



Key Decision : No
Ward(s) Affected: All

3rd Quarter Revenue Budget Monitoring 2018/19

Report by the Director for Digital and Resources

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report updates the Joint Strategic Committee with the latest expenditure and income projections for each Council in the current financial year 2018/19, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 31st December 2018, the forecast position will reflect the latest information available to ensure an up-to-date forecast is presented.

1.2 The following appendices have been attached to this report:

- (i) **Appendix 1** (a) Adur Summary
(b) Adur Use of Earmarked Reserves
- (ii) **Appendix 2** (a) Worthing Summary
(b) Worthing Use of Earmarked Reserves
- (iii) **Appendix 3** HRA Summary
- (iv) **Appendix 4** (a) Table of Variations over £20,000
(b) Quarterly comparison

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is asked to note the report and projected outturn position for the Joint Committee, Adur District Council and Worthing Borough Council against the approved revenue budgets and proposed use of reserves (Appendix 1b and 2b).

3. CONTEXT

- 3.1 The Joint Strategic Committee considered the 5-year forecast for 2018/19 to 2022/23 on 5th December 2018.
- 3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on the strategy first proposed in 2016/17 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

- 4.1 As part of the 2018/19 budget the Councils committed to savings of £1.365m for Adur District Council and £1.981m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. From the budget monitoring it is clear that the majority of these savings have been delivered as expected.
- 4.2 The operational position is a **net overspend** by services of **£200,000 in Adur** and **£80,000 in Worthing** as a result of previously reported cost pressures such as increasing demand in the homelessness budgets and a delay to the implementation of the environmental services restructure. This includes meeting the challenges of significant savings requirements to balance the 2018/19 budget. The main factors influencing the level of spend are discussed in detail in section 4.9 of the report.
- 4.3 There are a number of timing differences which have benefited the budget in 2018/19 associated with the business rate retention scheme and the financing of the capital programme which are discussed in more detail below.
- 4.4 An analysis is underway to review commercial income performance as there are a number of income streams that have performed less well this year to date.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.5 The current year-end forecasts are comprised of a number of elements as set out in the table below:

2018/19 Forecast Outturn	Adur £000	Worthing £000
<u>Over/(under)spend in operational services – including share from Joint</u>	200	80
<u>Reduced borrowing requirement:</u>		
A lower than forecast call on the MRP (provision to repay debt) and net interest in 2017/18, due to reprofiling of the capital programme already adjusted for in 2019/20 budget.	(88)	(466)
<u>Planned contributions to the capital programme</u>		
Additional net income in Car Parking to be set aside to fund future car park refurbishment works		(73)
<u>Expenditure to be funded from reserves</u>		
Items of expenditure which are to be funded from reserves as approved by members	187	242
<u>Budget provision related to timing differences:</u>		
Project funding to Carry forward to 2019/20 for projects that have yet to commence or will complete next year	(27)	(249)
Additional Government grants for Business Rate reliefs granted in year which will be used to fund the financial impact in 2019/20	(376)	(520)
Net over/(under)spend before contributions from Reserves	(104)	(986)
Net contribution to / from (-) Reserves and use of capital flexibilities	(187)	(192)
Committed revenue contribution to capital funded from departmental underspends	0	73
Net underspend after contribution from Reserves	(291)	(1,105)

4.6 The key factors underpinning the current financial position include:

- An underspend in the Minimum Revenue Provision (MRP) and net interest budgets. The budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current years capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2019/20. A full breakdown of the position is at 4.12.6.
- Budgets or additional income in year that have been committed as revenue contributions to capital schemes. For example, net additional parking income received in Worthing that has been committed to fund improvement works.
- Budget underspends that will be requested to be carried forward to 2019/20. These occur where initiatives have not commenced or completed as early as expected. The expenditure is therefore still expected but not until the next financial year. This relates mainly to the major project budgets in Worthing which are currently in progress and run over several years.
- Government (section 31) grants received to compensate Councils for HM Treasury decisions relating to Business Rate reliefs. Although additional grants are paid in 2018/19 the impact of these decisions on business rates income will not hit the general fund until 2019/20. It will therefore be prudent to transfer these additional funds to the Business Rates Smoothing Reserve. This reserve was established in 2017/18 to smooth the effect of the cash flow volatility within the Business Rates mechanism in future years.

Once the above items are taken into account, including the contribution from reserves, the operational position is a net overspend by services of £200,000 in Adur and £80,000 in Worthing. The factors influencing the operational position have been addressed as part of the 2019/20 revenue budget.

4.7 The comparison to the Q2 forecast outturn before a contribution from reserves:-

	Joint	Adur	Worthing
	£'000	£'000	£'000
Forecast Over / (Under) spend Q3	482	(104)	(986)
Forecast Over / (Under) spend Q2	(56)	(184)	(745)
Change from Q2 to Q3: (Improvement) / Deterioration	539	80	(241)

The Joint overspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported budget variances in Adur and Worthing, in the table above, include the total share transferred from the Joint services.

