Forward | 126,796 | |
| <ul style="list-style-type: none"> Budgeted contribution to Reserves | 4,000 | |
| <ul style="list-style-type: none"> Self-insurance charges and proposed contributions | 30,000 | 160,796 |
| Contribution to reserves for future needs: | | |
| <ul style="list-style-type: none"> Transfer to Business Rate Smoothing Reserve (paragraph 4.12) | 74,000 | |
| Contribution to reserves from general underspend: | | |
| <ul style="list-style-type: none"> Carry Forward requests to Capacity Issues Reserve (see para. 6.1) | 88,680 | |
| <ul style="list-style-type: none"> Unallocated General Fund underspend transferred to Capacity Issues Reserve | 222,343 | |
| <ul style="list-style-type: none"> General Fund underspend transferred to General Fund Reserve (working balance) | 110,000 | 495,023 |
| Total recommended net contributions to Reserves | | 655,819 |

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.3 Movements and Use of Reserves

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will increase to £518,171 which, at nearly 6% of net expenditure of £8.671m is almost within the range of 6%-10% set by the Council. In addition the Council would retain earmarked revenue reserves of £0.760m (excluding the revenue grants reserve), an increase of £0.271m over 31st March, 2017. The full listing of earmarked reserves is attached as **Appendix 2b**.

Worthing Borough Council:

| Worthing Borough Council net transfers to General Fund Earmarked Reserves 2017/18 | | |
|--|----------|------------------|
| Budgeted/Committed contributions to/from reserves: | £ | £ |
| • Reduction in Grants Carried Forward | (32,116) | |
| • Withdrawal from Theatres Maintenance Reserve | (1,000) | |
| • Budgeted contribution to Reserves | 1,470 | |
| • Self-insurance charges and proposed contributions | 30,700 | (946) |
| Contribution to reserves for future needs: | | |
| • Transfer to Business Rate Smoothing Reserve (paragraph 4.12) | 425,000 | |
| • Transfer to Theatres Capital Maintenance Reserve funded by levy payments | 78,328 | 503,328 |
| Contribution to reserves from general underspend: | | |
| • Carry Forward requests to Capacity Issues Reserve (see para. 6.1) | 231,330 | |
| • Additional transfer to Leisure Lottery and Insurance Reserves | 2,513 | |
| • Unallocated General Fund underspend transferred to Capacity Issues Reserve | 578,902 | 812,745 |
| Total recommended net contributions to Reserves | | 1,315,127 |

If all the proposals in the above table are adopted, Worthing Borough Council will maintain its General Fund Working Balance at £843,625 which, at 6.7% of net expenditure of £12.656m, is within the range of 6%-8% set by the Council. In addition the Council would retain earmarked revenue reserves of £2.550m (excluding revenue grants reserve), an increase of £0.935m over 31st March, 2017. The full listing of earmarked reserves is attached as **Appendix 3b**.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2017/18 AND DEBT POSITION

MRP Requirement for 2017/18

- 7.1 The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 require the Councils to make a prudent provision within the accounts for repayment of debt. This provision is called the Minimum Revenue Provision (MRP) and is charged to revenue expenditure.
- 7.2 The Councils' MRP policy was approved by the Joint Strategic Committee at its meeting of 2nd June 2016 and was recommended for approval by Worthing Council at its meeting on 19th July 2016 and by Adur Council at its meeting on 21st July 2016. It was agreed that: firstly for any debt associated with unfunded capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt. This does not apply to Worthing Borough Council which had no debt as at 1st April 2008. Secondly, for both Councils' non-HRA capital expenditure which forms part of the Capital Financing Requirement (the CFR), (excluding loans to RSLs), after 1st April 2008, the MRP will be calculated as the annual amount required to repay the CFR using the Annuity Method over the life of the assets acquired. The option remains to use additional revenue contributions or capital receipts to repay debt earlier. Where a building is being constructed, the MRP will be set aside once the building has been completed. The CFR is a prescribed calculation which is used to measure the Councils' underlying need to borrow to finance all capital expenditure.
- 7.3 The MRP policy will ensure that by the time debts are due to be repaid sufficient funds will have been set aside.
- 7.4 As MRP is applied in the year after which capital expenditure is funded from borrowing, the MRP for 2017/18 relates to unfunded expenditure incurred up to and including 31st March, 2017.
- 7.5 By applying the approved methodologies, described in paragraph 7.2, the following MRP determinations have been provided for in the 2017/18 accounts:
- For Adur District Council: £712,431. No Voluntary MRP was set aside for the HRA.
 - For Worthing Borough Council: £809,289

