



ADUR & WORTHING  
COUNCILS

5 July 2022

**Joint Overview & Scrutiny Committee**

<b>Date:</b>	<b>14 July 2022</b>
<b>Time:</b>	<b>6.30 pm</b>
<b>Venue:</b>	<b>QEII Room, Shoreham Centre</b>

**Committee Membership:**

**Adur District Council:** Councillors; Joss Loader (Adur Chairman), Mandy Buxton (Adur Vice-Chairman), Carol Albury, Tony Bellasis, Ann Bridges, Paul Mansfield, Sharon Sluman and Debs Stainforth

**Worthing Borough Council:** Councillors; Ibsha Choudhury, Dan Hermitage (Worthing Vice-Chairman), Margaret Howard, Daniel Humphreys, Heather Mercer, Jon Roser (Worthing Chairman) and Elizabeth Sparkes

**Agenda**

**Part A**

**1. Declaration of Interests**

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

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

**2. Substitute Members**

### **3. Confirmation of Minutes**

To approve the minutes of the Joint Overview and Scrutiny Committee meeting of held on 9 June 2022, copies of which have been previously circulated.

### **4. Public Question Time**

So as to provide the best opportunity for the Committee to provide the public with the fullest answer, questions from the public should be submitted by 12.00pm Tuesday 12 July 2022

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

Questions should be submitted to Democratic Services  
democratic.services@adur-worthing.gov.uk

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

### **5. Items Raised Under Urgency Provisions**

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

### **6. Consideration of any matter referred to the Committee in relation to a call-in of a decision**

### **7. Adur Leader Interview (Pages 5 - 8)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 7

### **8. Worthing Leader Interview (Pages 9 - 12)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 8

### **9. Financial Performance 2021/22 - Revenue Outturn (Pages 13 - 56)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 9

### **10. Developing a revenue budget for 2023/24 against a backdrop of high inflation (Pages 57 - 102)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 10

### **11. JOSC Work Programme review (Pages 103 - 120)**

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 11

**12. JOSC Working Group- Review of the Adur Homes repairs and maintenance service** (Pages 121 - 130)

To consider a report by the Director for Digital, Sustainability and Resources, copy attached as item 12

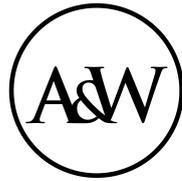
**Recording of this meeting**

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

For Democratic Services enquiries relating to this meeting please contact:	For Legal Services enquiries relating to this meeting please contact:
Chris Cadman-Dando Democratic Services Officer 01903 221364 chris.cadman-dando@adur-worthing.gov.uk	Joanne Lee Solicitor 01903 221134 joanne.lee@adur-worthing.gov.uk

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

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ADUR & WORTHING  
COUNCILS

Joint Overview and Scrutiny Committee  
14 July 2022

Key Decision [No]

Ward(s) Affected:N/A

## **Adur Leader interview**

### **Report by the Director for Digital, Sustainability and Resources**

#### **Executive Summary**

##### **1. Purpose**

1.1 This report sets out background information on the Portfolios of the Adur Leader to enable the Committee to consider and question the Leader on issues within his portfolio and any high-level strategic issues which the Leader is involved in connected with the work of the Council and the Adur communities.

##### **2. Recommendations**

2.1 That the Committee consider any representations from the Leader on the work within his Portfolio and other high-level strategic issues which the Leader is involved in and question the Leader on this and recommend any suggested action or make appropriate comments to the Leader for his consideration.

### **3. Context**

- 3.1 As part of its Work Programme for 2022/23, the Joint Overview and Scrutiny Committee (JOSC) have agreed to interview the Adur Leader on his priorities for 2022/23.
- 3.2 As part of its fact finding/investigative role, the Joint Overview and Scrutiny Committee is asked to consider the roles and responsibilities of the Leader. It is part of the Scrutiny role to fact find/investigate in the form of questions and JOSC is asked to direct questions to the Leader on any high level strategic issues involving the Leader and also issues relating to his portfolio, however, this will not extend to day to day Council matters.
- 3.3 The Committee is entitled to ask for further investigation into items where it may not be satisfied with the progress as described.

### **4. Issues for consideration**

4.1 The Adur Leader has responsibility for the following:-

- Overall policy and strategy (vision and priorities).
- External relations, including complaints management, marketing and promotion.
- Reputation management, including risk (policy).
- Performance management, including improvement plans.
- Media and communications (internal and external).
- Democratic Services including committee management.
- Electoral Services within the remit of the Executive.
- Member Services.
- Chairman of the Council and civic matters.
- Partnership working (lead).
- Public consultation, including community engagement and citizens panels.
- Devolution.
- City Deal - strategic matters.
- Council Insurance matters.

4.2 JOSC is requested to ask questions of the Leader based on his responsibilities outlined in paragraph 4.1 including any high level strategic issues relating to the Councils and our communities.

### **5. Engagement and Communication**

5.1 The JOSC Chairmen and Vice-Chairmen have been consulted on the

proposals contained in this report.

## **6. Financial Implications**

6.1 There are no direct financial implications to consider within this report.

## **7. Legal Implications**

7.1 JOSOC is responsible for holding the Executive Members to account, reviewing their work and decisions and in accordance with the procedures outlined within the Joint Overview and Scrutiny Procedure Rules set out in the Councils' constitution, can request Executive Members to attend its meetings.

7.2 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

7.3 Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

## **Background Papers**

'Platforms for our Places: Going Further'

'And Then - Bouncing Back in Post pandemic Adur and Worthing'

### **Officer Contact Details:-**

Mark Lowe

Scrutiny and Risk Officer

Tel:01903 221009

[mark.lowe@adur-worthing.gov.uk](mailto:mark.lowe@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no direct issues identified but some issues contained within the Leader Portfolio are related to economic issues and impact.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no direct issues identified but some issues within the Leader Portfolio do impact on the communities.

#### **2.2 Equality Issues**

Matter considered and no direct issues identified but some of the Portfolio areas do impact on access or participation.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no direct issues identified.

#### **2.4 Human Rights Issues**

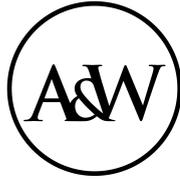
Matter considered and no direct issues identified.

### **3. Environmental**

Matter considered and no direct issues identified.

### **4. Governance**

Matter considered and no direct issues identified. JOSC is responsible for holding the Executive Members to account, reviewing their work and decisions and in accordance with the procedures outlined within the Joint Overview and Scrutiny Procedure Rules set out in the Councils' constitution, can request Executive Members to attend its meetings.



ADUR & WORTHING  
COUNCILS

Joint Overview and Scrutiny Committee  
14 July 2022

Key Decision [No]

Ward(s) Affected:N/A

## **Worthing Leader interview**

### **Report by the Director for Digital, Sustainability and Resources**

#### **Executive Summary**

##### **1. Purpose**

1.1 This report sets out background information on the Portfolios of the Worthing Leader to enable the Committee to consider and question the Leader on issues within her portfolio and any high-level strategic issues which the Leader is involved in connected with the work of the Council and the Worthing communities.

##### **2. Recommendations**

2.1 That the Committee consider any representations from the Leader on the work within her Portfolio and other high-level strategic issues which the Leader is involved in and question the Leader on this and recommend any suggested action or make appropriate comments to the Leader for her consideration.

### **3. Context**

- 3.1 As part of its Work Programme for 2022/23, the Joint Overview and Scrutiny Committee (JOSC) have agreed to interview the Worthing Leader on her priorities for 2022/23.
- 3.2 As part of its fact finding/investigative role, the Joint Overview and Scrutiny Committee is asked to consider the roles and responsibilities of the Leader. It is part of the Scrutiny role to fact find/investigate in the form of questions and JOSC is asked to direct questions to the Leader on any high level strategic issues involving the Leader and also issues relating to her portfolio, however, this will not extend to day to day Council matters.
- 3.3 The Committee is entitled to ask for further investigation into items where it may not be satisfied with the progress as described.

### **4. Issues for consideration**

- 4.1 The Worthing Leader has responsibility for the following:-
- Overall policy and strategy (vision and priorities)
  - City Deal – strategic matters
  - Democratic Services, including committee management
  - Devolution and County liaison lead, including education and highways (Active/sustainable transport, in partnership with Regeneration’s management of transport planning and infrastructure)
  - Electoral Services within the remit of the Cabinet
  - External relations, including complaints management, marketing and promotion.
  - Head of Paid Service responsibilities
  - Mayor of the Borough and Civic matters
  - Media and communications (internal and external)
  - Member Services
  - Partnership working (lead)
  - Performance management, including improvement plans
  - Reputation management, including risk (policy)
- 4.2 JOSC is requested to ask questions of the Leader based on her responsibilities outlined in paragraph 4.1 including any high level strategic issues relating to the Council and communities.

## **5. Engagement and Communication**

- 5.1 The JOSC Chairmen and Vice-Chairmen have been consulted on the proposals contained in this report.

## **6. Financial Implications**

- 6.1 There are no direct financial implications to consider within this report.

## **7. Legal Implications**

- 7.1 JOSC is responsible for holding the Executive Members to account, reviewing their work and decisions and in accordance with the procedures outlined within the Joint Overview and Scrutiny Procedure Rules set out in the Councils' constitution, can request Executive Members to attend its meetings.
- 7.2 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.3 Section 1 of the Localism Act 2011 empowers the Council to do anything an individual can do apart from that which is specifically prohibited by pre-existing legislation.

## **Background Papers**

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## **Sustainability & Risk Assessment**

### **1. Economic**

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#### **2.1 Social Value**

Matter considered and no direct issues identified but some issues within the Leader Portfolio do impact on the communities.

#### **2.2 Equality Issues**

Matter considered and no direct issues identified but some of the Portfolio areas do impact on access or participation.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no direct issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no direct issues identified.

### **3. Environmental**

Matter considered and no direct issues identified.

### **4. Governance**

Matter considered and no direct issues identified. JOSC is responsible for holding the Executive Members to account, reviewing their work and decisions and in accordance with the procedures outlined within the Joint Overview and Scrutiny Procedure Rules set out in the Councils' constitution, can request Executive Members to attend its meetings.



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
5 July 2022

Joint Overview & Scrutiny Committee  
14 July 2022

Key Decision: No

Ward(s) Affected: All

## Financial Performance 2021/22 - Revenue outturn

### Report by the Director for Digital, Sustainability & Resources

#### Executive Summary

##### 1. Purpose

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2021/22 financial year for the Joint Strategic Committee, Adur District and Worthing Borough Councils. At the time of publication of this report, the Statements of Accounts are in progress, due to be completed by the end of June with the audit scheduled to commence in August 2022. Any adjustments that emerge as the audit proceeds will be reported to members later in the year.
- 1.2 The final position for operational services were overspends in Adur District Council £208k and in Worthing Borough Council £2m. This is a variation to the projections reported at quarter 3 when operational outturns were predicted to be an overspend of £585k in Adur and £1.6m in Worthing.
- 1.3 Overall outturn positions were an underspend of £183k in Adur District Council and an overspend of £196k in Worthing Borough Council. This represents a 2% underspend against the budget for Adur and 1% overspend in Worthing.
- 1.4 The table at 4.6 below sets out the components contributing to the outturn positions in 2021/22.

1.5 There are no proposed budget carry forward requests for 2021/22.

1.6 This outcome is an improvement overall for Adur District Council and a deterioration for Worthing Borough Council from that forecast in the quarter 3 monitoring report '3rd Revenue Budget Monitoring Report (Q3)' when net overspends of £47,000 and £14,000 were being projected in Adur and Worthing respectively. The main movements in the last quarter are set out in appendix 5b.

1.7 The following appendices have been attached to this report:

**Appendix 1** Joint Summary of 2021/22 Outturn

**Appendix 2** (a) Adur Summary of 2021/22 Outturn  
(b) Adur Use of Earmarked Reserves

**Appendix 3** (a) Worthing Summary of 2021/22 Outturn  
(b) Worthing Use of Earmarked Reserves

**Appendix 4** HRA Summary

**Appendix 5** (a) Table of Outturn Variations to budget  
(b) Table of movements over £50,000 between quarter 3 and 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 21st July 2022 and Worthing Borough Council at its meeting on 19th July 2022:-

(a) NOTE the overall final outturn for 2021/22.

(b) APPROVE the net appropriations from General Fund Reserves in the year as detailed in section 6 of the report totalling: Adur District Council £2,050,390 Worthing Borough Council £4,971,169.

2.2 Joint Overview and Scrutiny Committee is recommended to note:

(i) the contents of the report and consider whether it needs to scrutinise any budget area in detail.

## **3. Context**

3.1 The Joint Strategic Committee considered the 5-year forecast for 2021/22 to 2025/26 on 1st December 2020. This report 'Towards a sustainable financial position - Budget update' 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.

3.2 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, becoming increasingly reliant on income from commercial activities although with this change comes more financial risk.

#### **4. Issues for consideration**

4.1 As part of the 2021/22 budget the Councils committed to savings of £0.561m for Adur District Council and £1.149m 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. The final outturn position indicates that the majority of the expenditure reductions have been delivered as expected, however the expected increases to commercial income proved challenging in the context of the pandemic recovery period.