4.8 In the table below, projections have been separated between authority and by Income and Expenditure, to indicate the level of under/overspend of costs and the over/under achievement of income targets.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

	Expenditure	Income	Net Total
Joint	£'000	£'000	£'000
Budget	29,224	(6,854)	22,371
Forecast	29,624	(6,771)	22,853
Projected Forecast (Under)/ Overspend	399	83	482
Forecast varaince percentage	1.37%	-1.21%	2.16%
Adur	£'000	£'000	£'000
Budget	37,703	(28,447)	9,256
Forecast	34,962	(26,003)	8,959
Authority Projected Forecast (Under)/ Overspend	(2,741)	2,445	(297)
Share of Joint (Under) / Overspend	160	33	193
Authority Projected Forecast (Under) / Overspend	(2,582)	2,478	(104)
Forecast varaince percentage	-6.85%	-8.71%	-1.12%
Worthing	£'000	£'000	£'000
Budget	70,555	(54,849)	15,706
Forecast	68,413	(53,982)	14,431
Authority Projected Forecast (Under)/Overspend	(2,142)	867	(1,275)
Share of Joint (Under) / Overspend	240	50	289
Authority Projected Forecast (Under)/ Overspend	(1,903)	917	(986)
Forecast varaince percentage	-2.70%	-1.67%	-6.28%

4.9 The Joint Strategic Committee (JSC) is asked to consider:-

- the current projections of variations in the two Councils General Fund Revenue Budgets;
- the current projections of variations in the Adur Housing Revenue Account; and
- any amendments and virements to budgets for each Council which may require a recommendation onto Council for approval;

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.10 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2018/19, these services are:-

- Crematorium
- Development Control
- Homelessness
- Theatres
- Commercial Waste
- Car Parking
- Cross cutting services including maintenance and utilities

4.11 Most of these services are subject to closer monitoring because they meet one or more of the following criteria:-

- Demand led
- Income based
- Specialist
- Significant changes to the service are being made in the near future.

4.12 **Headline budget variations across both the Councils' and the Joint account**

4.12.1 Car Parks

In Worthing, net income from parking charges is currently exceeding the budget and is forecast to be £73,000 over at year end. This will contribute towards the funding of the financing costs associated with improving the lighting at the car parks. This increased income is due to last year's tariff review, which was implemented in early 2018. This excess income will continue to be used in future years to fund MSCP improvements. The forecast is lower than quarter 2, this is due to several factors:

- New parking provision not yet available at the Teville Gate site. It was assumed in the budget that following the closure of the previous parking facility alternative temporary surface provision would be introduced, this is not now expected until 2019/20.
- Parking at Brooklands has been affected by the closure of the facilities, this is as a result of the launch of the Brooklands Masterplan.
- The improvement works to Grafton MSCP reduced the parking space capacity which has impacted on the income received within car parks. There was some displacement to other car parks but the net impact is a reduction.

In Adur, the income projection is expected to exceed its budget by £70,000.

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.2 Housing

Housing Needs

The continued increased spend on providing emergency and temporary accommodation reflects rising demand across the South East, including Adur and Worthing and the lack of housing supply for those needing affordable accommodation, whether this is to prevent homelessness or to move people on from emergency accommodation.

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.

Whilst Adur and Worthing have made significant progress in leasing more affordable units of temporary accommodation, competition does mean that 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.

There is currently a projected overspend of £206,000 in Worthing and £64,000 in Adur. This estimate assumes the current caseload numbers in temporary accommodation remains static with an average room rate of £47 per night. More affordable units are projected to come on stream in the future. The team continues to explore other avenues to prevent homelessness, and consequently the need for temporary accommodation, as well as the potential purchase of suitable properties for this purpose.

Housing Management - Full Year forecast						
	2017/18			2018/19 - Full Year Projection		
	Budget for Year	Actual for Year	Variance for Year Over / (Under)	Budget for Year	Forecast for Year	Projected Variance for year Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	318	643	325	635	803	167
ETA rental income	(102)	(261)	(159)	(411)	(308)	103
Grant funding	-	(184)	(184)	-	(206)	(206)
	215	199	(16)	224	289	64
WORTHING						
ETA Expenditure	748	1,402	654	1,267	1,708	442
ETA rental income	(259)	(548)	(289)	(589)	(687)	(98)
Grant funding	-	(120)	(120)	-	(138)	(138)
	489	735	245	678	884	206
	704	933	229	903	1,173	270

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.2 Housing

Housing Needs

Housing Management - Comparative Financial position at December						
	2017/18 Year to Date			2018/19 Year to Date		
	Budget to P9	Actual to P9	Variance to P9 Over / (Under)	Budget to P9	Actual to P9	Variance to P9 Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	238	421	182	477	564	87
ETA rental income	(76)	(42)	34	(309)	(243)	66
Grant Funding	-	(184)	(184)	-	(206)	(206)
	162	195	33	168	115	(54)
WORTHING						
ETA Expenditure	561	1,021	460	950	1,144	194
ETA rental income	(194)	(125)	69	(441)	(506)	(65)
Grant Funding	-	(120)	(120)	-	(138)	(138)
	367	776	409	508	500	(9)
	529	971	442	676	614	(62)

For Adur, there is an additional overspend on Private Sector Leasing accommodation, £75,000 where there is an income shortfall over the cost of rent payable, in addition to a number of void properties awaiting repairs to bring them up to a lettable standard.