Debt Position at 31 March 2018

- 7.6 In recognition of the introduction of the HRA Self-Financing regime, the Councils' joint treasury management policy also includes a requirement to account separately for General Fund and HRA debt in accordance with the "two pool approach" recommended by CIPFA within the Treasury

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2017/18 AND DEBT POSITION

Debt Position at 31 March 2018

- 7.6 Management Code of Practice. This approach apportioned historic debt at 31 March 2012 between HRA and General Fund in accordance with the Code guidance, and requires new borrowing from 1 April 2012 onwards to be attributed to either General Fund or HRA according to the purpose for which it is obtained.
- 7.7 For Adur Council the separation of General Fund and HRA debt facilitates a comparison with the corresponding underlying need to borrow (the Capital Financing Requirement) i.e. capital expenditure not financed from internal resources. The purpose of the comparison is to enable General Fund and HRA treasury management decisions to be taken independently of each other, and in an equitable and transparent manner.
- 7.8 Accordingly, there follows a comparison of the respective debt outturn positions compared to the CFR for each Council, albeit that as Worthing does not have an HRA it therefore does not operate a two pool approach.

| CFR v Debt Position at 31 March 2018 | Adur District Council | | | Worthing BC |
|---------------------------------------|-----------------------|-------------------|-------------------|--------------------|
| | General Fund | HRA | Total | General Fund Total |
| | £ | £ | £ | £ |
| Actual Long Term Debt 01/04/17 | 14,967,131 | 59,585,172 | 74,552,303 | 11,337,167 |
| New Long Term Debt Raised in year | 13,066,000 | 0 | 13,066,000 | 25,954,500 |
| Long Term Debt Repaid in Year | (769,531) | (1,710,546) | (2,480,077) | (1,727,485) |
| Actual Long Term Debt 31/03/18 | 27,263,600 | 57,874,626 | 85,138,226 | 35,564,182 |

| CFR v Long Term Debt Position at 31 March 2018 | Adur District Council | | | Worthing BC |
|---|-----------------------|------------------|------------------|--------------------|
| | General Fund | HRA | Total | General Fund Total |
| | £ | £ | £ | £ |
| Capital Financing Requirement (CFR) | 28,500,305 | 60,102,737 | 88,603,042 | 39,150,019 |
| (Over) / Under Borrowing | 1,236,705 | 2,228,111 | 3,464,816 | 3,585,837 |
| HRA Debt Limit | N/A | 68,912,000 | 68,912,000 | N/A |
| HRA Borrowing Headroom (Debt Limit – Actual Debt) | N/A | 11,037,374 | N/A | N/A |

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2017/18 AND DEBT POSITION

Debt Position at 31 March 2018

- 7.9 In addition to the amounts reported in the table above, Worthing also held temporary borrowing of £6m at 31st March 2018, £5m of which will mature fully by 17th July 2018. Some of this may be refinanced as new temporary borrowing if required. Adur did not hold any temporary borrowing at 31st March 2018.
- 7.10 For Adur Council the General Fund is under-borrowed by approximately £1.237m. The HRA is under-borrowed by £2.228m because, although actual debt is gradually repaid, the Council has not made any Voluntary Minimum Revenue Provision for 2017-18 and consequently the Capital Financing Requirement has not reduced. This position largely reflects the opening position at 1st April 2012 arising from the application of the two pool split, where-in the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR, so that any under or over borrowing at that time was fully attributed to the General Fund. The General Fund took out new long term borrowing to fund a property purchase and the replacement of the refuse and recycling vehicles.
- 7.11 Worthing is under-borrowed by £3.586m based on long term borrowing, which reflects the cumulative impact over a number of years of consistently using internal borrowing and short term borrowing as a cheaper source of funding capital investment. This has been a prudent measure in the climate of historically low interest rates to reduce the “cost of carry” (i.e. the difference between the interest charged on new borrowing compared to the interest foregone on cash balances used to fund capital expenditure that would otherwise have been invested). New long term loans amounting to nearly £26m have been taken out in 2017-18 to fund several capital projects, for example a £10m loan to Worthing Homes, property purchases and the replacement of the refuse and recycling vehicles.

8.0 CONCLUSION

- 8.1 The overall underspends for Worthing and Adur are most welcome at this time to help the Councils manage the challenging financial climate which they are currently grappling with. However, the nature of many of the underspends does not indicate an improved outlook for the revenue budget going forward, and pressures very much remain.
- 8.2 The Councils have had a difficult year with reduced funding and cost pressures to manage, but they have successfully addressed some significant issues. The underspends in 2017/18 have given the Councils the opportunity to contribute to reserves, which is welcome at a time when local government faces ongoing financial pressures.