4.2 Following the LGA peer review which referenced the low level of the reserves, the Councils have positioned themselves to better manage risk and contribute to reserves for the future through three separate initiatives:

- The centralisation of inflation provisions.
- The creation of contingency budgets for areas of uncertainty in the budget.
- Accelerating savings initiatives where possible - including generating additional commercial income.

These measures built some capacity in the Council's reserves.

4.3 The budget was approved in February 2021 with uncertainty around the pace of recovery from the impact of the Covid 19 pandemic. During 2021/22 the government made decisions to help support people and businesses as the country started to navigate its way through the recovery, this had an ongoing impact on local councils:

- Continuation of the administration of the government backed schemes for business grants and self isolation grants.
- Administration of additional business rates reliefs awarded to support business, including the re-issuing of the bills.
- A reduction in business rate income as a result of the additional reliefs.
- Continuing impact on council income, particularly sales fees and charges related to car parking.

4.4 All of these additional pressures would have had a larger impact on the councils financial position had the government not recognised the issues and provided some additional funding from new burdens grants and income compensation through the extension of the sales, fees and charges scheme until June 2021. The operational outturn position for both Councils are large overspends as set

out in the table at 4.6. The additional government support funding in 2021/22 is summarised below:

	Adur £	Worthing £	Total £
<i>General Government Funding:</i>			
New Burdens Funding	297,380	297,380	594,760
Sales Fees and Charges Income Guarantee Scheme (Q1 Claim)	81,799	395,395	477,194
<b>Total non specific funding</b>	<b>379,179</b>	<b>692,775</b>	<b>1,071,954</b>
<i>Specific - Within Service:</i>			
Cabinet Office - Elections Covid support	21,444	29,695	51,139
Rough Sleeping Grant	25,000	122,934	147,934
Domestic Abuse Safe Accommodation Grant	32,529	32,529	65,058
Next Steps Accommodation Grant	7,608	112,311	119,919
Ex Offenders Accommodation Grant	135,750	0	135,750
Contain Outbreak Management Funding	326,281	490,938	817,219
Environmental Health Covid & Compliance Grants	120,652	112,180	232,832
Environmental Health - Minimum Energy Efficiency Standard Grant	0	27,000	27,000
Pavement Licences - New Burdens grant	12,278	13,832	26,110
Test & Trace administration	122,974	74,282	197,256
Benefits - New Burdens Funding	28,855	59,135	87,990
Re-Opening the High Street - Welcome Back Grant	139,142	46,539	185,681
Redmond Review Implementation - New Burdens	19,101	18,718	37,819
Transparency Code - New Burdens	8,103	8,103	16,206
Leisure Trust Recovery Fund	110,000	213,731	323,731
<b>Total service specific funding</b>	<b>1,109,717</b>	<b>1,361,927</b>	<b>2,471,644</b>
<b>Total</b>	<b>1,378,896</b>	<b>2,054,702</b>	<b>3,433,598</b>

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

4.6 The outturn position is comprised of a number of elements as set out in the table below:

<b>2021/22 Outturn</b>	<b>Adur Worthing</b>	
	£000	£000
Over/(under)spend in operational services – including share from Joint	208	2,033
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2021/22, due to reprofiling of the capital programme.	(165)	(935)
Major Projects - overspend (funded from reserves)	0	135
<b>Net Overspend before Government Funding and Transfers to reserves</b>	<b>43</b>	<b>1,233</b>
<b>Non ring fenced Government grants</b>		
Additional Non ring fenced grant	(8)	(6)
Government Covid 19 Grant Funding	(297)	(297)
Sales, Fees and Charges Guarantee Scheme	(81)	(396)
<b>Total Non-Ring Fenced Grant Funding</b>	<b>(386)</b>	<b>(699)</b>
<b>Outturn underspend before impact of taxation and transfer to/from reserves</b>	<b>(343)</b>	<b>534</b>
<b>Impact of Taxation</b>		
Impact on NDR income from additional reliefs	2,119	4,024
Impact on Council Tax income from additional reliefs	61	55
Section 31 grant	0	(48)
<b>Underspend before transfer to reserves</b>	<b>1,837</b>	<b>4,565</b>
<b>Transfers to(from) Reserves:</b>		
Business rates smoothing reserve	(2,003)	(3,678)
Tax Guarantee smoothing reserve	(179)	(401)
<b>Net Operational Over/(Underspend</b>	<b>(345)</b>	<b>487</b>
Transfer to / from (-) reserves to fund revenue expenditure	87	(290)
<b>Outturn - net Underspend</b>	<b>(258)</b>	<b>196</b>
Transfer to Property Risk Reserve	75	0
<b>Outturn after total transfers to/(from) reserves</b>	<b>(183)</b>	<b>196</b>

4.7 The key factors underpinning the outturn financial position include:

- There has been a continued financial impact as a result of the pandemic during 2021/22. Additional costs have been incurred to meet service demands including additional support for leisure services, the administration of business and personal grants and compliance requirements. The level of income from sales fees and charges particularly car parking has also not fully recovered to pre covid levels during the year. In response to the recognised financial pressures the government has during the year released additional

funding to local authorities for the new burdens. It also extended the sales, fees and charges compensation scheme until June 2021 but any income shortfall since July has been met by each council locally.

- 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 year's capital spend. Changes to the expected spend, the method of calculating the MRP for Worthing, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2022/23.

Once the above items are considered, the operational position is a net overspend by services of £208k in Adur and £2m in Worthing. A number of the factors influencing the operational position have been addressed as part of the 2022/23 revenue budget such as parking income.

4.8 In summary the overall revenue outturn positions reported for Q4 are as follows:

	<b>Joint</b>	<b>Adur</b>	<b>Worthing</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Current Budget 2021/22	23,609	9,581	14,448
Outturn (Including govt funding and transfer to/from reserves)	23,964	9,398	14,644
Over/(Underspend)	355	(183)	196
Percentage		-1.91%	1.36%

Comparison to the Q3 forecast:

	<b>Joint</b>	<b>Adur</b>	<b>Worthing</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Outturn Over/(under)spend	355	(183)	196
Forecast Over/(under)spend Q3	916	47	14
	(561)	(230)	182

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

4.10 There are a number of key items which require a more detailed explanation. These are listed below.

#### 4.11 COMMUNITIES DIRECTORATE

##### 4.11.1 Housing Needs

There continues to be cost pressures associated with homelessness in both councils with caseloads increasing by around 39% in Adur and 30% in Worthing between April 2021 and March 2022.

In Worthing additional contingency of £80,000 had been built into the budget to address ongoing costs pressures, the Local Housing Allowance rate has increased since April 2020 and the Housing Service continues to source cheaper temporary accommodation with both Rowlands Road and Downview now both becoming available for use during the year.

A Homelessness Reduction Grant was allocated in 2021/22, Adur £25,000 and Worthing £122,934, this was new burdens funding associated with the Homelessness Reduction Act. Both councils have also received Domestic Abuse Safe Accommodation grant allocations of £32,529.

<b>Housing Needs</b>	Adur £000	Worthing £000
Homelessness - Emergency and temporary accommodation costs - budget pressure/(underspend)	342	1,139
Local Housing Allowance Income - budget shortfall/(excess)	(271)	(979)
Next Steps Accommodation Programme Funding	(7)	(112)
Additional MHCLG Homelessness Reduction Grant (New Burdens associated with the Homelessness Reduction Act)	(25)	(123)
Additional MHCLG Domestic Abuse Accommodation Grant	(33)	(33)
Ex Offender Accommodation Grant	(135)	-
Reduction in Homeslessness reduction reserve funding	-	120
Net over/(under)spend forecast against budget	<u>(129)</u>	<u>12</u>

Overall the budget for Housing Needs was underspent in Adur by £129,000 and overspent in Worthing by £12,000. This is comparable to the projected overspends of £45,000 and £18,000 respectively. The projection for Adur in Q3 assumed a

caseload increase of 2 per month, the actual number stayed static for the last quarter leading to a more favourable outturn position.

#### 4.11.2 Waste and Recycling

Income for green waste performed well against budget for the major part of the year however due to refunds being issued as a result of missed collections during the period of the waste dispute at the end of the year, it fell marginally short of the budget. Overall Refuse and Recycling income is £11,000 below budget. However, there were overspends of £131,000 which compound this related to repair and maintenance of vehicles and unbudgeted costs associated with the waste dispute, including payments to waste contractors and extended opening of refuse and recycling sites. Both income and expenditure positions have deteriorated since that predicted in quarter 3 with a combined increase in the overspend of £118,000. In addition, there are staff overspends of £99,000, a combination of agency and salary cost increases. This is an improvement from quarter 3 with main variance being underspends on staff costs during the period of the waste dispute. Overall the net outturn for the service is a £241,000 overspend.

The Cleansing and Clinical Waste service was underspend overall by £110,000, a combination of staff cost underspend and additional income.

Commercial Waste saw a drop in income due to both reduced demand and the impact of refunds issued as a result of the waste dispute. The shortfall in income for 2021/22 was £96,000 in Adur and £154,000 in Worthing. Partially offsetting this are underspends on disposal and equipment costs £37,000 in Adur and £41,000 in Worthing, and staff costs of £31,000. In addition there were some offsetting savings in expenditure budgets within the Joint service of £20,000. This is a demand led service and sensitive to changes in customer decisions. The outturn position compares favourably to the quarter 3 prediction when disposal costs were expected to increase significantly.

#### 4.11.3 Bereavement Services

The Bereavement Service was overspent against budget in 2021/22 for both councils, £17,000 in Adur and £718,000 in Worthing, this compares to overspend projections in quarter 3 of £24,000 in Adur and £526,000 in Worthing.

The net overspend positions include the following income shortfalls for Adur and Worthing;

	Adur		Worthing	
	Q3 Forecast	Outturn	Q3 Forecast	Outturn
	£	£	£	£
Burials	22,000	21,000	(51,000)	(34,000)
Rental income	-	-	15,000	13,000
Cremations	-	-	356,000	553,000
Tributes	-	-	(23,000)	(53,000)
Memorial Gardens	-	-	83,000	95,000
Memorials	-	-	15,000	17,000
Other	-	-	(13,000)	(12,000)
Total under/(over) achievement	22,000	21,000	395,000	579,000

Overspends on expenditure budgets in Worthing include additional costs associated with tributes, staff and additional cleaning requirements at the crematorium including one off deep cleans due to Covid.

The crematorium income was below budget by £553,000. This is due to several factors:

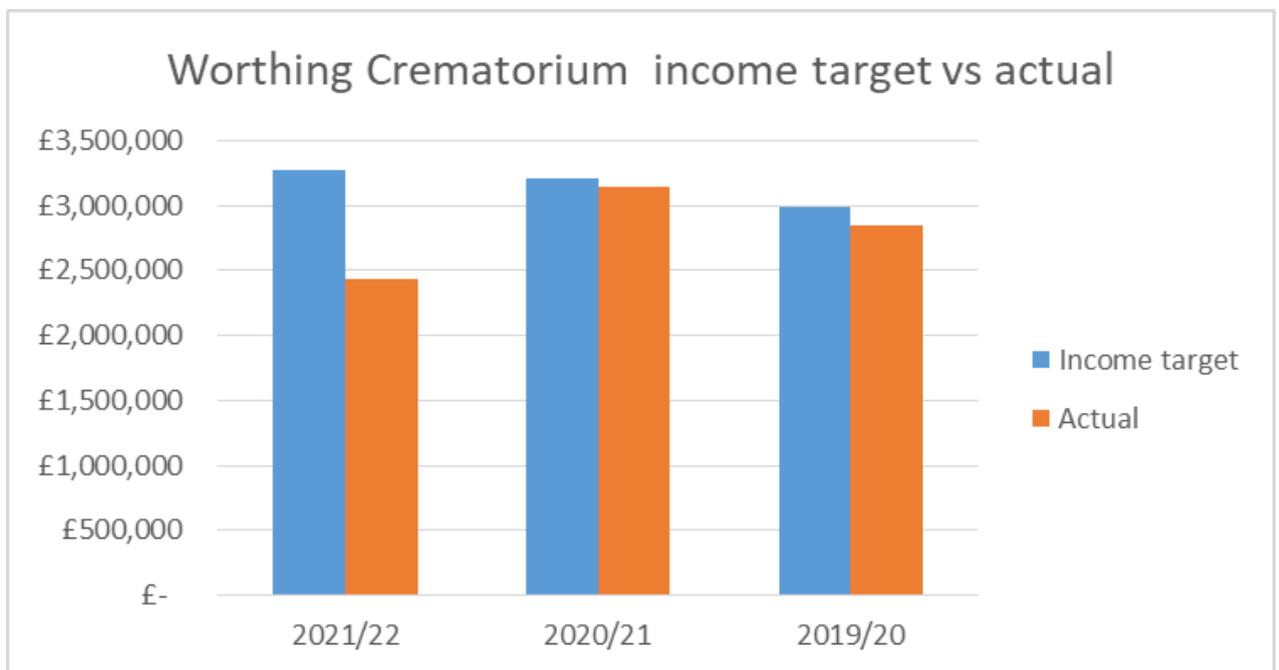
- The fees were not increased in 2021 as assumed when setting the budget and a shift in the number of direct cremations.
- A proportion of the losses incurred in quarter 1 were compensated through the Sales, Fees and Charges scheme,
- £50,000, the remaining shortfall has been absorbed by the Council.
- A shortfall in memorial and memorial garden income of £95,000. This has been partially offset by £53,000 additional income associated with tributes and a reimbursement of £2,000 from the Cameo abatement scheme.
- There are cost pressures of £59,000 which includes additional cleaning and security.
- additional staff costs of £56,000, these relate to extra resources including agency staff and a temporary parking attendant.