Also in Worthing, the temporary accommodation overspend is currently partially offset by an underspend in the housing initiatives budget £110,000. It is projected that this budget will be used to support preventing homelessness projects over the remaining course of the year.

Overall there is an overspend in the general fund Housing Needs in Adur of £127,000 and Worthing £96,000. Significant additional resources have been added to the 2019/20 revenue budgets to address the pressure on the budgets.

Housing - Environmental Health

With effect from 1 October 2018 mandatory licensing of HMOs will be extended so that smaller properties used as HMOs in England which house 5 people or more in 2 or more separate households will in many cases require a licence.

This has generated additional income of £80,000 for Worthing and £15,000 for Adur for these 5 year licences. In addition, the fee income received for the Housing Improvement Assistance scheme will exceed the budget by £37,000 in Worthing and £20,000 in Adur.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.3 Environment

The Restructure of the Environment and Waste teams into a new single service was fully implemented by the end of August. This had been planned from April and therefore has impacted on the ability to achieve the full year saving.

In 2018/19, growth was approved to create two additional waste & recycling rounds to service new properties being constructed.

An in-year review has identified that it is not necessary to fully implement this growth immediately, (whilst retaining service delivery), therefore some of this budget has been used to offset the changes to the timeline of the Environment service redesign.

It is projected that both Adur and Worthing Commercial Waste disposal costs are expected to be over budget by £40,000 and £141,000 respectively. This is a combination of increased disposal costs and under estimation of budget required. Any budgetary issues have been corrected in the 2019/20 budget.

Bereavement services – Cemetery net income in both authorities is projected to fall marginally short of the budget (£4,000 Adur, £28,000 Worthing). The Crematorium income is forecast to be £58,000 below target for the year; business has been affected by the closure of the Muntham chapel for three months whilst refurbishment work was completed and a current decline in numbers in recent months.

Parks & Open Spaces – Worthing has received a one off receipt of £80,000 relating to an inconvenience payment from Rampion for the continued use of Brooklands park during the construction of the Rampion wind farm. Additional compensation payments for loss of income have been received totalling £131,000. This offsets a projected shortfall of income across Parks Services of £121,000.

4.12.4 Planning & Development

Building Control

Building Control fees have increased slightly year on year but due to increasing competition from the private sector (Approved Inspectors) it is not predicted to meet its net income budget (likely shortfall for Worthing £63,000 and Adur £39,000). This is a continuing trend from previous years following an expected increase in fee income which was not achieved and has been addressed in the next budget setting cycle and a realistic fee income target has been set for next year.

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

Development Management

There is forecast to be a slight shortfall in income against its budget in Adur of £15,000. In Worthing it is estimated that the income will come in above target by £32,000, this projection assumes that Planning fees will be received relating to two large projects: the West Sompting development and Teville Gate.

There are some additional fees for flood assessment, retail and landscape Consultants relating to the New Monks Farm development, however, if the West Sompting application is submitted there could be a surplus in fees for Adur.

Issues with the new proposed Development and Building Control system have resulted in a decision to abort the purchase and the capital costs have now been written off to revenue £116,000.

4.12.5 **Economic Development**

Adur Farmers Markets - Income from farmers markets has already met the budget for the year to date and is expected to exceed by an estimate of £24,000 by the year end.

Bus Shelter Advertising – income of £20,000 has been received in Adur for this service.

4.12.6 **External Borrowing Costs, Investments and Minimum Revenue Provision**

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The calculation is based on the level of historic capital spend that has been financed from borrowing. Consequently, once the accounts have been closed and the calculation has been updated for the capital spend in 2017/18, there is certainty about the charge for the forthcoming year.

Both Councils have an underspend on their MRP budgets due to the reprofiling to 2018/19 of a proportion of the 2017/18 Capital Programmes and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow.

In addition, interest rates for borrowing have remained stable although the Council had expected an increase when setting the budget. This combined with increasing levels of capital receipts and changes to the profile of expected capital spend has reduced the overall need to borrow.

These underspends also include a write down of a municipal bond fund of £25,000 per Authority and the purchase of additional shares in Boom Credit Union (see table below):

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

4.12 Headline budget variations across both the Councils' and the Joint account

Treasury Management (Under) / Overspends	Adur	Worthing
Minimum Revenue Provision	(82,000)	(297,600)
Interest on Borrowing and TM costs	(51,700)	(168,200)
Investment Income	6,800	(50,500)
Write down of Municipal Bond Funds	25,000	25,000
Debt Management Expenses	14,000	
Deferred Shares in Boom Credit Union		25,000
Total	(87,900)	(466,300)

4.12.7 Revenues and Benefits

There is forecast to be an underachievement in the recovery of court costs in Worthing of £59,000 as a result of changes in the process, which take a more customer focused approach in:

- Engaging with customers earlier in the recovery process (reducing the number of accounts that require Court action); and
- In some instances negotiating repayment in return for remitting the court cost charge.