Local Government Act 1972

Background Papers:

Reports to the Joint Overview and Scrutiny and Joint Strategic Committee

Revenue Budget 2017/18 Joint, Adur and Worthing

3rd Monitoring Revenue and Capital Reports Joint Strategic Committee, Adur District Councils and Worthing Borough Council – Report to the Joint Strategic Committee dated 6th March 2018

Accounts and Audit Regulations 2015

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

Matter considered and no issues identified

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL


Matter considered and no issues identified

4. GOVERNANCE


Matter considered and no issues identified


APPENDIX 1


2017/18 FINAL REVENUE OUTTURN JOINT SUMMARY


|  ADUR & WORTHING COUNCILS | ORIGINAL ESTIMATE 2017/18 | CURRENT ESTIMATE 2017/18 | OUTTURN 2017/18 | (UNDER)/ OVERSPEND 2017/18 |
|--|---------------------------------|--------------------------------|---------------------|----------------------------------|
| | £ | £ | £ | £ |
| Chief Executive | 639,430 | 649,220 | 619,898 | (29,322) |
| Director for Communities | 9,206,440 | 8,824,980 | 8,852,991 | 28,011 |
| Director for Customer Services | - | - | - | - |
| Director for Digital & Resources | 10,477,650 | 11,047,200 | 10,802,825 | (244,375) |
| Director for the Economy | 4,171,790 | 4,031,430 | 4,044,705 | 13,275 |
| Grants Reserves | | | (91,826) | (91,826) |
| TOTAL SERVICES | 24,495,310 | 24,552,830 | 24,228,594 | (324,236) |
| ALLOCATION OF COSTS | | | | |
| Recharged to other joint services | (3,751,130) | (3,751,130) | (3,692,226) | 58,904 |
| | 20,744,180 | 20,801,700 | 20,536,368 | (265,332) |
| Adur District Council | (8,464,000) | (8,468,340) | (8,360,728) | 107,612 |
| Worthing Borough Council | (12,280,180) | (12,333,360) | (12,175,640) | 157,720 |
| TOTAL SERVICE BLOCK ALLOCATIONS | (20,744,180) | (20,801,700) | (20,536,368) | 265,332 |

CIVIC BUDGET 2017-2018
Summary of Final Revenue Outturn

|  ADUR DISTRICT COUNCIL CABINET MEMBER PORTFOLIOS | ORIGINAL BUDGET 2017/18 | CURRENT ESTIMATE 2017/18 | OUTTURN 2017/18 | Notional Capital Charges Variance | Support Service Recharge Variances | (Under) / Over Spend Excluding Support and Capital Charges |
|--|-------------------------------|--------------------------------|--------------------|---|--|---|
| | £ | £ | £ | | | |
| <i>CM for Environment</i> | 2,962,240 | 2,923,980 | 2,904,564 | 42,981 | (20,014) | (42,383) |
| <i>CM for Health & Wellbeing</i> | 1,013,010 | 1,090,760 | 1,002,320 | - | (10,854) | (77,586) |
| <i>CM for Customer Services</i> | 1,356,940 | 1,390,270 | 1,486,629 | (2,860) | (41,754) | 140,973 |
| <i>Leader</i> | 626,870 | 626,870 | 583,779 | (880) | 36,564 | (78,775) |
| <i>CM for Regeneration</i> | 1,597,960 | 1,592,190 | 1,345,284 | 23,440 | (43,675) | (226,672) |
| <i>CM for Resources</i> | 1,960,440 | 1,763,980 | 2,132,249 | 95,473 | 42,742 | 230,054 |
| <i>Support Service Holding Accounts</i> | 190,140 | 200,590 | - | (35,370) | 36,990 | (202,210) |
| <i>Budget vired to HRA</i> | | | | | | - |
| TOTAL CABINET MEMBERS | 9,707,600 | 9,588,640 | 9,454,824 | 122,784 | - | (256,600) |
| <i>Credit Back Depreciation</i> | (1,378,220) | (1,378,220) | (1,512,074) | (122,784) | - | (11,070) |
| <i>Minimum Revenue Provision</i> | 818,480 | 984,630 | 712,431 | - | - | (272,200) |
| <i>Additional Non Ring Fenced Grants</i> | - | - | 33,938 | - | - | 33,938 |
| <i>Financial Instrument Adjustment</i> | - | - | 2,270 | - | - | 2,270 |
| | 9,147,860 | 9,195,050 | 8,691,389 | - | - | (503,661) |
| Transfer to/from reserves: | | | | | | |
| <i>Transfer from reserves to fund specific expenditure</i> | 18,000 | (29,190) | (20,552) | - | - | 8,638 |
| <i>General fund working balance</i> | | | 110,000 | - | - | 110,000 |
| Net Underspend/(Overspend) Transferred to Reserves | | | 385,023 | - | - | 385,023 |
| TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT | 9,165,860 | 9,165,860 | 9,165,860 | - | - | (0) |