The bereavement market has changed significantly in the past three years. There are two large competitors focusing on unattended cremations (direct cremations) and it is likely that these businesses will continue to take the majority of direct cremations in the future.

A substantial exercise took place last year to understand the services cost of sale and gross profit for burials and cremations. This study found the service is unable to compete due to high costs of internal in-built recharges and the income targets set corporately, it makes the cost of sale excessively high and compared to the prices our competitors charge for the same service the gross profit is negative.

Worthing Crematorium is unable to compete in this market at the present time and have cut back the number of these types of cremations this year to focus on attended.

The income targets are challenging to meet as these increase annually, but the death rate stays relatively steady. The last six years have seen outlier mortality trends: The number of excess winter deaths in 2017 to 2018 was the highest recorded since winter 1975 to 1976<sup>1</sup>. An estimated 63,000 excess winter deaths occurred in England and Wales in winter 2020 to 2021, 6.1 times higher than winter 2019 to 2020; the growth was mostly driven by the large number of coronavirus (COVID-19) deaths in the non-winter months of 2020 (April to July) and the winter months of 2021 (December to March)<sup>2</sup>.

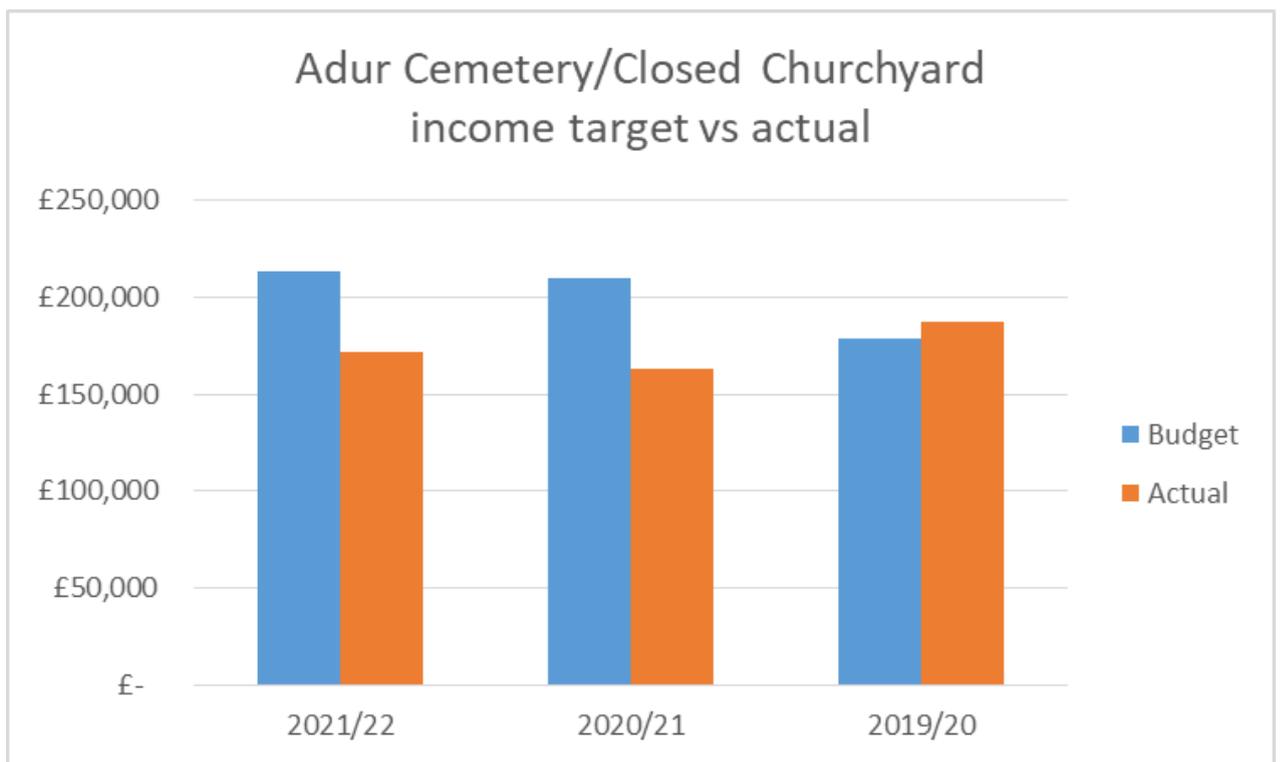
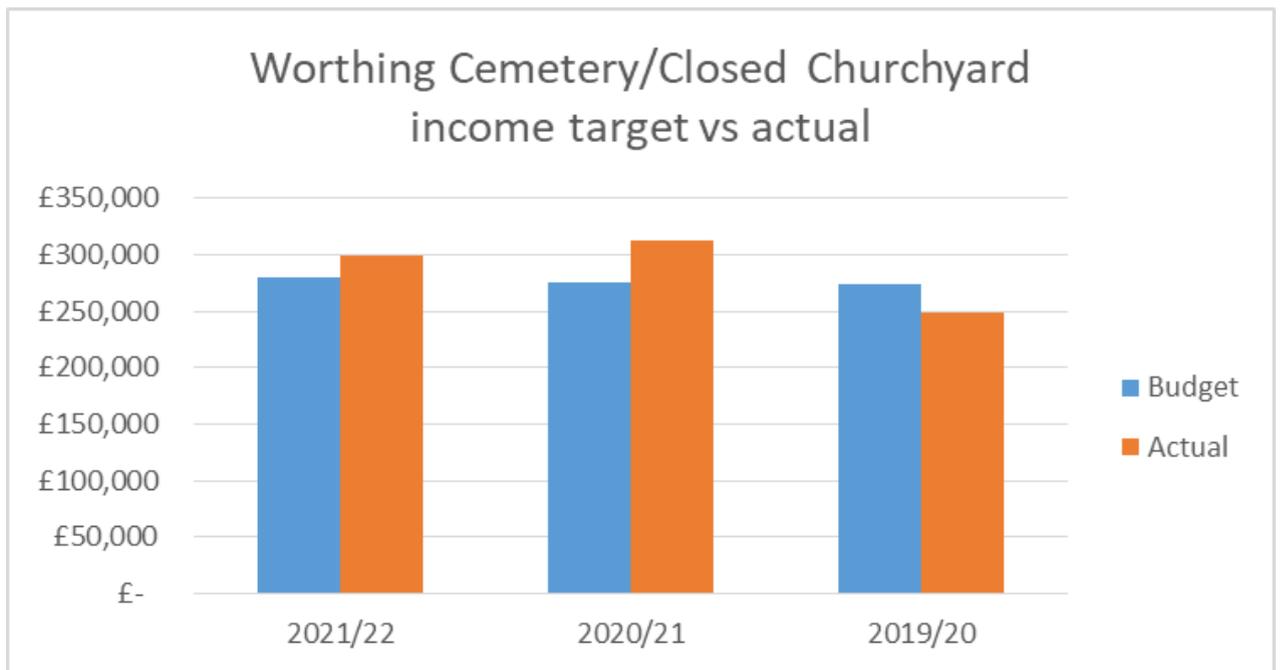


1

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excess-wintermortalityinenglandandwales/2017to2018provisionaland2016to2017final>

2

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excess-wintermortalityinenglandandwales/2020to2021provisionaland2019to2020final>



A single chapel / cremator crematorium is set to be built in Yapton in Arun in the not too distant future and it will be important to invest further in the facilities already in place to make Worthing Crematorium an attractive proposition to a newer facility. There will also be more pressure to match our pricing with the new crematorium.

Work is underway to further develop and extend the memorial garden. Consultation will be the next step, followed by an invest to save report to Strategic Finance Board. Once funding is secured the garden construction and off plan sales can commence. It is estimated that the garden will be ready in January 2023.

#### 4.11.4 Environmental Health - Private Sector Housing

The service has over-achieved against budget in Adur £72,000 and Worthing £65,000. A large part of this is due to an increase in income related to the Home Initiatives Assistance Scheme of £31,000 and £61,000 in Adur and Worthing respectively. Income is based upon size and number of grants approved, due to the scale of Better Care Fund (BCF) allocation, a discretionary Disabled Facilities Grant (DFG) policy is in place that has increased the size and number of grants.

In addition Adur collected unbudgeted income of £36,000 relating to civil penalty notices and Community Alarm income exceeded the budget. Worthing received Minimum Energy Efficiency Standards government funding of £27,000.

#### 4.11.5 Parks and Foreshore

The parks service had an underspend in both Adur and Worthing £46,000 and £21,000 respectively. This was a combination of overspends in costs that were offset by additional income. This was partially offset by an overspend within the Joint services of £52,000 associated with repair, maintenance and service costs, together with a shortfall in income.

The Foreshore service outturn positions are also net underspends in both Adur and Worthing of £45,000 and £33,000 respectively. Both councils have seen an increase in income from beach hut licences and rental plus savings against expenditure budgets. In addition there are staff savings included within the Joint service of £31,000.

The outturn compares favourably in Adur and Worthing against the forecast year end positions reported in quarter 3 for both the Parks and Foreshore services. However the Joint service associated with the Parks service was predicted to be underspent, the variance relates to a shortfall in income.

### **4.12 DIGITAL, RESOURCES AND SUSTAINABILITY DIRECTORATE**

#### 4.12.1 Parking Services

Car park income was the revenue stream most impacted by the pandemic and the longer term effect of changing behaviour by customers was built into the 2021/22

budget with a reduction in income budgets of £359,000 in Worthing and £64,000 in Adur. Demand is still below the pre pandemic levels with income falling short of the budget by 13% in Adur and 20% in Worthing. Worthing has been particularly affected due to the following factors;

- Demand from the worker deal permits and season tickets has not returned to the previous pre pandemic level of demand. This may be temporary but it could be that more people are choosing to work remotely as a long term or permanent option.
- The Government's covid19 pass allowed critical NHS staff and social care workers to park for free which resulted in lower income in the car parks and on-street. The pass was officially withdrawn as of 21st June 2021.
- NHS staff were being offered free parking at Worthing hospital until April 2022, this had an impact on the income level at the Lyndhurst Road car park.

The projected net shortfall against budget for the year in quarter 3 was £57,000 and £698,000 in Adur and Worthing respectively, including cost pressures or savings within supplies and services. The actual outturn for 2021/22 £43,000 and £712,000 respectively.

Shortfalls in car park income for the first quarter of 2021/22 was covered by the income guarantee scheme, which has been extended to cover the first 3 months of 2021/22. The Council has been compensated by 75% of loss over and above the first 5% of budget. However the remaining losses of £515,000 within Worthing and £7,000 in Adur have been absorbed within the budgets.

There is a risk that Worthing may feel the impact of a permanent change in workers' behaviour with an increase in home working and a reduction in commuter parking and the demand does not fully recover to pre pandemic levels. An estimate of the longer term impact on demand has been built into the 2022/23 budgets with a reduction in income of £52,000 in Adur and £55,000 in Worthing.

#### 4.12.2 Revenues and Benefits

Overpayment income was below budget in both councils, with £183,000 in Adur and £328,000 in Worthing. The budget for overpayments was reviewed for the 2022/23 budget process and reduced by £100,000 in Worthing. The value of overpayments raised has fallen for a number of reasons including the continued increase in the automation of records received from the DWP. Nevertheless, comparing the value of outstanding overpayments since October 2017 there has

been a significant reduction (almost £480,000 for Adur and more than £1.1m for Worthing).

There has been an improvement in the shortfall of recovery of court cost income for 2021/22 than was forecast in quarter 3. Previous estimations were cautious due to the closure of the courts during the pandemic, however they are now open and there is an element of backlog cases to be processed.

There was Covid and new burdens funding for additional work resulting from the pandemic, this together with departmental underspends offset the recovery shortfalls.

Additional system, staff and printing costs have continued in 2021/22:

- Administration of changes in business rates reliefs announced by the government in the March 2021 budget. This included a mid-year reduction of two reliefs from 1 July 2021
- An on-going increase in the volume of claims for Council Tax Support (albeit the live caseload for working age customers has remained broadly static)
- Awards up to £150 discretionary Council Tax Support to working-age customers in respect of 2021/22
- In conjunction with the Communities Team, continuing to administer self-isolation £500 payments including a new category for parents/guardians. The scheme was extended and ran until 24 February 2022.

The net outturn positions are overspends in Revenues and Benefits of £327,000 in Adur and £705,000 including the joint element of costs and housing subsidy.

#### 4.12.3 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 budget is based on previous unfunded capital expenditure plus the estimated charge for the approved capital expenditure for the year. Consequently, it is not until the accounts have been closed and the calculation has been updated for the capital spend in the previous year that there is certainty about the charge for the forthcoming year. This may result in a significant variance.