Overpayments in Worthing are showing an underachievement of income based on current figures. It is forecast that this will underachieve by £355,000. However, this is attributable to a reduction in the value of overpayments that have been raised which is a reflection that following:

- a) The provision of enhanced data sets from the Department for Work & Pensions (e.g. earnings and private pensions via the HMRC RTI/VEP database); and
- b) A number of data matches that were received from the Department for Work & Pensions during the last three years benefit records are more accurate and therefore the potential to identify overpayments has reduced.

4.12 Headline budget variations across both the Councils' and the Joint account

4.12.8 Business Rates

Additional net income is anticipated in relation to Business Rates by Adur £376,000 and Worthing £520,000;

	Worthing		Adur	
	2018/19 Budget £000	Projected Outturn £000	2018/19 Budget £000	Projected Outturn £000
Income - (Fixed)	12,803	12,803	7,307	7,306
Less Tariff payment (fixed)	(9,839)	(9,839)	(4,931)	(4,931)
	2,964	2,964	2,376	2,375
Section 31 Grants from Govt	910	1,290	616	773
Less Levy payment	(818)	(830)	(701)	(575)
Net Income	3,056	3,424	2,291	2,573
Additional income above budget 2018/19		368		282
Additional backdated grant		152		94
Total additional grant		520		376

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 fixed by Government as part of the local government finance settlement.

Section 31 grants are a reimbursement by Government for the income lost by local authorities for specific types of relief or support given to local businesses under the business rate retention scheme. This year there has been an increase in the value of reliefs awarded to local businesses leading to additional income from grants for. Included in the forecast is an allowance for additional backdated grant resulting from a change in the calculation basis for the Section 31 Grant (Adur £94,000 Worthing £152,000). the claims are subject to confirmation from MHCLG.

However these increases were made after the overall income to be taken from the Collection Fund was determined. The result is a timing difference between when the grant is received and accounted for within the General Fund and when the actual loss of business rates to the Collection Fund income will be funded by the General Fund (2019/20). The Councils have set aside resources into a business rate smoothing reserve to help fund these timing differences.

The Worthing share of the projected Collection Fund deficit for 2019/20 is £403,651, and this is as a result of the timing differences between grant receipt and the business rates income.

The Adur Collection fund also has a projected deficit and the district council share is £562,517 but the position is more complex. In Adur there is a substantial in-year deficit which is the result of the adverse impact of the settlement of a significant appeal, revaluations and the impact of some commercial properties being converted to residential use (where in time council tax income will be received instead).

4.12 **Headline budget variations across both the Councils' and the Joint account**

Business Rate income is volatile and can be affected by many factors; government decisions, changing use of commercial properties, valuations, appeals. It will therefore be recommended to members that where there is available capacity at outturn, they agree to put any additional business rates income into reserves. The reserves can then be used, when required, to smooth the effect of the business rates volatility in future years.

4.12.9 **Capitalisation of Staff Costs**

The estimate of work completed by Technical Services that relates to capital projects is higher than budgeted. This has resulted in a reduction in the anticipated costs that will be charged to revenue in 2018/19. In Adur the underspend against the revenue budget is £70,000 and in Worthing £210,000. This final charge to capital will be dependent on the level of work actually completed by the year end.

4.13 **Budget variations greater than £20,000**

The Councils individual Summary Projected Outturns are reported in Appendix 1a for Adur District Council and Appendix 2a for Worthing Borough Council.

The variations greater than £20,000, for this report, are detailed in Appendix 4.

There are some expenditure items that are not identified until the year end that will impact on the final outturn. These items can have a positive or negative impact on the final position.

They include:-

- Movement in the estimate for doubtful debts
- A review of any amounts needed to be set aside for liabilities that are likely to occur in the future
- Changes in allocations of staff time to outside the General Fund

4.14 **Cross Cutting Budgets**

The following categories of expenditure are analysed across various services. It is anticipated that this will be on target:

- Equipment, furniture and materials
- Postage
- Printing stationery and office supplies
- Consultancy costs
- Travel costs

4. ISSUES FOR CONSIDERATION - REVENUE 2018/19 FORECAST

Energy

During the year a review of energy cost recharges to external organisations was carried out, it has been identified that these had not been completed for a number of years. It is estimated that costs of £70,000 will be recovered in 2018/19 relating to prior years. Overall energy costs are forecast to be below budget.

Water

The costs for water are above budget for Adur, Worthing and Joint services by £49,000, £74,000 and £23,000 respectively. This includes some costs associated with 2017/18 that were not accrued for at the end of last year (£30,000 for both Adur and Worthing). In addition Adur has incurred costs as a result of a water leak at Monks Recreation Ground amounting to £9,000 after the water rebate protection.