|  ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS | Opening Balance | Decrease | Increase | Closing Balance |
|--|--------------------|-----------|----------|--------------------|
| | 2017/18 | 2017/18 | 2017/18 | 2017/18 |
| | £ | £ | £ | £ |
| Capacity Issues Fund including General Fund Carry Forward Reserve | 121,187 | | | |
| Consolidation of New Technology Fund into Capacity Issues | 22,300 | | | |
| Consolidation of Health & Safety Reserve into Capacity Issues | 32,545 | | | |
| Project Manager for CENSUS review (8/10/15 JSC/042/15-16) | | (39,188) | | |
| Redundancy costs (24/04/17 JAW/8/16-17) | | (59,774) | | |
| Carry forward from 2016/17 approved at JSC 11 July 2017: Fishersgate caretaker | | (8,000) | | |
| Budgeted contribution to/(from) revenue | | | 4,000 | |
| Revenue underspend | | | 311,023 | |
| Balance | | | | 384,093 |
| Insurance Fund | 180,850 | (35,907) | 30,000 | 174,943 |
| Business Rates Smoothing Reserve | - | - | 74,000 | 74,000 |
| Investment Property Maintenance Fund - Revenue Maintenance Programme | 38,387 | - | - | 38,387 |
| Grants and Contributions held in Reserves | 425,872 | (168,175) | 294,971 | 552,668 |
| Election Reserve | 7,880 | - | - | 7,880 |
| Special and Other Emergency Reserve Redundancy costs (22/06/17 JAW/1/17-18) | 86,103 | (5,023) | - | 81,080 |
| General Fund Reserve | 408,171 | - | 110,000 | 518,171 |
| TOTALS | 1,323,295 | (316,067) | 823,994 | 1,831,222 |

|  WORTHING BOROUGH COUNCIL CABINET MEMBER PORTFOLIOS | ORIGINAL BUDGET 2017/18 | CURRENT ESTIMATE 2017/18 | OUTTURN 2017/18 | Notional Capital Charges Variance | Support Service Recharge Variances | (Under) / Over Spend Excluding Support and Capital Charges |
|---|-------------------------------|--------------------------------|--------------------|---|---|---|
| | £ | £ | £ | | | |
| <i>Leader</i> | 1,054,600 | 1,054,600 | 1,079,949 | (200) | (10,332) | 35,880 |
| <i>CM for the Environment</i> | 2,890,240 | 2,983,740 | 3,408,498 | 87,710 | (60,059) | 397,107 |
| <i>CM for Health & Wellbeing</i> | 1,286,210 | 1,296,210 | 1,304,543 | 260 | (8,589) | 16,661 |
| <i>CM for Customer Services</i> | 5,425,580 | 5,375,670 | 5,196,703 | 25,700 | (65,626) | (139,041) |
| <i>CM for Regeneration</i> | 2,621,670 | 2,914,900 | 2,699,126 | (6,090) | (23,575) | (186,109) |
| <i>CM for Resources</i> | 2,519,070 | 2,223,960 | 1,746,447 | 110,040 | (449,591) | (137,962) |
| <i>Holding Accounts</i> | (165,700) | (130,040) | - | (9,182) | 617,771 | (478,549) |
| TOTAL CABINET MEMBER | 15,631,670 | 15,719,040 | 15,435,265 | 208,238 | - | (492,012) |
| <i>Credit Back Depreciation</i> | (3,323,380) | (3,323,380) | (3,531,618) | (208,238) | | - |
| <i>Minimum Revenue Provision</i> | 1,072,620 | 1,113,810 | 809,289 | | | (304,521) |
| <i>Additional Non Ring Fenced Grants</i> | - | - | (270,026) | | | (270,026) |
| | 13,380,910 | 13,509,470 | 12,442,910 | - | | (1,066,560) |
| Transfer to/from reserves: | | | | | | |
| <i>Transfer from reserves to fund specific expenditure</i> | 87,720 | (40,840) | 212,932 | | | 253,772 |
| Net Underspend Transferred to Reserves | | | 812,788 | | | 812,788 |
| Total Budget requirement before External Support from Government | 13,468,630 | 13,468,630 | 13,468,630 | - | | 0 |