Worthing has an underspend on its MRP budget of £451k, this is as a result of the following;

- the reprofiling to 2021/22 of a proportion of the 2020/21 Capital Programme 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.
- A technical review of the MRP calculations in preparation for the 2022/23 budget has resulted in substantial in-year savings.

Adur has an overspend of £168k in the MRP budget which reflects the delay in the sale of the Adur Civic Centre and the timing of the associated capital receipt. We had originally expected the receipt in 2020/21 and to be able to use it to reduce the Council's reliance on debt.

Interest receivable from treasury investments is above budget for both Councils, mainly due to the unused portions of government Covid grants which are held until final reconciliations have been completed. The interest payable on borrowing is below budget, due to the reprofiling of capital budgets together with an extended period of low interest for new borrowing. There are forecast net underspends in interest and other financing costs of £333k for Adur and £484k for Worthing.

Overall the position is as follows:

<b>Treasury Management (Under) / Overspends</b>	<b>Adur (General Fund)</b>	<b>Worthing</b>
	£000	£000
Minimum Revenue Provision	168	(451)
Interest on Borrowing and TM costs	(295)	(416)
Interest from Investment Income	(26)	(63)
Other financing costs	(12)	(5)
<b>Total</b>	<b>(165)</b>	<b>(935)</b>

The final outturn position is in line with previous budget monitoring forecasts for MRP with a more favourable outcome on net interest payable. The projections were overall underspends of £133k in Adur and £882k in Worthing. The difference is due to further reprofiling of the capital programmes in quarter 4.

## 4.13 ECONOMY DIRECTORATE

### 4.13.1 Planning & Development

In Adur current projections are that there will be a net shortfall in income against the 2021/22 budgets in the Planning and Development service area:

	Q3 Forecast	Outturn
	£	£
Building Control	75,000	79,000
Land Charges	31,000	39,000
Development Management	(20,000)	(105,000)
Total under/(over) achievement of income	86,000	13,000

There are some small underspends in expenditure of £12,000 to offset this shortfall in income, an overall net overspend against a budget of £1,000. Additional applications received in quarter 4 have resulted in a better than predicted outturn at quarter 3 of £89,000 overspend.

In Worthing there was an £106,000 budget pressure within Planning Policy associated with the commencement of the Local Plan Examination during the year. This cost was originally expected in 2022/23 in the financial planning exercise but the timing and the amount is always difficult to predict. The Local Plan Examination was held in November and the Main Modifications consultation finished last month. The final Local Plan Inspector's report is not due until late Summer and at this point the Planning Inspectorate will send in the final invoice.

The Council is also pursuing a challenge to the separate appeal decision to allow 475 dwellings at Chatsmore Farm as the decision would seriously undermine the emerging Local Plan and result in a significant incursion into the important Green Gap between Worthing and Ferring. The Council has been granted leave to appeal and a two day Hearing has been set for the 20th and 21st July. There is a risk of costs being awarded against the Council if the Judicial Review is unsuccessful and this could be in the order of £50,000.

There are also projected shortfalls in Development Management as there have been few large scale developments attracting larger planning fees in the

last quarter. Income is also down for Land Charges as the number of house sales has and continues to be lower than anticipated:

	£
Building Control	(4,000)
Land Charges	46,000
Development Management	92,000
Total under/(over) achievement of income	<u>134,000</u>

There are some underspends in expenditure of £63,000, an overall net overspend against a budget of £197,000. This compares with a projected £289,000 overspend in quarter 3, the variance driven from applications received in quarter 4 and underspends in expenditure.

#### 4.13.2 Major Projects and Investment

The Major Projects team has actively been working on a number of development sites and investments across the areas. The nature of these projects inevitably spans over a number of budget years and commissioning timetables vary according to projects' complexity and challenges that arise from market forces, public engagement, and viability issues. The effect of this is that projects have an uneven spend profile often with large amounts of money being paid over short time periods. In Worthing the expenditure came in £139,000 higher than budget, but within this are the costs associated with the Teville Gate proposed development which are met by Reserves. It also includes £46,000 staff costs that were expected to be met from capital that have had to be funded from revenue. Adur has a small overspend of £25,000.

Commercial and strategic property income managed to stay within budget in Adur including allowing for the effect of the Covid 19 pandemic. It has meant that some of the budgeted allowance for the transfer of funds to the Property risk reserves has been possible for 2021/22 £75,000, at quarter 3 it was forecast that the in year allowance may have been used to totally offset the income shortfalls.

The position in Worthing is different where the risk reserve budget has been required to offset the net income shortfall, the final outturn position is a net shortfall of £122,000. This is due to activity around the retail properties in Montague Street and Cannon House which is being refurbished before being re-let, costs during void periods such as rates and service charges, and preparing the properties for letting.

#### 4.13.3 Place and Economy

The Place and Economy outturn in Adur is favourable against the budget with a net underspend of £20k. This is comparable with the quarter 3 projection. This is due to the continued success of the street markets, event space hire and the promotional service.

In Worthing there is a net overspend of £105,000. The Worthing Observation Wheel had a successful operating season on Worthing seafront which came to an end in October. The attraction's return was delayed due to the Coronavirus but has traded well, a lower payment by the operator of £60,000 was agreed for 2021/22. It was anticipated at quarter 3 that the shortfall would be mitigated by additional income from other concessions and events but despite good financial performance in these areas, this hasn't balanced the overall position of a net overspend. The overspend includes expenditure relating to works associated with Montague Street (£145,000), it was anticipated that this would be fully covered by the Re-Opening the High Street grant however this is now unlikely.

#### 4.13.4 Leisure Provision

Adur and Worthing Councils were successful with claims to the National Leisure Recovery Fund, receiving allocations of £110,000 and £200,000 respectively. These are being used to support the reopening of the Leisure facilities.

In December 2021 Adur District Council awarded the contract to South Downs Leisure to run the leisure centres in the district following the previous operators going into administration. It has supported the re-opening of the sites and has a net overspend of after the use of funding of £88,000.

In Worthing the Council has provided some financial support to leisure operator South Downs Leisure. This has been met from the recovery grant.

### **4.14 CORPORATE**

#### 4.14.1 Business Rates

The Covid-19 emergency has resulted in an exceptional couple of years for business rates. The government, in response to pressures emerging from the pandemic, awarded a significant level of additional business rate reliefs to retail, hospitality and leisure businesses to reflect their inability to trade normally. The result was a sizable drop in business rate income for local authorities which has been compensated by the government through section 31 grant funding.

There is an inherent timing difference in the accounting for business rates between when the budget is set and future decisions made by Treasury in relation to reliefs where compensation is funded through section 31 funding. Local taxation is accounted for transparently through a separate account known as the Collection Fund with any differences between what is expected to be collected and what is actually collected by the authority accounted for through the general fund as surplus or deficit adjustments. An estimated surplus/deficit is calculated in January and that is used in the budget for the next financial year, any variance will then not flow through to the general fund until the following year.

The financial impact on the general fund in 2021/22 is shown below:

	<b>Adur</b>		<b>Worthing</b>	
	Budget	Outturn	Budget	Outturn
	£m	£m	£m	£m
Income from business rates collected	7.226	7.434	12.503	12.933
Less: Tariff payment to government	-5.126	-5.125	-10.228	-10.228
Add: Section 31 grant	1.005	2.188	1.850	3.710
Less: Levy 2021/22	-0.669	-0.440	-0.716	-0.190
Add: Adjustment related to overprovision for the 2020/21 levy	0.000	0.205	0.000	0.240
Less: Recovery of estimated 2020/21 deficit	-3.829	-3.829	-6.734	-6.734
Add: Withdrawal from Business Rates Smoothing / Local Income Tax Guarantee reserves to fund net deficit	3.829	2.003	6.734	3.678
Income expected from Business rates	<u>2.436</u>	<u>2.436</u>	<u>3.409</u>	<u>3.409</u>
Balance on Smoothing reserve 31 March 2022		1.766		3.307

Business Rate income is volatile and can be affected by many factors: government decisions, changing use of commercial properties, valuations, appeals. The amount of income to benefit the General Fund is set at the outset of the financial year and will not change irrespective of the actual level of business rate income received. In 2021/22, the Government awarded significant additional reliefs in-year which generated a deficit within the collection fund which the Council will need to fund in 2023/24. However the balance on the Smoothing

Reserve will be used over the next two years to fund the deficit on the Collection Fund.

#### 4.14.2 Local Tax Income Guarantee

The government has committed to compensating Councils for any in-year losses for Council Tax and Business Rates in 2020-21. This scheme runs in parallel to the requirement for billing authorities to spread the in-year 2020/21 collection fund deficit over 3 years.

Given that these losses are being funded over a three year period by the precepting bodies, this grant is being used over the same period to ensure that these losses are offset in the year in which the Council will need to fund them. A prudent approach was adopted in 2020/21 when these funds were transferred to reserves. The use of the reserves in 2021/22 is as follows:

	<b>Adur</b>		<b>Worthing</b>	
	Council Tax	NNDR	Council Tax	NNDR
	£	£	£	£
Balance of Reserve 1 April 2021	181,376	115,959	127,570	575,784
Approved use 2021/22	62,710	115,959	55,390	346,015
Balance 31 March 2022	118,666	0	72,180	229,769

### 4.15 CROSS CUTTING

#### 4.15.1 Maintenance

Maintenance expenditure was overspent in Adur by £64,000, an improvement on the expected overspend at quarter 3 of £84,000. The overspend is due to both inflationary pressures on costs, an increase in demand on the budget and new legislative requirements for water testing.

In Worthing there was a significant underspend of £198,000, higher than the £100,000 underspend forecast at quarter 3. A review of the Technical Services approach to Procurement to meet the requirements of our Contract Standing Orders has meant that this year a large proportion of our Worthing Planned Maintenance Programme works were packaged up and consolidated into one tender/contract to maximise value for money. This new approach along with resourcing issues within the team has caused some delays in completing the

works by the end of March 2022. It has also been difficult to carry out planned maintenance works during winter months (e.g. external redecorations) when the weather conditions make it difficult to complete works. The learnings from this procurement approach will be taken into 2022/23.

#### 4.15.2 Utilities

The impact of Inflationary pressures on utility costs are being experienced with both councils overspending against the budget for 2021/22, £74,000 in Adur and £139,000 in Worthing. In addition the exchange of a large number of gas meters to the SMATS2 AMR version have led to more accurate usage readings and increased charges to the councils.

### **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 shows an overspend against its budget of £470,205 which is a deterioration on the £361,230 overspend projected in quarter 3. The movement is due to an increase in the bad debt provision and depreciation charges. Details of the significant variances are detailed in appendix 5(c).

5.2 The HRA Reserve stood at £0.545m at 31<sup>st</sup> March 2022 with earmarked reserves totalling £0.560m.

### **6.0 TRANSFERS TO RESERVES**

#### **6.1 Movements and Use of Earmarked Reserves**

As part of the 2021/22 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 2021/22, both authorities drew down on reserves to fund other costs. A detailed breakdown of the reserve positions is included in **Appendix 2b** for Adur and **Appendix 3b** for Worthing.

**Adur District Council:**

<b>Adur District Council transfers from General Fund Earmarked Reserves 2021/22</b>		
<b>Budgeted/Committed contributions to/(from) reserves:</b>	£	£
<ul style="list-style-type: none"> <li>● Decrease in Grants Carried Forward</li> <li>● Local Tax Income Guarantee</li> <li>● Self-insurance charges and proposed contributions</li> <li>● Approved use of reserves</li> <li>● Business Rate Smoothing Reserve</li> <li>● Transfer to Property Investment Risk Reserve</li> <li>● Unused provisions &amp; grants released to reserves</li> </ul>	<p>(139,889)</p> <p>(178,669)</p> <p>30,700</p> <p>(112,728)</p> <p>(2,002,721)</p> <p>75,674</p> <p>93,807</p>	<p>(2,233,826)</p>
<b>Contribution to reserves from general underspend:</b>		
<ul style="list-style-type: none"> <li>● General Fund underspend transferred to Capacity Issues Reserve to fund future one-off projects</li> <li>● General Fund underspend transferred to General Fund Working Balance</li> </ul>	<p>83,436</p> <p>100,000</p>	<p>183,436</p>
<b>Total recommended net withdrawals from Reserves</b>		<p>(2,050,390)</p>

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will increase to £1.051m which, at 11.2% of net expenditure of £9.398m, is just above the range of 6%-10% normally set by the Council. However this is a deliberate move in the light of the significant financial risks that the current inflation rate presents to the Council's overall finances for 2022/23.

In addition the Council would retain earmarked revenue reserves of £1.359m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), an increase of £0.171m over 31<sup>st</sup> March, 2021. The full listing of earmarked reserves is attached at **Appendix 2b**.