Rates

There is an overall underspend against the cost of rates budget in Adur £9,000 and Worthing of £48,000. This is mainly due to refunds of rates costs associated with public conveniences. There is however a small overspend within the Joint Services of £9,000 related to the office buildings that is allocated to Adur and Worthing which partly offsets this.

Telephony

Telephony costs are expected to exceed budget by £50,000. This includes additional costs associated with change of provider £10,000 which has resulted in improved resilience of the service. The remaining overspend is due to the budget historically not meeting the cost of the service. This is to be addressed in the 2019/20 budget setting process.

Vacancy Provision

Current projections show that the vacancy provision target is not currently being met and is forecast to underachieve by £160,000. This is due in part to the income being below budget due to the early cessation of officer secondments, together with pressures in some services requiring additional resources. Additionally there has been the impact of pay and grading reviews and the later implementation of service redesigns.

4.15 Housing Revenue Account

4.15.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 3.

	ORIGINAL ESTIMATE 2018/19	REVISED ESTIMATE 2018/19	PROJECTED OUTTURN 2018/19	PROJECTED OVER/ (UNDERSPEND) 2018/19
	£	£	£	£
General Management	4,132,760	4,132,760	4,082,198	(50,562)
Annual Revenue Maintenance costs	2,823,320	2,823,320	2,954,701	131,381
Capital Financing costs & Depreciation	6,908,980	6,908,980	6,253,104	(655,876)
Provision for Bad Debt	50,000	50,000	35,817	(14,183)
Total Expenditure	13,915,060	13,915,060	13,325,820	(589,240)
Less Income	(13,180,490)	(13,180,490)	(13,076,270)	104,220
Net (Surplus) / Deficit	734,570	734,570	249,550	(485,020)
Funded from Reserves	(734,570)	(734,570)	(734,570)	
Overall Position	-	-	(485,020)	(485,020)

4.15.2 The HRA is forecast to remain within budget for 2018/19. The approved budget includes the use of HRA reserves of £734,570 required to meet the cost pressures from rent limitation and maintenance and repair work required to the housing stock resulting from the condition survey. A number of income shortfalls have arisen during quarters 1 and 2 but these can be covered by reductions in expenditure elsewhere in the budget.

5. ENGAGEMENT AND COMMUNICATION

5.1 The Corporate Leadership Team and budget managers have all collaborated in the content of this report providing explanation and narrative on the forecast variances.

6. FINANCIAL IMPLICATIONS

6.1 At the end of the 3rd Quarter of the revenue budgetary cycle, it is anticipated that there will be an overspend in the Joint Committee of £482,000. After allowing for the net contribution from reserves to fund some expenditure and the allocation from the Joint Committee, it is anticipated there will be an underspend in Adur District Council of £291,000 and in Worthing Borough Council an underspend of £1,105,000.

6.2 This is a welcome position and provides the opportunity for the Councils to contribute to their general fund reserves. This would support the recommendation from the recent LGA Peer review that the Councils should 'Maintain and bolster reserves in line with risk exposure as necessary'.

6.3 Any recommendations regarding the underspend will be presented to members in the Outturn report for approval. However early indications are that:

- Carry forward permissions will be sought for underspent project budgets to support the delivery of approved initiatives;
- Any surplus business rate income will be recommended to be transferred to the business rate smoothing reserves to mitigate against future volatility.
- Surplus car parking income in Worthing which will be used to fund improvements to the MSCPs.

Finance Officer:

Date:

7. LEGAL IMPLICATIONS

7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, 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 or shortfalls in income emerge.

Legal Officer: Susan Sale

Date: 5th February 2019

Local Government Act 1972

Background Papers

Revenue Budget 2018/19 Joint, Adur and Worthing – 2018/19 Budget Book

<https://www.adur-worthing.gov.uk/media/media,148471,en.pdf>

Joint Overall Budget Estimates 2018/19

<https://www.adur-worthing.gov.uk/media/media,147643,en.pdf>

Adur District Council Budget Estimates 2018/19 and Setting of the 2018/19 Council Tax

<https://www.adur-worthing.gov.uk/media/media,147719,en.pdf>

Worthing Overall Budget Estimates 2017/18 and Setting of 2017/18 Council Tax –

<https://www.adur-worthing.gov.uk/media/media,147660,en.pdf>

Financial Performance 2017/18 - Revenue Outturn

<https://www.adur-worthing.gov.uk/media/media,149798,en.pdf>

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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