|  WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS | Opening Balance 2017/18 | Estimated Decrease 2017/18 | Estimated Increase 2017/18 | Projected Closing Balance 2017/18 |
|---|--|---|---|--|
| £ | £ | £ | £ | £ |
| Capacity Issue Reserve - Redundancy costs (24/04/17 JAW/8/16-17) Expenditure funded from approved carry forwards from 2016/17 - Worthing carry forwards from 2016/17 agreed Joint Strategic Committee 11th July, 2017 - Budgeted contribution to/(from) revenue - Revenue underspend Balance | 846,341 | (89,661) (128,560) | 1,470 810,232 | 1,439,822 |
| Insurance Reserve | 388,949 | (124,655) | 32,613 | 296,907 |
| Joint Health Promotion Reserve | 9,910 | (2,100) | - | 7,810 |
| Leisure Lottery & Other Partnerships - 01/02/18 JSC/078/17-18 for Museum Costume Research Centre | 77,166 | - | 600 | 77,766 |
| Museum reserve - 12/09/17 JSC/037/17-18 release of funds to support grant bid | 114,012 | (16,310) | - | 97,702 |
| Crematorium Improvement Reserve | - | (70,494) | 70,494 | - |
| Business Rates Smoothing Reserve | - | - | 425,000 | 425,000 |
| Theatres Capital Maintenance Reserve | 63,821 | (1,000) | 78,328 | 141,149 |
| Special and Other Emergency Reserve Redundancy costs (22/06/17 JAW/1/17-18) | 41,827 | (7,535) | - | 34,292 |
| Grants & Contributions | 574,292 | (157,276) | 125,160 | 542,176 |
| Capital Expenditure Reserve Brooklands Environmental Scheme | 73,158 | (43,500) | - | 29,658 |
| General Fund Working Balance | 843,625 | - | - | 843,625 |
| TOTAL | 3,033,101 | (641,090) | 1,543,896 | 3,935,907 |

HRA SUMMARY

| | BUDGET 2017/18 | OUTTURN 2017/18 | VARIANCE 2017/18 |
|--|---------------------------|----------------------------|-----------------------------|
| | £ | £ | £ |
| EXPENDITURE | | | |
| General Management | 3,389,220 | 3,363,026 | (26,194) |
| Special Services | 208,350 | 176,987 | (31,363) |
| Rent, Rates, Taxes & Other Charges | 25,650 | 23,621 | (2,029) |
| Repairs & Maintenance | 3,110,200 | 2,883,757 | (226,443) |
| Bad/Doubtful Debt | 50,000 | 77,181 | 27,181 |
| Contribution to reserves | - | - | - |
| Capital Financing Costs | | | |
| Depreciation and revenue contribution to capital | 4,406,760 | 4,517,220 | 110,460 |
| Interest charges | 2,322,400 | 2,268,178 | (54,222) |
| TOTAL EXPENDITURE | 13,512,580 | 13,309,968 | (202,612) |
| INCOME | | | |
| Dwelling Rents | (12,183,440) | (12,122,732) | 60,708 |
| Non-Dwelling Rents | (539,720) | (524,150) | 15,570 |
| Heating Charges | (72,840) | (33,567) | 39,273 |
| Leaseholder's Service Charges | (214,410) | (224,486) | (10,076) |
| Other Service Charges | (292,250) | (224,742) | 67,508 |
| Interest Received | (28,000) | (46,281) | (18,281) |
| TOTAL INCOME | (13,330,660) | (13,175,958) | 154,702 |
| | | | |
| NET (SURPLUS)/DEFICIENCY - TRANSFER TO/FROM HRA | 181,920 | 134,011 | (47,909) |
| GENERAL RESERVE | | | |

Appendix 5 (a)