**Worthing Borough Council:**

<b>Worthing Borough Council net transfers from General Fund Earmarked Reserves 2021/22</b>		
<b>Budgeted/Committed contributions to/(from) reserves:</b>	£	£
<ul style="list-style-type: none"> <li>• Decrease in Grants Carried Forward</li> <li>• Net withdrawal from Theatres Maintenance Reserve</li> <li>• Approved use of reserves</li> <li>• Local Tax Income Guarantee</li> <li>• Self-insurance charges and proposed contributions</li> <li>• Business Rates Smoothing Reserve</li> <li>• Unused provisions &amp; grants released to reserves</li> </ul>	<p>(370,095)</p> <p>(57,855)</p> <p>(413,026)</p> <p>(401,405)</p> <p>46,306</p> <p>(3,677,916)</p> <p>98,847</p>	<p>(4,775,144)</p>
<b>Withdrawal from reserves for general overspend:</b>		
<ul style="list-style-type: none"> <li>• General Fund overspend withdrawn from the General Fund Working Balance</li> </ul>	<p>(196,025)</p>	<p>(196,025)</p>
<b>Total recommended net withdrawals from Reserves</b>		<p>(4,971,169)</p>

If all the proposals in the above table are adopted, Worthing Borough Council's General Fund Working Balance will reduce to £1.347m which, at 9.2% of net expenditure of £14.644m, is above the range of 6%-8% normally set by the Council. However, the working balance is being retained at this level to help mitigate the impact of the current inflationary pressures on the Council's overall finances.

In addition the Council would retain earmarked revenue reserves of £2.469m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), a decrease of £0.326m over 31st March 2021. The full listing of earmarked reserves is attached at **Appendix 3b**.

## **7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2021/22 AND DEBT POSITION**

### **MRP Requirement for 2021/22**

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 2<sup>nd</sup> June 2016 and was recommended for approval by Worthing Council at its meeting on 19<sup>th</sup> July 2016 and by Adur Council at its meeting on 21<sup>st</sup> 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 or other approved bodies), 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 that in which capital expenditure is funded from borrowing, the MRP for 2021/22 relates to unfunded expenditure incurred up to and including 31<sup>st</sup> March 2021. Voluntary MRP may be set aside, which can be offset in future years.

7.5 By applying the approved methodologies, described in paragraph 7.2, the following MRP determinations have been provided for in the 2021/22 accounts:

- For Adur District Council General Fund the MRP was £2,324,250. £10,000 of Voluntary MRP was offset. No Voluntary MRP was set aside for the HRA.

- For Worthing Borough Council the MRP was £1,695,975. £160,000 of Voluntary MRP was offset.

### Debt Position at 31 March 2022

- 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 Management Code of Practice. This approach apportioned historic debt at 31 March 2012 between the HRA and General Fund in accordance with the Code guidance, and requires new borrowing from 1 April 2012 onwards to be attributed to either the 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.

Debt Position at 31 March 2022	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
<b>Actual Long Term Debt 01/04/21</b>	<b>98,015,938</b>	<b>60,476,126</b>	<b>158,492,064</b>	<b>137,724,926</b>
New Long Term Debt Raised in year	10,000,000	0,000,000	10,000,000	35,375,000
Long Term Debt Repaid in Year	(5,673,619)	(1,851,167)	(7,524,786)	(19,349,053)
<b>Actual Long Term Debt 31/03/22</b>	<b>102,342,319</b>	<b>58,624,959</b>	<b>160,967,278</b>	<b>153,750,873</b>

CFR v Long Term Debt Position at 31 March 2022	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Capital Financing Requirement (CFR)	106,971,263	61,802,206	168,773,469	154,870,223
<b>(Over) / Under Borrowing</b>	<b>4,628,944</b>	<b>3,177,247</b>	<b>7,806,191</b>	<b>1,119,350</b>

7.9 Adur also held the Parish Precept of £550,000 on behalf of Lancing Parish Council.

7.10 For Adur Council the General Fund is under-borrowed by approximately £4.629m. The HRA is under-borrowed by £3.177m. We have used this approach because, in the light of the cost of borrowing compared to the income from investments, we are opting to finance some of the capital expenditure through the use of internal resources. 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 the capital programme and the refinancing of maturing debt.

7.11 Worthing is under-borrowed by £1.119m due to the use of internal resources as described above for Adur. New loans have been taken out in 2021-22 to fund economic regeneration projects, the capital programme and the refinancing of maturing debt.

## 8.0 ENGAGEMENT AND COMMUNICATION

8.1 The Corporate Leadership Team, Heads of Service and budget managers have all collaborated on the content of this report providing explanation and narrative on the outturn variances.

## **9.0 FINANCIAL IMPLICATIONS**

- 9.1 There are no further financial implications. The report sets out the final outturn position with both Adur and Worthing presenting underspends against budget.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 Local authorities have a statutory duty under section 28 of 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. Section 151 of the Local Government Act 1972 requires the Councils to make arrangements for the proper administration of their financial affairs.

## **11.0 CONCLUSION**

- 11.1 The Councils have had a difficult year with additional pressures resulting from the ongoing impact from the global pandemic both in terms of demands on services, capacity and finances. There have also been cost pressures from inflation, a pay award above that budgeted for the year and the impact of the waste dispute. The outturn positions in 2021/22 have only been achievable as a result of additional funding from the government both in the form of Covid, new burdens and specific grants and the extension of the Sales, fees and charges scheme from the April to June 2021. As highlighted in section 4.6 before any funding the position for Adur District Council and Worthing Borough Council are oversends of £43k and £1.233m respectively.
- 11.2 Adur District Council is in a position to be able to contribute to reserves, which is welcome at a time when local government faces ongoing financial pressures, including the reduction in central government funding and the ongoing strain on expenditure and income streams.

**Background Papers:**

Joint Overall Budget Estimates 2021/22

<https://democracy.adur-worthing.gov.uk/documents/g1490/Public%20reports%20pack%2009th-Feb-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

<https://democracy.adur-worthing.gov.uk/documents/b4556/Summary%20of%20Executive%20Member%20Portfolio%20Budgets%20for%20202122%2009th-Feb-2021%2018.30%20Joint%20Strategic%20Comm.pdf?T=9>

Adur District Council Budget Estimates 2021/22 and Setting of the 2021/22 Council Tax

<https://democracy.adur-worthing.gov.uk/documents/g1626/Public%20reports%20pack%2024th-Feb-2022%2019.00%20Adur%20Council.pdf?T=10>

Worthing Overall Budget Estimates 2020/21 and Setting of 2020/21 Council Tax

<https://democracy.adur-worthing.gov.uk/documents/g1625/Public%20reports%20pack%2022nd-Feb-2022%2018.30%20Worthing%20Council.pdf?T=10>

Financial Performance 2020/21 - Revenue Outturn

<https://democracy.adur-worthing.gov.uk/documents/g1583/Public%20reports%20pack%2013th-Jul-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

3rd Revenue Budget Monitoring Report (Q3)

<https://democracy.adur-worthing.gov.uk/documents/g1697/Public%20reports%20pack%2016th-Mar-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

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## **Sustainability & 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

## 2021/22 FINAL REVENUE OUTTURN JOINT SUMMARY

 ADUR & WORTHING COUNCILS	ORIGINAL ESTIMATE 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	(UNDER)/ OVERSPEND 2021/22
	£	£	£	£
Chief Executive	454,280	454,280	482,683	28,403
Director for Communities	8,271,680	8,366,680	8,495,073	128,393
Director for Digital & Resources	12,322,770	12,422,800	11,889,644	(533,156)
Director for the Economy	3,655,040	3,655,040	3,983,306	328,266
<b>TOTAL SERVICES</b>	<b>24,703,770</b>	<b>24,898,800</b>	<b>24,850,705</b>	<b>(48,095)</b>
<b>ALLOCATION OF COSTS</b>				
Recharged to Capital	(963,960)	(963,960)	(541,714)	422,246
Other Recharges to Joint	(130,590)	(130,590)	(148,803)	(18,213)
	<b>23,609,220</b>	<b>23,804,250</b>	<b>24,160,188</b>	<b>355,938</b>
Adur District Council	(9,545,150)	(9,623,150)	(9,743,930)	(120,780)
Worthing Borough Council	(14,064,060)	(14,181,100)	(14,416,258)	(235,158)
<b>TOTAL SERVICE BLOCK ALLOCATIONS</b>	<b>(23,609,210)</b>	<b>(23,804,250)</b>	<b>(24,160,188)</b>	<b>(355,938)</b>

 ADUR DISTRICT COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	1,054,800	1,054,800	668,467	30,681	72,461	(489,475)
<i>CM for Environment</i>	2,952,860	2,952,860	3,305,819	92	38,318	314,549
<i>CM for Health &amp; Wellbeing</i>	1,336,850	1,336,850	1,368,016	6,881	76,805	(52,520)
<i>CM for Customer Services</i>	1,459,500	1,459,500	1,605,369	(2,500)	37,423	110,947
<i>CM for Regeneration</i>	1,630,370	1,630,370	1,730,959	(4,260)	65,923	38,926
<i>CM for Resources</i>	249,940	249,940	96,312	50,291	(39,105)	(164,814)
<i>Holding Accounts</i>	255,570	255,570	-	(120,557)	(251,824)	116,811
<b>TOTAL CABINET MEMBER</b>	<b>8,939,890</b>	<b>8,939,890</b>	<b>8,774,943</b>	<b>(39,372)</b>	<b>-</b>	<b>(125,576)</b>
<i>Credit Back Depreciation</i>	(1,504,540)	(1,504,540)	(1,465,168)	39,372		0
<i>Minimum Revenue Provision</i>	2,145,950	2,145,950	2,314,250			168,300
<i>Financial Instrument Adjustment</i>	-	-				-
	<b>9,581,300</b>	<b>9,581,300</b>	<b>9,624,025</b>	<b>-</b>	<b>-</b>	<b>42,725</b>
<i>COVID 19 Support Grants</i>			(297,480)			(297,480)
<i>Sales, Fees &amp; Charges Grant</i>			(80,399)			(80,399)
<i>Additional Non Ring Fenced Grants</i>			(7,872)			(7,872)
<i>Additional grant funding</i>			<b>(385,751)</b>			<b>(385,751)</b>
			<b>9,238,273</b>	<b>-</b>	<b>-</b>	<b>(343,027)</b>
<i>Section 31 grants and Collection Fund adjustments</i>			2,118,684			2,118,684
<i>Council Tax Income Guarantee Grant</i>			60,693			60,693
<i>NNDR Tax Income Guarantee Grant</i>			-			-
			<b>11,417,651</b>	<b>-</b>	<b>-</b>	<b>1,836,351</b>
<b>Transfer to/from reserves:</b>						
<i>Tax Income Guarantee Reserve</i>			(178,669)			(178,669)
<i>Transferred to Smoothing reserve</i>			(2,002,721)			(2,002,721)
<i>Transfer from reserves to fund specific expenditure</i>			161,603			161,603
<b>Net Underspend Transferred to Reserves</b>			183,437			183,437
<b>Total Budget requirement before External Support from Government</b>	<b>9,581,300</b>	<b>9,581,300</b>	<b>9,581,300</b>	<b>-</b>	<b>-</b>	<b>0</b>

 ADUR DISTRICT COUNCIL  <b>EARMARKED REVENUE RESERVE ACCOUNTS</b>	Opening Balance  2021/22	Estimated Transfers Out  2021/22	Estimated Transfers In  2021/22	Projected Closing Balance  2021/22
	£	£	£	£
<b>Capacity Issues Reserve including approved Carry Forward budgets</b>	673,504			
New Salts Farm Lancing (JSC/047/20-21 8 September 2020)		(4,000)	4,743	
Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC)		(25,500)		
Carbon Neutral - match funding for Heat Network bid (JSC/128/20-21 2 March 2021)		(4,760)		
consolidation of reserves			68,134	
Unused provisions and grants released to the Reserve			93,807	
<b>Adur carry forwards from 2020/21 underspends</b> , agreed Adur Council 22nd July, 2021		(58,311)		
Under/(over) spend transferred to/from revenue			83,436	
Balance				831,053
<b>Insurance Fund</b>	146,899	(24,900)	30,700	152,699
<b>Election Reserve</b> * consolidated into Capacity Issues Reserve	7,880	(7,880)		-
<b>Special and Other Emergency Reserve</b> * consolidated into Capacity Issues Reserve	60,254	(60,254)		-
<b>Property Investment Risk Reserve</b>	300,000	-	75,674	375,674
<b>Grants and Contributions held in Reserves</b>	1,342,991	(394,181)	254,292	1,203,102
<b>Local Tax Income Guarantee</b>	297,335	(178,669)		118,666
<b>Business Rates Smoothing Reserve</b>	3,768,261	(2,002,721)		1,765,540
<b>General Fund Reserve</b>	951,497	-	100,000	1,051,497
<b>TOTALS</b>	7,548,621	(2,761,176)	710,786	5,498,231