SUMMARY - 2nd QUARTER PROJECTED OUTTURN 2018/19

APPENDIX 1a


Actual Previous year 2017/18	ADUR CABINET MEMBER PORTFOLIOS	Original Estimate 2018/19	Current Estimate 2018/19	Projected Outturn to 31st March 2019	Forecast Over/(Under)
2,904,564	CM for Environment	2,844,860	2,844,860	2,804,910	(39,950)
1,002,320	CM for Health & Wellbeing	1,103,700	1,144,250	1,144,250	-
1,486,629	CM for Customer Services	1,164,740	1,164,740	1,267,860	103,120
583,779	Leader	598,120	598,120	598,120	-
1,345,284	CM for Regeneration	1,659,300	1,659,300	1,707,830	48,530
2,132,249	CM for Resources	1,963,740	1,993,740	1,859,930	(133,810)
-	Holding Accounts	(7,520)	(7,520)	(7,520)	-
9,454,824	Total Cabinet Member	9,326,940	9,397,490	9,375,380	(22,110)
(1,512,074)	Credit Back Depreciation	(1,821,540)	(1,821,540)	(1,821,540)	-
712,431	Minimum Revenue Provision	1,097,860	1,097,860	1,015,860	(82,000)
33,938	Non ring fenced grants	-	-	-	-
2,270	Financial Instruments Adjustment Account	-	-	-	-
8,691,389		8,603,260	8,673,810	8,569,700	(104,110)
	Transfer to/from reserves				
-	Contribution to/(from reserves)	14,000	14,000	14,000	-
	Budgeted contribution to/(from) Reserves	10,500	10,500	10,500	-
(20,552)	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	(70,550)	(70,550)	-
110,000	General Fund Working balance	-	-	-	-
385,023	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-	-	104,110	104,110
9,165,860	Total Budget requirement before External Support from Government	8,627,760	8,627,760	8,627,760	-

 ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2018/19	Estimated Decrease 2018/19	Estimated Increase 2018/19	Projected Closing Balance 2018/19
	£	£	£	£
Capacity Issues Fund including General Fund Carry Forward Reserve Redundancy costs approved 16 May 2018 by Executive Members for Resources Funding for waste savings proposals (4 Dec 2018 JSC/066/18-19) Adur Grants Fund (5 Dec 2017 JSC/069/17-18) Carry forwards approved at JSC 10th July 2018 Budgeted contribution (to)/from revenue Balance	384,093	(127,633)	10,500	124,410
Insurance Fund	174,943	(62,870)	30,000	142,073
Investment Property Maintenance Fund	38,387	-	-	38,387
Business Rates Smoothing Reserve	74,000			74,000
Grants and Contributions held in Reserves	552,668			552,668
Election Reserve	7,880			7,880
Special and Other Emergency Reserve	81,080			81,080
Projected Underspend/(Overspend) (Reserve to be identified at outturn)			104,000	104,000
General Fund Reserve	518,171	-	-	518,171
TOTALS	1,831,222	(333,053)	144,500	1,642,669

SUMMARY - 1st QUARTER PROJECTED OUTTURN 2018/19

APPENDIX 2a

Actual Previous year 2017/18	WORTHING CABINET MEMBER PORTFOLIOS	Original Estimate 2018/19	Current Estimate 2018/19	Projected Outturn to 31st March 2019	Forecast Over/(Under)
1,079,949	CM for Environment	2,139,780	2,139,780	2,231,670	91,890
3,408,498	CM for Health & Wellbeing	1,702,990	1,722,990	1,671,600	(51,390)
1,304,543	CM for Customer Services	4,779,360	4,793,360	4,705,360	(88,000)
5,196,703	Leader	852,870	852,870	852,870	-
2,699,126	CM for Regeneration	3,039,710	3,169,840	3,042,970	(126,870)
1,746,447	CM for Resources	2,389,670	2,434,670	1,969,400	(465,270)
-	Holding Accounts	710,270	710,270	710,270	-
15,435,265	Total Cabinet Member	15,614,650	15,823,780	15,184,140	(639,640)
(3,531,618)	Credit Back Depreciation	(3,633,620)	(3,633,620)	(3,633,620)	-
809,289	Minimum Revenue Provision	1,408,260	1,408,260	1,111,260	(297,000)
(270,026)	Non ring fenced grants	-	-	-	-
12,442,910		13,389,290	13,598,420	12,661,780	(936,640)
	Transfer to/from reserves				
	Contribution to/(from reserves)	86,250	86,250	86,250	-
	Budgeted contribution to/(from) Reserves	41,050	41,050	41,050	-
212,932	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	(209,130)	(209,130)	-
812,788	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-		936,640	936,640
13,468,630	Total Budget requirement before External Support from Government	13,516,590	13,516,590	13,516,590	-