The variations greater than £20,000, for this report, are detailed below

| Service Area | Joint £000s (under)/ over-spend | Adur £000s (under)/ over-spend | Worthing £000s (under)/ over-spend | Significant Variations |
|-------------------------------------|--|---|---|--|
| NET TRADING | | | | |
| Parking | | 49 | (108) | Income from car parking exceeded the budget for Worthing (mainly from surface car parks) But in Adur there is a shortfall in income from the enforcement and an increase in management costs |
| Total Net Trading | - | 49 | (108) | |
| Service Area | Joint £000s (under)/ over-spend | Adur £000s (under)/ over-spend | Worthing £000s (under)/ over-spend | Significant Variations |
| INCOME: | | | | |
| Growth - Commercial Income | | (74) | (77) | Net income after borrowing costs. |
| Development Management - Fee Income | - | (130) | 148 | Projected shortfall for Worthing Development Management income. Unbudgeted costs incurred by Adur's Planning Policy Team relating to the Adur Local Plan. |
| Building Control & Land Charges | - | 60 | 69 | Building Control Income, which is derived from fees set on a cost recovery basis, is projected to be below target at year end. Growth targets and strategies are being worked on. Land charges forecast a shortfall in income. |
| Theatres | - | - | (32) | Income exceeded projections for the final quarter of the year |
| Environment - Bereavement Services | | - | 37 | Income shortfall relating to crematorium services and memorials |
| Environment - Parks & Open Spaces | | (43) | 28 | Underachievement of income for loss of income, after compensation, due to closure of the Par 3 golf course |

| Service Area | Joint £000s (under)/ over-spend | Adur £000s (under)/ over-spend | Worthing £000s (under)/ over-spend | Significant Variations |
|---------------------|--|---|---|---|
| Revenues & Benefits | | 113 | 59 | ADC - old grant income budget, plus increased costs during joint service transition. WBC - Net Additional income from the recovery of housing benefits overpayments offset by a grant income budget that won't be realised. |
| Finance | (35) | - | - | Net income from the extension of payroll provision to South Downs Leisure |
| Communications | (40) | - | - | Increased external income |
| Total Income | (75) | (74) | 232 | |
| Service Area | Joint £000s (under)/ over-spend | Adur £000s (under)/ over-spend | Worthing £000s (under)/ over-spend | Significant Variations |
| COSTS: | | | | |
| Corporate costs | 21 | - | (155) | Joint: Net cost of essential mileage review which was completed later than projected delayed start, plus increased Pool car costs £59k, offset by savings in MFD and Printing costs, Worthing: Shift in capital allocation for Surveyor and Engineers staff |
| Maintenance | - | - | (60) | Underspend on maintenance (excluding culture) |
| Elections | | 18 | 10 | VAT liabilities on all Elections going back several years |
| Leisure | - | - | 98 | Leisure Contractual costs |
| Energy Costs | (28) | - | - | Saving in energy costs |
| Waste Services | 48 | 36 | 141 | Increased Agency staff costs. Overspend on Trade Waste disposal costs due to increase after the budget was set (offset partially by increased income). Savings on diesel costs. |
| Place & Investment | | (98) | (191) | Adur: Increased income from Farmers markets Worthing: Commissioning of studies for major projects originally anticipated to be required in 2017/18 now planned for 2018/19; the remainder relates to underspends on Grants and subscriptions for both Authorities |

| Service Area | Joint £000s (under)/ over-spend | Adur £000s (under)/ over-spend | Worthing £000s (under)/ over-spend | Significant Variations |
|--------------------------------|--|---|---|--|
| Homelessness | - | - | 146 | Emergency accommodation costs are continuing to increase to meet demand. This is partially offset by a grant provided to cover removal of the management element of the benefit subsidy. |
| ICT & Digital | (132) | - | - | Overspend on Telephony in 2017/18 - (36k) , This is offset by an underspend in Census ICT of £168k (maintenance and project costs savings against budget). |
| Finance - MRP | - | (272) | (304) | Savings on MRP as a result of deferred capital expenditure and increase in external funding |
| Finance | - | (11) | (119) | Net savings due to changes in interest rates on borrowing and additional interest income on investments |
| Wellbeing | - | (77) | (35) | Underspend on Wellbeing grants |
| Planning Policy | - | 56 | (46) | Local plan : Increased cost of producing in Adur and a net saving in Worthing |
| Business Rates | - | (49) | (47) | Saving in Business Rate costs |
| Overprovision of Pension costs | - | 96 | (71) | Adur: Increased Pension strain and backfunding costs, Worthing: reduction in Pension contributions |
| Vacancy Provision | 23 | - | - | Slight Underachievement on Vacancy Provision forecast. |
| Other | (122) | (63) | (145) | Other minor variations |
| Allocation of Joint Variance | | (106) | (159) | Share of joint services allocated 40:60 to Councils |
| Total costs | (190) | (470) | (937) | |
| Total Variance | (265) | (495) | (813) | |