 WORTHING BOROUGH COUNCIL <b>CABINET MEMBER PORTFOLIOS</b>	ORIGINAL BUDGET 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	1,556,460	1,556,460	1,034,267	(930)	53,734	(574,997)
<i>CM for Digital and the Environment</i>	3,379,150	3,379,150	4,084,007	(147,920)	113,347	739,430
<i>CM for Health &amp; Wellbeing</i>	1,892,870	1,892,870	2,004,253	2,260	81,128	27,995
<i>CM for Customer Services</i>	5,634,910	5,634,910	6,519,553	96,990	135,838	651,814
<i>CM for Regeneration</i>	2,650,230	2,650,230	4,029,622	177,389	144,327	1,057,676
<i>CM for Resources</i>	705,820	705,820	369,594	56,695	(54,716)	(338,205)
<i>Holding Accounts</i>	359,540	359,540	-	(6,892)	(473,659)	121,012
<b>TOTAL CABINET MEMBER</b>	<b>16,178,980</b>	<b>16,178,980</b>	<b>18,041,296</b>	<b>177,591</b>	<b>-</b>	<b>1,684,726</b>
<i>Credit Back Depreciation</i>	(3,804,240)	(3,804,240)	(3,981,831)	(177,591)		0
<i>Minimum Revenue Provision</i>	1,986,790	1,986,790	1,535,975			(450,815)
	<b>14,361,530</b>	<b>14,361,530</b>	<b>15,595,441</b>	<b>-</b>		<b>1,233,911</b>
<i>COVID 19 Support Grants</i>			(297,544)			(297,544)
<i>Sales, Fees &amp; Charges Grant</i>			(395,720)			(395,720)
<i>Additional Non Ring Fenced Grants</i>			(5,650)			(5,650)
			<b>(698,914)</b>			<b>(698,914)</b>
<i>Additional grant funding</i>			<b>14,896,527</b>	<b>-</b>	<b>-</b>	<b>534,997</b>
<b>Adjustments for Taxation</b>						<b>-</b>
<i>Section 31 grants and Collection Fund adjustments</i>			3,677,916			3,677,916
<i>Council Tax Income Guarantee Grant</i>			6,822			6,822
<i>NNDR Tax Income Guarantee Grant</i>			346,015			346,015
			<b>18,927,279</b>	<b>-</b>	<b>-</b>	<b>4,565,749</b>
<b>Transfer to/from reserves:</b>						
<i>Tax Income Guarantee Reserve</i>			(401,405)			(401,405)
<i>Transferred (from)/to Smoothing reserve</i>			(3,677,916)			(3,677,916)
<i>Transfer (from)/to reserves to fund specific expenditure</i>	86,250	86,250	(204,153)			(290,403)
<b>Net Overspend Transferred (from)/to Reserves</b>			(196,026)			(196,026)
<b>Total Budget requirement before External Support from Government</b>	<b>14,447,780</b>	<b>14,447,780</b>	<b>14,447,780</b>	<b>-</b>		<b>0</b>

 WORTHING BOROUGH COUNCIL  <b>EARMARKED REVENUE RESERVE ACCOUNTS</b>	Opening Balance 2021/22	Estimated Transfers Out 2021/22	Estimated Transfers In 2021/22	Projected Closing Balance 2021/22
	£	£	£	£
<b>Capacity Issues Reserve including approved Carry Forward budgets</b>	1,559,106			
Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC)		(59,500)		
Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21)		(207,625)		
Carbon Neutral - match funding for Heat Network bid (JSC/128/20-21 2 March 2021)		(45,230)		
Consolidation of reserves			4,537	
Unused provisions and grants released to the reserve			98,847	
<b>Worthing carry forwards</b> from 2020/21 underspends, agreed Worthing Council 20th July, 2021		(43,929)		
Budgeted contribution (to)/from revenue			-	
<b>Balance</b>				1,306,206
<b>Insurance Reserve</b>	206,088	0	46,306	252,394
<b>Joint Health Promotion Reserve</b> * consolidated into Capacity Issues Reserve	1,485	(1,485)		0
<b>Leisure Lottery &amp; Other Partnerships</b> - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	27,766			27,766
<b>Museum reserve</b>	106,396			106,396
<b>Theatres Capital Maintenance Reserve</b>	57,855	(57,855)		0
<b>Property Investment Risk Reserve</b>	450,000			450,000
<b>Building Maintenance Reserve</b>	383,000	(56,741)		326,259
<b>Special and Other Emergency Reserve</b> * consolidated into Capacity Issues Reserve	3,053	(3,053)		0
<b>Business Rates Smoothing Reserve</b>	6,985,305	(3,677,916)		3,307,389
<b>Local Tax Income Guarantee</b>	703,354	(401,405)		301,949
<b>Grants &amp; Contributions</b>	1,436,893	(541,850)	171,755	1,066,798
<b>General Fund Working Balance</b>	1,543,373	(196,025)		1,347,348
<b>TOTAL</b>	13,463,674	(5,292,614)	321,445	8,492,505

## HOUSING REVENUE ACCOUNT SUMMARY

Appendix 4

	<b>ORIGINAL BUDGET 2021/22</b>	<b>OUTTURN ACTUAL 2021/22</b>	<b>VARIANCE</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>EXPENDITURE</b>			
General Management	4,141,320	3,852,667	(288,653)
Special Services	748,410	734,196	(14,214)
Rent, Rates, Taxes & Other Charges	58,150	106,295	48,145
Repairs & Maintenance	2,711,470	2,852,106	140,636
Bad/Doubtful Debt	51,000	131,976	80,976
<b>Capital Financing Costs</b>			
Depreciation and Revenue Contribution to Capital	4,179,980	4,415,830	235,850
Interest charges	2,181,360	2,224,365	43,005
<b>TOTAL EXPENDITURE</b>	<b>14,071,690</b>	<b>14,317,435</b>	<b>245,745</b>
<b>INCOME</b>			
Dwelling Rents	(12,320,450)	(12,126,930)	193,520
Non-Dwelling Rents	(535,010)	(539,622)	(4,612)
Heating and Other Service Charges	(547,610)	(528,224)	19,386
Leaseholder's Service Charges	(260,620)	(250,187)	10,433
Interest Received	(28,000)	(22,267)	5,733
<b>TOTAL INCOME</b>	<b>(13,691,690)</b>	<b>(13,467,230)</b>	<b>224,460</b>
<b>NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE</b>	<b>380,000</b>	<b>850,205</b>	<b>470,205</b>

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
<b>Chief Executive</b>				
<b>Leader</b>	27	(403)	(510)	JOINT; Overspend in Communications for additional staff and spend not totally covered by additional income ADUR & WORTHING relates to the COVID contingency funding to offset costs within services in relation to the 'Roadmap to Return' after Covid.
	27	(403)	(510)	
<b>Director of Communities</b>				
<b>Community Wellbeing</b>	23	(26)	(8)	JOINT: The cost of the Interim structure arrangements covered by savings elsewhere in the organisation. ADC & WBC: Grant Funding
<b>Env Health - Housing</b>	(16)	(72)	(65)	ADC : HIA fee income in excess of budget plus Community alarm income in excess of budget WBC : HIA fee income in excess of budget plus Grant income
<b>Housing Needs</b>	(6)	39	(75)	JOINT: Additional staff funded from New Burdens income ADC & WBC: Continuing increase in temporary accomodation pressures for Adur & Worthing with outturn better than predicted in WBC.
<b>Housing Needs Grant</b>	-	(168)	87	ADC: MHCLG Domestic abuse safe accommodation grant and MHCLG Ex Offender Accommodation. WBC: MHCLG Domestic abuse safe accommodation grant offset by £120k reduction in reserve for Homelessness Reduction Act (New Burdens)
<b>Parks &amp; Foreshore</b>	21	(91)	(54)	JOINT: Staff vacancy savings offset by shortfall in income and overspends against expenditure budgets. ADC Additional income from foreshore, recreation grounds and allotments. WBC: Additional Income from Beach Hut licences
<b>Environmental Services (Waste)</b>	81	1	29	Joint: mainly due to employee costs; for COVID cover and market supplements agreed for the retention of HGV staff. ADC: Overspend on various supplies and services projected. ADC and WBC : clinical waste income shortfall as the collection service has been stopped due to an increase in costs that can't be offset by revenue generated WBC: Includes food waste equipment costs not budgeted.
<b>Director of Communities / Head of Environmental Services</b>	(85)	-	-	Vacancy saving - offsetting expenditure in other service areas to reflect the interim management structure arrangements.
<b>Commercial Waste</b>	(13)	59	113	Net income shortfall, a combination of the ongoing impact from Covid on demand and the waste dispute.
<b>Bereavement Services (Cemeteries &amp; Crematorium)</b>	6	17	718	WBC: £500k cremation income shortfall following a decision to not increase fees for 2021 and the continuing net loss from tiered direct cremation contracts which have ceased in January 22, £112k memorial income shortfall (including the gardens), Cost pressures in staff and supplies and services. Burial income exceeded budget. ADC: Burials income shortfall
	11	(241)	745	
<b>Director of Digital and Resources</b>				
<b>Elections</b>	(4)	(10)	(52)	ADC & WBC underspends in relation to requirements for putting on elections due to COVID 19, funded by Covid contribution.
<b>Director For Digital, Sustainability &amp; Resources</b>	6	-	-	
<b>Sustainability</b>	57	5	42	Overspend in Staffing costs due to feasibility studies work not being able to be met from Capital grant funding, Adur & Worthing Overspends are met by approved Reserve funding
<b>Customer Services</b>	(18)	-	-	Underspend in staff costs

Service Area	Joint £000s (under)/over spend	Adur £000s (under)/over spend	Worthing £000s (under)/over spend	Description of Significant Variations
<b>Parking Services</b>	3	43	712	<p>ADC: The Executive Member has allowed for the Covid passes to continue to be used in South Street car park lancing, allowing staff from the vaccination centre at Lancing Parish Hall free parking, which has an impact on revenue</p> <p>WBC: There is a reduction in general usage, with footfall down at around 80% of pre covid levels. Customers seemingly are continuing to work from home and not using the car parks as season ticket sales and worker validation deal income is significantly down across the car park sites, most large organisations have not returned to the offices and staff continue to work from home. Additionally NHS staff have been offered free parking (ended April 2022) onsite so Lyndhurst road income has dropped significantly. SFC Compensation for losses incurred in Q1 partly offset the shortfall. In addition the bowls season has started and from April to October 2022 the bowlers are given free passes to use to park in Lyndhurst Road West whilst playing bowls. Buckingham Road Multi-Storey Car Park closed as of 7th March 2022 which has resulted in customers either being displaced to other car parks or finding alternative places to park for free for example outside of the controlled parking zone. Brooklands Western Road car park has been closed since 24th January 2022 as part of the Brooklands Masterplan works, however this is having an impact on parking impact. Montague Centre Car Park has had a large number of bays taken out of use since January 2022 as part of the temporary works fitting the temporary health clinic on the site, this has had an impact on parking revenue. Added to this the Civic Centre staff car park closed last year which also impacted on parking revenue.</p>
<b>Digital &amp; ICT</b>	(41)	-	-	Underspend on Digital support and maitnenance, & MFD costs offset by an overspend in telephony costs
<b>Revenues</b>	10	136	56	ADC & WBC ; Under-achievement of court cost income due to the high volume of liability orders outstanding that relate to 20/21 & 21/22 and courts only opening in August, ADC: also include a £96k underachievement of grant income.
<b>Benefits</b>	66	161	603	JOINT: Increased staffing costs in relation to COVID related work funded by grants and Reserves. ADC & WBC: under achievement of income for overpayments.
<b>Legal Services</b>	(19)	8	(11)	ADC: Shortfall in income budgeted. WBC: Net saving on budgets.
<b>Finance</b>	(610)	108	(19)	JOINT: Salary and Inflation contingency budget offsetting spend in departments. ADC: mainly relates to an overspend in Audit fees and an error when setting the Pension contribution budget WBC: Overspend in Audit fees offset by an underspend against some old balances written off from the balance sheet
<b>HR &amp; Organisational Development Costs</b>	(3)	-	(3)	Salary costs against a post not included in the budget (to be met from salary contingency). offset by savings against supplies and services.
<b>Finance: Treasury Interest</b>		(333)	(484)	Underspend on interest payable on borrowing for both Adur and Worthing due to low interest rates and the reprofiling of the capital programmes since the budgets were set.
<b>Finance: Treasury MRP</b>	-	168	(451)	There is an overspend on MRP for Adur, partly due to the delay in the sale of the Adur Civic Centre site. Worthing has an underspend due to the reprofiling of the capital programme and the technical review of the MRP. Whilst the policy itself remains unchanged, recommendations regarding the asset lives to be used within the calculation have been implemented creating an in-year saving and future reductions in costs for the Council..
	<b>(553)</b>	<b>286</b>	<b>393</b>	
<b>Director of the Economy</b>				
<b>Director of Economy</b>		-	-	
<b>Culture Client</b>	-	-	(40)	Recharge income to offset Utility costs shown in Cross Cutting variance
<b>Leisure</b>	-	88	(153)	National Leisure Recovery Fund received for support to Councils for their increased Leisure site costs, this will be utilised to support our Leisure facilities.