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2018/19	Estimated Decrease 2018/19	Estimated Increase 2018/19	Projected Closing Balance 2018/19
£	£	£	£	£
Capacity Issue Reserve	1,439,822			
- Marketing/legal costs re disposal of High St & Civic Centre car park sites (28/02/12 JSC/094/11-12) up to £50k each		(100,000)		
- Funding for Decoy Farm survey (22/7/14 JSC/031/14-15)		(150,000)		
- Preliminary costs of Theatre Trust bid (10 July 2018 JSC/026/18-19)		(100,000)		
- Funding for savings proposals (4 Dec 2018 JSC/066/18-19)		(76,800)		
Expenditure funded from approved carry forwards from 2017/18				
- Worthing carry forwards agreed Joint Strategic Committee 10th July, 2018		(241,330)		
- Budgeted contribution (to)/from revenue			41,050	
Balance				812,742
Insurance Reserve	296,907	(37,870)	30,700	289,737
Joint Health Promotion Reserve	7,810	(5,000)		2,810
Leisure Lottery & Other Partnerships - 01/02/18 JSC/078/17-18 for Museum Costume Research Centre	77,766	(25,000)		52,766
Museum reserve - 12/09/17 JSC/037/17-18 release of funds to support grant bid	97,702	(60,690)		37,012
Theatres Capital Maintenance Reserve	141,149	(92,000)	83,000	132,149
Special and Other Emergency Reserve	34,292			34,292
Business Rates Smoothing Reserve	425,000			425,000
Grants & Contributions	542,176			542,176
Capital Expenditure Reserve	29,658			29,658
Projected Underspend/ (Overspend) (Reserve to be identified at outturn).			986,000	986,000
General Fund Working Balance	843,625			843,625
TOTAL	3,935,907	(888,690)	1,140,750	4,187,967

HOUSING REVENUE ACCOUNT QUARTER 3 BUDGET MONITORING
APPENDIX 3

	ORIGINAL ESTIMATE 2018/19	PROJECTED OUTTURN 2018/19	PROJECTED OVER/ (UNDERSPEND) 2018/19
	£	£	£
EXPENDITURE			
Supervision & Management	3,891,890	3,767,023	(79,897)
Special Services	214,570	267,651	8,111
Rent, Rates, Taxes & Other Charges	26,300	47,524	21,224
Repairs & Maintenance	2,823,320	2,954,701	131,381
Depreciation	4,600,000	3,999,920	(600,080)
Bad/Doubtful Debt	50,000	35,817	(14,183)
Capital Financing Costs			
Interest charges	2,308,980	2,253,184	(55,796)
Revenue Contributions to Capital	-	-	-
TOTAL EXPENDITURE	13,915,060	13,325,820	(589,240)
INCOME			
Dwelling Rents	(11,991,720)	(11,959,132)	32,588
Non Dwelling Rents	(566,920)	(550,462)	16,458
Tenants' Service Charges	(374,210)	(325,420)	48,790
Leaseholders' Service Charges	(219,640)	(216,811)	2,829
Commercial Property Service Charges	-	-	-
Contributions Towards Expenditure	-	3,555	3,555
Reimbursement of Costs	-	-	-
Interest Received	(28,000)	(28,000)	-
TOTAL INCOME	(13,180,490)	(13,076,270)	104,220
NET (SURPLUS)/DEFICIENCY	734,570	249,550	(485,020)

Quarter 3 2018/19

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

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
NET TRADING				
Parking	-	(70)	(73)	ADUR: Over-achievement of income against budget WORTHING: Net Additional projected car parking income to December shows a surplus, but less than the predicted £120k to contribute towards debt charges for the Grafton capital investment (estimated £200k pa)
Theatres			(124)	Theatres Levy income which is used to contribute towards Theatre improvements, will form part of a request to carry forward at Outturn plus a surplus on operational budgets
Environment - Commercial Waste Services		40	141	ADUR & WORTHING Commercial Waste : Increase in tonnages from 17/18 not fully budgeted for
Total Net Trading	-	(30)	(56)	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
INCOME:				
Development Management - Fee Income	-	15	(32)	ADUR: There is forecast to be a slight shortfall in income against. WORTHING: The projected income assumes that Planning fees will be received relating to two large projects: the West Sompting development and Teville Gate
Economic Development	-	(49)	(45)	ADUR: Additional income from Markets and Bus Shelter Advertising anticipated for 2018/19 WORTHING: Various underspends plus Income from concessions which will be requested to carry forward towards the Seafront scheme at Splashpoint
Estates			(144)	Income from new investments has exceeded the approved budget. In addition the budget set up for voids has not been required, so this will be transferred to Reserves at Outturn to fund future possible voids in excess of the budget.
Building Control	34	39	63	ADUR & WORTHING : Underachievement of Building Control income due to a continued decline in income through competition from Authorised Inspectors (39k Adur, 63k Worthing)
Land Charges	-	28	8	Fees for Land Charges have not been increased for a number of years and are not covering the service costs. This means the budget is currently showing a shortfall of £258k in Adur & 8k in Worthing
Environment - Bereavement Services		4	86	ADUR&WORTHING: Shortfall of Cemetery Income projected based on current numbers and prior years profiles WORTHING : Crematorium income under achieving following closure of one chapel last year and a lower number of Cremations compared to the past couple of years
Environment - Parks & Open Spaces	-	-	(90)	Addtl inconvenience payment from Rampion for for the late reinstatement of the par 3 at Brooklands offset in part by shortfall in income
Environmental Health	-	(35)	(117)	ADUR & WORTHING: Houses in Multiple Occupation (HMO) income - increase expected due to change in regulations which make more properties eligible for licensing.
Revenues & Benefits			375	Under-achievement of Court Cost income plus an Under-achievement of income from Benefit Overpayments debts raised offset by some underspends in expenditure
Finance		(376)	(520)	Business Rates Section 31 Grant
Total Income	34	(373)	(417)	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
COSTS:				
Major Projects			(121)	Current estimated underspend on major projects mainly due to a commitment to the capital purchase of 5 High Street which will be completed at outturn
Environment - Bereavement Services		(14)	28	ADUR: Underspend on expenditure which offsets shortfall of income WORTHING: Additional cost of prior year cremator maintenance in excess of 3000 pa, offset by Underspend on Cemetery services budget.
Planning & Development	116	15		Overspend on the computer costs for the Planning, Building control & Development Management system. This relates to the write off of abortive costs relating to the Arcus system 116k ADUR: Additional study costs arising from Monks Farm Developments, deferred decision
Homelessness		139	96	ADUR: Increased use of temporary accommodation to meet increased demand (Currently 50 cases at the end of January 19) from homeless applicants £64,000 plus an overspend in PSL accommodation £50,000 WORTHING: Increased use of temporary accommodation to meet increased demand (Currently 98 cases at the end of January 19) from homeless applicants £206,000 less £110,000 Housing initiatives budget currently not used but will reduced future TA.
Finance: Treasury	-	(88)	(466)	MRP underspends due to reprofiling of capital programme less write down of Municipal Bond less under achievement of investment interest
Audit		31	27	Increased cost of the Internal Audit provision
Insurance		80	102	ADUR& WORTHING: Increased premiums for insuring Motor vehicles over and above inflation, plus expenditure to be funded from the Insurance reserve
Wellbeing Cross Cutting:			(51)	Grants and contributions in excess of budget
Energy Costs	(70)	(28)	(42)	Income recharged to law courts for electricity since 2013/14
Telephony	50			Overspend on Telephony costs
Water	23	49	74	This includes some costs associated with 2017/18 that were not accrued for at the end of last year (£30,000 for both Adur and Worthing). In addition Adur has incurred costs as a result of a water leak at Monks Recreation Ground
Rates	9	(9)	(48)	This is mainly due to refunds of rates costs associated with public conveniences.
Maintenance	16	60	(100)	Maintenance is currently forecasting an underspend in Worthing, this may change if urgent maintenance claims are identified