| Adur Major Variances | Net underspend | Forecast at JSC Q3 | Difference | |
|--|----------------|--------------------|------------|--|
| | £000s | £000s | £000s | |
| <u>Economy Directorate</u> | | | | |
| Planning Income | (130) | - | (130) | Large scale planning applications received in the last quarter of 2017/18 . Fee increase has been factored into the 2018/19 budget. |
| Increased cost of producing local plan | 56 | 65 | (9) | Costs arising from the progression and examination of the Adur Local Plan - overspend lower than projected in quarter 3. |
| Building Control & Land charges income shortfall | 60 | 65 | (5) | Shortfall in income was in line with quarter 3 projection. A new Building Control Partnership Manager has been appointed in response to the budget pressures within the service. |
| Strategic Property Investment commercial income exceeding Budget | (74) | (69) | (5) | Additional income generated from commercial properties and rent reviews. Increased income has been incorporated into the 2018/19 budget. |
| Net additional income from farmers markets | (68) | - | (68) | Includes a one off receipt £35k relating to prior years. |
| <u>Communities Directorate</u> | | | | |
| Waste services shortfall in income and overspends on vehicles and agency staff | 36 | 44 | (8) | Overall net overspend against budget relating to disposal costs in line with previous forecast. |
| Wellbeing Grants underspend | (77) | - | (77) | There is a £40,000 budget carry forward request for grants not yet paid out included within this underspend. |
| Elections overspend | 18 | 32 | (14) | Costs associated with previous years VAT liabilities. This issue is resolved for 2018/19. Compensating savings meant the overspend was lower than projected in quarter3. |
| <u>Digital and Resources Directorate</u> | | | - | |
| Revenues and Benefits - Provision for departure costs | 60 | - | 60 | One off redundancy costs related to the service transferring in-house. |
| Revenues and Benefits - erroneous budget | 53 | 70 | (17) | Erroneous budget has been removed in 2018/19. savings have partially offset the previously forecast shortfall. |
| Increased pension strain and backfunding costs | 96 | - | 96 | In year variance due to the timing of actuary information when the budget was set. This has not previously been reported. |
| Savings on interest rates | (11) | (14) | 3 | As predicted in quarter 3 overall savings in interest rates. |
| <u>Other</u> | | | | |
| Minimum Revenue Provision | (272) | (272) | - | Cost saving resulting from deferred capital expenditure in 2016/17 and increased external funding- outturn as forecast in Q3 |
| Underspend on joint services - not included above | (106) | 35 | (141) | There is a £50k budget carry forward request within the Joint Services. |
| Other changes | (136) | | (136) | |
| | (495) | (44) | (451) | |

| Worthing Major Variances | Net underspend | Forecast at JSC Q3 | Difference | |
|--|----------------|--------------------|--------------|---|
| | £000s | £000s | £000s | |
| <u>Economy Directorate</u> | | | | |
| Economic Growth | (154) | - | (154) | There is a budget carry forward request of £114,000 from this underspend to commission studies on some of the major projects within Worthing, including the Grafton site. |
| Planning Income | 148 | 8 | 140 | Income lower than forecast for 2017/18. |
| Planning Policy | (46) | | (46) | Underspend on Local Plan - one off saving not previously reported. |
| Building Control & Land charges income shortfall | 69 | 94 | (25) | Shortfall in income was less than projected in quarter 3. A new Building Control Partnership Manager has been appointed in response to the budget pressures within the service. |
| Strategic Property Investment commercial income exceeding Budget | (77) | (50) | (27) | Additional income generated from commercial properties and rent reviews. Increased income has been incorporated into the 2018/19 budget. |
| Theatres | (32) | - | (32) | There is a budget carry forward request for £14,000 from this underspend. The remaining underspend against budget of £18,000 was not previously reported as quarter 4 income exceeded projections, particularly live events and film. |
| Place and Investment Grants | (37) | - | (37) | There is a £10,000 budget carry forward request for grants to be paid in 2018/19. |
| <u>Communities Directorate</u> | | | | |
| Homelessness | 146 | 170 | (24) | Increase in pressure on service. Additional costs have been incorporated into the 2018/19 budget. |
| Waste services shortfall in income and overspends on vehicles and agency staff | 141 | 141 | - | Overall net overspend against budget relating to disposal costs in line with previous forecast. |
| Bereavement Services | 37 | 60 | (23) | The outturn shortfall was more favourable than predicted in quarter 3. The income shortfall includes a one off rebate of £18,000. Crematorium price increases have been factored into the 2018/19 budget. |
| Leisure Contract Costs | 98 | - | 98 | A provision has been established relating to contract costs that are under negotiation with South Downs Leisure Trust. |
| Parks and Open Spaces | 28 | 90 | (62) | The improvement in the projected overspend from quarter 3 to quarter 4 is due to the receipt of income compensation relating to the Par 3 Golf course. |
| Wellbeing Grants underspend | (35) | - | (35) | There is a £20,000 budget carry forward request for grants not yet paid out included within this underspend. |
| Elections overspend | 10 | 40 | (30) | Costs associated with previous years VAT liabilities. This issue is resolved for 2018/19. Compensating savings meant the overspend was lower than projected in quarter 3. |
| <u>Digital and Resources Directorate</u> | | | | |
| Car Parking - Fee Income | (108) | (150) | 42 | Additional income received above budget was lower in Q4 than was projected in Q3, possibly linked to the cold weather in the period. |
| Revenues and Benefits - Shortfall in Court Costs Recovery & Erroneous budget | 180 | - | 180 | Includes an erroneous budget has been removed in 2018/19. |
| Additional Income from Overpayment Recovery | (121) | (120) | (1) | This is in line with the overachievement projected at quarter 3. |
| Capitalisation of Surveyors and Engineers costs | (155) | - | (155) | A review of the time allocation identified a higher proportion of work being carried out by the Surveyors and Engineers on capital schemes. This has been factored into the 2018/19 budget. |
| Reduction in pension contributions | (71) | - | (71) | In year variance due to the timing of actuarial information when the budget was set. This has not previously been reported however the outcome of the actuarial report has been built into the 2018/19 budget. |
| Savings on interest rates | (119) | (77) | (42) | Additional net interest income received, higher than projected in quarter 3, due to a combination of lower rates associated with borrowing and higher interest earned on investments. |
| <u>Other</u> | | | | |
| Minimum Revenue Provision | (304) | (305) | 1 | Cost saving resulting from deferred capital expenditure in 2016/17 and increased external funding - outturn as forecast in Q3 |
| Underspend on joint services - not included above | (159) | 53 | (212) | There is a £69,000k budget carry forward request within the Joint Services. |
| Other changes | (252) | | (252) | |
| | (813) | (46) | (767) | |