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Major Projects and Investment	(89)	(47)	261	ADC: Net cost of awarding an initial 6 month free rent period during negotiations of one of our Investment Properties plus loss of income from the One York Way, Uxbridge site which is vacant - offset by utilising the Void reserve transfer allowance budget. WBC: Income shortfall mainly from Montague Street & Canon House properties offset by utilising the Void Budget allowance, plus costs for the Teville gate site funded from approved contribution from Reserves.
Place and Economy (Economic Development)	39	(20)	105	JOINT: Walking & Cycling strategy spend to be funded from Grant Reserve ADC: Additional Events income offset by shortfall in Market income WBC: Time for Worthing Sponsorship income 10k and 12k concessions offset by reduced income from the Observation Wheel £20k, plus expenditure relating to works associated with Montague Street (£145,000), it was anticipated that this would be fully covered by the Re-Opening the High Street grant however this is now unlikely.
Planning and Development (Building Control)	(15)	79	-	JOINT: Net budget underspend. ADC: Income shortfall
Planning and Development (Development Control)	71	(102)	60	JOINT: Staff costs overspent against budget. WBC: Shortfall in larger applications than expected in 2021/22.
Planning and Development (Planning Policy)	(68)	(6)	108	JOINT: Underspend in Salary costs to offset overspends elsewhere within the service. WBC: Unbudgeted costs associated with the Local Plan examination.
Planning and Development (Land Charges)	28	30	29	Shortfall in fee income.
Business & Facilities	378	(1)	32	JOINT: Shortfall in staff costs (Engineers and Surveyors) that could be charged to capital and shortfall against budget for income associated with Portland House.
Emergency Planning	7	-	-	Cost of H&S system funded from the COVID contingency budget
	<b>351</b>	<b>21</b>	<b>402</b>	
<b>Cross Cutting services</b>				
Maintenance	(11)	64	(198)	ADC: Overspend due to inflationary cost pressures, demand on budget and new legislation related to water testing requirements. WBC: A large proportion of the planned maintenance programme (PMP) works were packaged up/consolidated into one tender/contract to maximise value for money, plus delays in instructions of works in relation to resources being diverted elsewhere
Vacancy Provision	512	-	-	Vacancy salary savings within service lines to offset this target.
Water	-	2	1	General overspend against budget
Energy Costs	28	72	138	General overspend against budget due to increasing cost pressures.
Rates	(12)	102	48	General overspend against budget projected based on current costs. In addition WBC has a legacy £50k credit budget addressed in the 2022/23 budget.
Income guarantee scheme		(81)	(396)	Grant received from the government to compensate Councils for a proportion of the loss of income from sales, fees and charges incurred in the first quarter 21/22 as a result of the ongoing impact from the pandemic.
MHCLG - Government Grant Funding		(297)	(297)	New burdens funding.
Additional government funding		(8)	(6)	
Additional Section 31 Grant		(2)	(48)	NNDR
Transfer from Reserves			(290)	

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
<b>Transfer to Reserves</b>		162		Share of joint services allocated 40:60 to Councils
	<b>517</b>	<b>14</b>	<b>(1,048)</b>	
Allocation of Joint Variance		141	213	
<b>Total Variance</b>	<b>354</b>	<b>(183)</b>	<b>195</b>	

Service Area	Joint £000s (improvement)/ deterioration)	Adur £000s (improvement)/ deterioration)	Worthing £000s (improvement)/ deterioration)	Description of Significant Variations
<b>Director of Communities</b>				
<b>Housing Needs</b>	(61)	(199)	(6)	Improvement in outturn for temporary accommodation compared to the projected pressure at quarter 3.
<b>Community Wellbeing</b>	109	(9)	2	JOINT: Grants received in advance - previous forecast did not take into account the amounts received in advance of use.
<b>Parks &amp; Foreshore</b>	65	(19)	(31)	Increased beachut licence fees and rental and grants received
<b>Environmental Services (Waste)</b>	(64)	(17)	9	JOINT: Vehicle costs overspend lower than forecast. ADC: Disposal costs lower than predicted WBC: Disposal costs lower than forecast but offset by higher shortfall in trade waste income.
<b>Bereavement Services (Crematorium)</b>	3	-	170	Increased shortfall in income. Partly demand compounded by fees not being increased in January 2021 in line with 2021/22 budget assumption
<b>Director of Digital and Resources</b>				
<b>Digital &amp; ICT</b>	(86)	-	-	Underspend on MFD and Digital Services not previously forecast.
<b>Benefits</b>	(117)	28	374	Joint: Previously reported staffing overspend was funded from grant income in Adur and Worthing. ADC & WBC: Increased staff costs funded from Covid and new burdens funding.
<b>Finance</b>	(651)	110	44	JOINT: The previously reported contingency underspend have now been utilised or committed and shown within overspends throughout other services ADC&WBC: Back funded pension costs higher than budgeted.
<b>Sustainability</b>	87	5	42	Staffing costs anticipated to be capitalised or funded from Grant schemes has not been possible.
<b>Finance:Treasury Interest</b>	-	(32)	(53)	ADC & WBC: Net interest reduction. Decrease in income receivable is offset by the fall in interest payable on borrowing due to the re-profiling of the capital program.
<b>Director of the Economy</b>				
<b>Major Projects and Investment (Estates)</b>	(7)	(60)	104	WBC: Additional Service fee costs and business rates for void periods and unbudgeted managing agent fees.
<b>Major Projects and Investment (Major Projects)</b>	(76)	25	319	JOINT: Previously projected shortfall in recharges to Capital projects was not as high as anticipated. WBC: The feasibility budget was projecting an underspend as costs previously charged to revenue were to be capitalised but the schemes hadn't commenced and were not able to be transferred. Costs associated with Teville Gate to be funded from Reserves.

Service Area	Joint £000s (improvement)/ deterioration)	Adur £000s (improvement)/ deterioration)	Worthing £000s (improvement)/ deterioration)	Description of Significant Variations
<b>Place and Economy (Economic Development)</b>	(2)	(13)	125	Increased income in concessions will offset loss of income from Markets, the Worthing Observation Wheel & Bus Shelter advertising. Shortfall in anticipated EU funding - Re-opening the High Street grant.
<b>Planning and Development (Development Control)</b>	67	(90)	(118)	ADC & WBC: Planning applications received higher than predicted for last quarter.
<b>Technical Services</b>	366	(47)	(4)	Joint: Capitalisation of Surveyors and Engineers costs lower than expected. Shortfall in income from the lease of Portland House against budget.
<b>Emergency Planning</b>	(52)	-	-	
<b>Leisure</b>	-	88	61	ADC: Increased ongoing support required from the Council for the closing of the Leisure facilities due to the pandemic.
<b>Cross Cutting services</b>				
<b>Maintenance</b>	10	(20)	(98)	WBC: Some works have been delayed which have reduced the projected outturn position along, plus reduced maintenance required on the Town Hall and Portland House because of the Workspaces project. In addition there are reduced maintenance costs for the Cremators due to the reduced number of cremations.
<b>Energy Costs</b>	28	46	94	Increased cost pressure relating to energy and water.
<b>Rates</b>	-	117	(13)	Various small variances in rates costs identified. The rates costs for the core and investment void properties are included within Major Projects variances.

	(Under)/ Over Spends £'000
<b><u>Variations in Income and Running Costs:</u></b>	
Dwelling Rent & Service Charge void loss	214
Leasehold Service charges	13
Staff vacancies - Repairs & Maintenance and Tenancy Support senior posts (now recruited)	(294)
Repairs & Maintenance - over spend on subcontracted works	135
Council Tax - increase due to higher volume of voids than budgeted	51
Provision for Bad Debts - increase in provision due to increased total arrears and associated costs	81
Other	(15)
<b>TOTAL VARIATION IN RUNNING COSTS:</b>	<b>185</b>
<b><u>Variations in Treasury Management and Capital Costs:</u></b>	
Interest payable - expected increase in borrowing levels to fund capital programme	43
Depreciation	236
Interest receivable	6
<b>TOTAL VARIATION IN TREASURY MANAGEMENT AND CAPITAL COSTS:</b>	<b>285</b>
<b>TOTAL VARIATION:</b>	<b>470</b>

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ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
5 July 2022

Joint Overview & Scrutiny Committee  
14 July 2022

Key Decision [Yes/No]

Ward(s) Affected: All

## **Developing a revenue budget for 2023/24 against a backdrop of high inflation**

**Report by the Director for Digital, Sustainability & Resources**

### **Executive Summary**

#### **1. Purpose**

- 1.1 The purpose of this report is to propose a budget strategy for the development of the 2023/24 budgets with the added challenge this year of high inflation. When the 2022/23 budget was set, the war in Ukraine had yet to start and this continues to affect global economies with a prolonged impact on the energy markets and the consequential cost of living challenges which confront our communities as well as ourselves.
- 1.2 It is a long time since the Council had any certainty during budget setting and 2022/23 looks set to continue this trend. Having come through a pandemic, the Council now has to address this challenge of high inflation which looks set to impact a number of our costs significantly. The impact of any fairer funding review is now looking likely to be deferred yet again for a least a further year, but the councils do not know what will replace it for 2023/24; the Councils have had to address the impact of the recent industrial dispute and has a proactive programme of job evaluation review at the lower grades underway. This continues to influence our costs; and inevitably the difficult economic climate will continue to influence a number of budget lines, from Council Tax revenues to income for services such as car parks.
- 1.3 The Councils have had a clear strategy for facing the challenges of rapidly changing local government finance. It is now important to build on this strategy to meet the new and emerging challenges but within the context of supporting our local communities and economies. Over the next six months further work will be undertaken to re-assess and renew our medium term financial strategy,

leveraging funding and investment from new sources and maximising council spend locally in the context of a fast changing economy.

- 1.4 Now more than ever, careful financial management is required to ensure that we manage both the emerging in-year pressures and the implications for the future, whilst driving forward with our emerging corporate strategy. Our financial strategy will need to include managed and prudent increases in council tax, and a clear focus on driving efficiency and productivity.
- 1.5 This report aims to set out how the Councils will address the challenges of the next few years, outlining the revenue forecast and setting out our strategic response to the challenges ahead. With the detailed budget proposals for 2023/24 coming forward to the Joint Strategic Committee in December, this report sets out the broader context for the detailed work that will be undertaken over the intervening months.
- 1.6 As set out in the following pages, the Councils will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our Councils have a good track record in innovation, working creatively in partnership, transforming our digital capabilities and putting the customer at the heart of our services, so that we have capacity to continue to deliver our aspirations for our Councils. Innovation in funding, investment and commercial income will be ever more important, aligned to key goals such as housing provision, tackling the climate crisis and supporting the local economy.
- 1.7 Our new corporate strategy is being developed which will influence the final shape of the budget when it is set for 2023/24.
- 1.8 Work has been underway for some time to address our financial challenges for 2023/24 and beyond. This will continue over the summer and autumn, and the Organisational Leadership Team will be working to produce new financial plans designed to deliver a balanced budget over the next 3 years. The outcome of the service planning process will be presented to the Joint Strategic Committee for approval in December 2022 as part of the development of the 2023/24 budget.

## **2. Recommendations**

- 2.1 The Joint Strategic Committee is recommended to:
  - (a) Note the report and the outline 5-year forecasts in Appendix 3;
  - (b) Approve the proposed budget process as set out in section 6 of the report;

(c) **Recommend** to the Councils to approve the Budget Strategy for 2022/23 outlined in Section 9 of the report.

2.2 The Joint Overview and Scrutiny Committee is asked to note the content of the report.

### **3. Current position in 2022/23**

3.1.1 Since the budget was set in February, there have been some significant issues which influence the Council's financial prospects for both the coming year and 2023/24 onwards. Below are details of the preliminary assessment of the impact of these issues.

#### **1. Cost of living crisis**

The current inflation rate will impact on the Councils budgets. It is expected that inflation will increase to 10% during the current financial year and not return to more modest levels until 2024/25. Against this backdrop the annual pay award will be negotiated.

Firstly, we now expect the annual pay award to exceed 4%. Our budget contained an allowance of 2%. This will cost the Councils in excess of £0.8m based on an in-year award of 5%, with a further increase of over £680,000 expected in 2023/24 (4.5%).

Fuel costs are expected to increase by at least 50% for electricity and diesel, and potentially over 300% for gas when the contracts are renewed in September 2022 which may provide further cost pressures of £689,000 across the two councils. The decarbonisation programme and the speedy delivery of the heat network will help reduce these pressures, however these schemes take time to deliver and so the cost pressure will persist for at least another two years. The Council has some contingency budgets in place to help manage inflationary pressures but the level of challenge is significant.

Inflationary pressures will also impact on some of our partners such as South Downs Leisure Trust who we expect to approach the Councils for additional financial support.

#### **2. Waste dispute**

Following the waste dispute, the Councils will face ongoing unbudgeted salary costs of around £250k per year and net lost income of £75k per

year. There is now pressure from other services to review salary levels which may increase this cost further. However, it is essential that we are fair to our staff so any increase to such costs will have to be accommodated within the overall budget.

### **3. Delay to the funding review**

The funding review is now expected to be delayed a further year. The Council is waiting to be notified of the Council Tax referendum limit for 2023/24. In most financial years this is constrained to 2%, however it may be increased for 2023/24 but, for now, we should plan for a 2% limit.

### **4. Improvement to business rate forecast**

Income from business rates is expected to increase by 5% in 2023/24 as it will be linked to CPI in September. In addition, a number of new properties are now completed which is improving the overall position particularly in Worthing (Teville House, Bayside and Beales).

As a result of the new pressures our financial position is worsening both in the current financial year and next year. Within 2022/23 we are now expecting to overspend largely to do with inflationary pressures. The Chief Executive has already approved the use of reserves to fund the impact of the waste dispute in the current year which has at least addressed this pressure.