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
Centralised Costs	63			<p>The cost of providing pool cars following the review of the essential users has increased and no budget allowance made</p> <p>The estimate of work completed by Technical Services that relates to capital projects is higher than budgeted</p> <p>Underachievement on Vacancy Provision forecast.</p> <p>Various minor over and underspends</p> <p>Share of joint services allocated 40:60 to Councils</p>
Capitalised costs		(70)	(210)	
Vacancy Provision	160			
Other minor variances	80	(57)	(91)	
Allocation of Joint Variance		193	289	
Total costs	447	299	(513)	
Total Variance	482	(104)	(986)	

Quarter 3 2018/19

Movement between quarters greater than £50,000 are detailed below

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthin g £000s (under)/ over- spend	Significant Variations
NET TRADING				
Parking			97	The reduction in anticipated net income is due to a poor December compared to projections plus the loss of income from Brooklands (Masterplan impact) and Teville Gate (delay in surface car park opening) which were not anticipated during quarter 2.
Theatres			(124)	There is £84k income received for the Theatres maintenance levy which will be moved to Reserves to fund current and future maintenance of the Theatres, along with a £40k surplus on the overall Theatres net provision
INCOME:				
Estates			(144)	This is the expected surplus from the purchase of the new Investment portfolio over the target set for the year.
Environmental Services - Bereavement			66	The last quarter has seen a continued reduction in cremation numbers following the reopening of the Muntham Chapel not anticipated.
Environmental Services - Parks and Open			(50)	Additional income has been received from Rampion for the use of Brooklands par 3 not expected at quarter 2
Revenues & Benefits			160	The is a continuing under-achievement of income from Benefit Overpayments debts raised not projected when Q2 was produced.
Finance - Treasury & Insurance		(49)	(88)	Less borrowing has been required for the Capital programme as allowed for in the budget offset by excess spend on insurance funded from the Insurance reserve
COSTS:				
Technical Services - Maintenance & Transport costs	79	60	(100)	Pool cars are overspent but a continuing review of usage means that excess cars have now been returned. In addition, the maintenance costs for worthing are projecting to underspend, but this could change in the final quarter if unexpected reactive maintenance issues arise..
Capitalised costs		(70)	(210)	An early projection of final capitalised fees have identified a likely increase in costs charged to Capital schemes.
Planning & Development	116			Abortive computer costs for the Planning, Building Control & Development Management system were not expected at quarter 2
Wellbeing			(51)	Grants and contributions in excess of budget not anticipated at quarter 2
Finance - Collection Fund			(221)	Business rates section 31 grants received in excess of that expected at quarter 2
Vacancy Provision	160			The latest projection for meeting the vacancy provision is a shortfall. This could change in the remaining months as staff leave and delays in recruiting replacement mean this will reduce by Outturn