| Joint Services Major Variances | Net underspend | Forecast at JSC Q3 | Difference | |
|--|----------------|--------------------|--------------|--|
| | £000s | £000s | £000s | |
| <u>Chief Executive</u> | | | | |
| Communications | (40) | - | (40) | Increased income in quarter 3 for communication support related to major project support and Costal West Sussex |
| Communities Directorate | | | | |
| Waste Services | 48 | 7 | 41 | Higher level of agency staff and disposal costs. Additionally there was more vehicle maintenance expenditure in the last quarter of 2017/18 not previously forecast. |
| Wellbeing | - | 25 | (25) | Overall underspends in the service have offset the underachievement in digital savings that were being forecast in quarter 3. |
| <u>Digital and Resources Directorate</u> | | | | |
| | | | | |
| ICT and Digital | (132) | (40) | (92) | Underspend on telephony. Additionally there was an underspend from Census, some maintenance savings which have been factored into the 2018/19 budget and some one off savings from project work. There is a carry forward of £40,000 proposed to enable the delivery of change and re-design projects. |
| Finance | (35) | - | (35) | Net income from the extension of payroll service provision to South Downs Leisure Trust. |
| <u>Other</u> | | | | |
| Corporate Costs | 21 | 10 | 11 | Net additional cost of essential mileage review taking later in the year and increased pool car costs. Offset partially by savings on MFD and printing costs. |
| Vacancy Provision | 23 | 86 | (63) | Vacancy provision achieved. Staff turnover higher than anticipated in the last quarter of 2017/18. |
| Other changes | (150) | - | (150) | Other net underspends, includes £28,000 saving on energy costs. |
| | (265) | 88 | (353) | |



HRA Major Variances

| | (Under)/ Overspends £'000 |
|--|---------------------------------|
| <u>Variations in income and running costs:</u> | |
| Underspend on Pay, Grading, Consultancy and General Management | (123) |
| Underspend on Building Maintenance, Repairs & Voids | (201) |
| Underspend on various minor operational budgets | (19) |
| Increase in provision for Bad Debts | 27 |
| Increased cost from Corporate & Democratic Core (incl. pension charge) | 82 |
| Increased cost of Central Allocations | 26 |
| Shortfall in rental income due to void periods and debts written off | 66 |
| Shortfall in service charge income | 55 |
| Total variation in running costs | (86) |
| <u>Variations in treasury management and capital costs:</u> | |
| Reduction in interest costs | (54) |
| Increase in depreciation | 110 |
| Additional interest receipts | (18) |
| Total variation in treasury management and capital costs | 38 |
| TOTAL | (48) |