#### ***2022/23 - Impact of pressures in the current financial year:***

The potential impact of the inflation pressures in 2022/23 is as follows:

	Adur 2022/23 £'000	Worthing 2022/23 £'000	Total £'000
Impact of inflation on our budgets:			
Salary award	330	510	840
Energy pressures	92	321	413
Additional support for leisure		90	90
Total inflationary pressures	422	921	1,343
Less: Inflation contingency budget	-67	-158	-225
Covid contingency budget	-144		-175
Net impact	201	763	1,118

However, the Council is also taking commercial risks in a number of areas - such as car parking income where income is still not recovering as expected and so this position may worsen.

To help support the budget in 2022/23 the following measures have been implemented:

1. Any underspend from 2021/22 is placed in the working balance with the express intention of supporting the in-year position. To maximise the amount available, we will not allow for any carry forward of 2021/22 underspend this year.
2. Any emerging underspend in the current year 2022/23 will be held corporately to manage in-year pressures.
3. All major projects / contracts are put on hold unless it is an initiative that either:
  - a. Improves our financial position; or
  - b. We are committed to delivery via a funding agreement; or
  - c. We are already contractually committed to the project; or
  - d. Addresses health and safety concerns; or
  - e. The project is identified as a key priority in the new corporate strategy.
4. Vacancy control measures have been introduced for all posts including agency staff. This will also support the budget measures required to balance the 2023/24 budget.

3.1.2 In addition, the Councils have continued to maintain reserves with which to mitigate this risk. It is currently estimated that the Council will have the following unallocated reserves available to manage the shortfalls emerging:

Unallocated resources	Adur £'000	Worthing £'000
Working balance	951	1,543
Capacity Issues Reserves	392	446
Special and other emergency reserves	60	0
	1,303	1,989

Given the relatively low level of reserves, these will need to be carefully managed to ensure that they remain available to support our financial position.

#### **4. 2023/24 and beyond**

- 4.1 Both Councils have successfully managed to maintain a balanced budget over recent years despite the considerable financial challenges presented by the withdrawal of Government funding and the pandemic. Council Tax increases have been kept to a minimum, with the Councils choosing to freeze or reduce the Council tax when possible.
- 4.2 However, the financial pressure continues with the current inflationary pressures presenting the Councils with significant new challenges. Revenue support grant has already disappeared; New Homes Bonus has now been virtually phased out with no indication of whether it will be one more year in 2023/24; and the Councils expect a reduction in the level of retained business rates when the business rate system is eventually reset as part of the funding review. Local Government funding has changed considerably since 2010, and the pace of change is set to continue with the proposed changes to the business rates system and the new distribution of needs-based funding.
- 4.3 It is also clear from the review led by the new CEX that there is a need to look at the organisational design in the round as multiple rounds of cuts and in year changes has meant that we have a number of vital services which lack the resilience that is needed to support our communities. This is the focus of the developing Corporate Plan which aims to ensure that we have a sustainable organisational operating model, underpinned by a balanced budget.
- 4.4 Members are being asked to consider the budget strategy at an early point in the year to enable the Councils to plan ahead. There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met. This provides the opportunity for the corporate plan process to reflect the budget strategy and for prioritisation work to be robust.

#### **4.5 Funding from taxation**

##### **4.5.1 National context and external factors**

Over the last decade the Councils have seen a considerable reduction in the level of funding from the Government. For 2022/23, there was another 1 year settlement with the funding review delayed yet another year.

The Chancellor's Budget on the 23rd March held little for local government. There was an expansion of the Household Support Fund (from £0.5bn to £1bn) and some re-announced business rates measures. The longer term prospects for local government funding are largely unchanged: the departmental expenditure limits that were announced in the Spending Review in October 2021 remained unaffected by the budget statement.

Consequently, the Councils should not expect any increase to funding beyond that already announced to address any new spending pressures such as that caused by inflation. The Chancellor is unlikely to prioritise further funding increases for the remainder of this Spending Review period (to 2024-25) – and beyond that the public finances are expected to be back under control.

#### 4.5.2 Reform of Local Government Finance

The Councils have been expecting some fundamental changes to the distribution of Local Government funding for some time. There are two elements to this reform:

- The Funding Review which considers how business rates and any government funding would be distributed across the Country in future.
- The review of the business rate retention scheme.

However, it is looking increasingly likely that the impact of this review is now delayed until next year at the earliest. As far as we are aware, no working parties have been convened to consider any proposals and no consultation on the new funding system is planned, consequently it is unlikely that any reform will be introduced for 2023/24 and any changes to the current funding regime are likely to be marginal.

Nevertheless, the Government remains committed to reform and there is a possibility that the change will be brought in earlier but significantly damped to allow Councils time to change their financial plans.

#### 4.5.3 The Government has been reviewing the business rates system for some time, with some improvements introduced following the consultation last year including:

- a new temporary relief for eligible retail, hospitality, and leisure properties; freezing the multiplier in 2022 to 2023;
- introducing support for investment in green Plant and Machinery (P&M);
- introduction of a new improvement relief; and
- extensions to the Supporting Small Business and Transitional Relief Schemes.

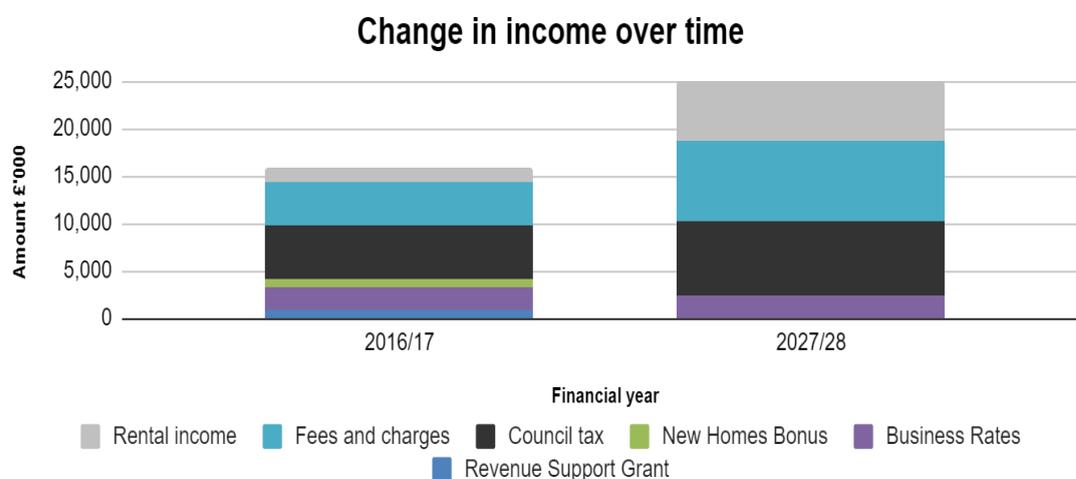
We are now moving towards three yearly business rate revaluations with the next valuation planned for 2023.

#### 4.5.5 The changes to how the Councils are funded:

##### 4.5.5.1 The Councils receive three distinct funding streams from taxation which are discussed more fully later in the report:

- Business Rates;
- New Homes Bonus; and
- Council Tax

Revenue Support Grant (RSG) has ceased to be a funding source for the Councils and the underlying make-up of funding to the Councils continues to change rapidly with increasing proportions coming from fees and charges, rental income, Council Tax and the Business Rate Retention Scheme. New Homes Bonus has been substantially reduced and has been phased out, the only question is whether there will be a further one-off grant for 2023/24.



(Using Adur as an example)

These changes to local government funding have influenced how the Councils view both the building of new homes and the creation of new employment space. The Councils are taking an increasingly proactive role in stimulating the local economy through the current Platforms for Our Places strategy, whether this is through the provision of office space to attract high quality employers or through working with business to facilitate the development of sites within the areas to stimulate the economy. Our strategy is currently being reviewed but the importance of new homes and the creation of new employment space remains and will be reinforced in the new Corporate Plan.

#### 4.5.6 Income from Business Rates

Under the current business rate retention scheme, District and Borough Councils are entitled to retain a 40% share of the business rate income raised locally. However the system is complex, with the share retained being reduced by a series of nationally determined adjustments (the Tariff and the levy).

Ultimately the Scheme allows councils to keep a small element (20%) of any growth in business rate income over a retained 'baseline' amount. The

forecasting of overall business rate income is always difficult due to two factors which are discussed in more detail below:

- i) The continuing impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential further reform of the business rate system and the impact of the funding review.

The forecasts contained within the report are based on the current business rate system but with the assumption that there will be a 50% loss of surplus Business Rate income from 2024/25 onwards, however this is dependent on the progress of the Funding Review (FR). This is an improvement on previous forecasts which had assumed that the Councils would receive less business rate income in 2023/24 due to the implementation of the FR.

There are three aspects of this scheme which will ultimately influence the amount of business rate income retained locally and also the Councils' budgets in the medium term:

#### **1. The 'Tariff':**

Whilst the Councils are entitled to retain 40% of all business rate income, they are then obliged to pay over a substantial element of these retained business rates to the Government via an adjustment known as the Tariff. The 'Tariff' is due to be reset as part of the funding review as the assumption for budgeting purposes is that this will increase by inflation for 2023/24. However the scale and timing of any adjustment to the tariff beyond 2023/24 is difficult to quantify at the moment due to the uncertainties around the fairer funding review.

#### **2. Target income from Business Rates (Baseline funding):**

Every year the Councils are set a target by the Government of how much business rates to collect. If this target is exceeded, the Council can keep 20% of the extra income in addition to the baseline funding amount. If there is a shortfall, then the Councils will have to make up 40% of the difference, although the maximum loss of income is limited to 7.5% of baseline funding.

The Councils have developed a five year model for business rate income which underpins the medium term financial plan. This includes the impact of larger developments currently being built, known changes to the rateable values and any new charitable reliefs being awarded. A summary of the expected additional business rates is detailed below:

<b>Adur</b>	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Baseline funding	1,767	1,767	1,802	1,838	1,875	1,913
Retained surplus rates	766	941	480	488	496	508
Total business rate income kept locally	2,533	2,708	2,282	2,326	2,371	2,421
Net business rate income collected	18,279	18,279	18,646	19,010	19,373	19,780
Percentage retained locally	13.86%	14.81%	12.24%	12.24%	12.24%	12.24%

<b>Worthing</b>	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Baseline funding	2,693	2,693	2,747	2,802	2,858	2,915
Retained surplus rates	673	845	411	417	421	433
Total business rate income kept locally	3,366	3,538	3,158	3,219	3,279	3,348
Net business rate income collected	31,331	31,402	31,857	32,480	33,098	33,795
Percentage retained locally	10.74%	11.27%	9.91%	9.91%	9.91%	9.91%

Members should be aware that there is significant volatility around aspects of the system, such as appeals, which make it difficult to forecast income with accuracy.

One of the features of this system is that the Councils determine how much Business Rate income that they are entitled to from the Collection Fund at the outset of the new financial year. Once set, this total cannot be changed irrespective of any changes to the net business rate income within the year. Any surplus or deficit, due to changes in the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated.

It is intended to refine the forecast of the business rate income over the coming months and to project forward the impact of new developments where planning permission has been granted but building has not yet started. There are a number of new developments in progress or recently

delivered which will ultimately benefit the business rate income for both Councils. These include:

- New Monks Farm site in Adur – The sale of the former IKEA site is being closely monitored. Any new development will be employment led and will benefit Adur once built.
- Free Wharf, Western Harbour Arm in Adur includes new commercial floorspace and is likely to be completed by 2023
- Union Place in Worthing – The development will take 3 – 4 years to complete once planning permission has been granted.
- Teville Gate in Worthing – This key development site is currently being progressed. The development will take 3 – 4 years to complete once planning permission has been granted. In addition Teville House has now been completed with a current rateable value of 450,000.

Clearly, if the business rate income improves in 2022/23, then the increase could be used to support the budget in 2023/24. An update to the likely surplus or deficit will be undertaken later in the year.

#### 4.5.7 New Homes Bonus

The Coalition Government introduced the New Homes Bonus (NHB) in 2011/12 which was specifically targeted at rewarding increases in the number of homes included in the Council Tax base, dealing with empty properties, and increasing the supply of affordable homes.

This scheme is now being phased out, with the New Homes Bonus generated in 2022/23 being paid for one year only (Adur £156,520 and Worthing £155,670). At present there are no indications of whether there will be any further funding. Given the transitional nature of NHB, it is proposed that if any further grant is forthcoming that it is used to create a contingency budget.

New Homes Bonus	2022/23	2023/24 and beyond
	£'000	£'000
Adur	157	0
Worthing	156	0

#### 4.5.8 Council Tax

Council Tax is now the Councils' major source of general income from taxation. It is now 70% of the total taxation income received by Adur District Council and 72% of the income received by Worthing Borough Council. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

The Councils have kept increases to a minimum over the past several years, opting to freeze or reduce Council Tax where possible whilst government support for such initiatives was available.

The Councils are well aware of the long term consequences of these decisions. Looking ahead the decision whether or not to increase Council Tax will have inevitable consequences for the Councils.

Clearly the loss of income will have an impact on the budget shortfall which would add to the level of savings required for the future.

However, the decision whether to freeze Council Tax is a finely balanced one. The Councils have a policy of keeping Council Tax low and the cost of freezing council tax in any particular year is fairly low, but the cumulative impact is more significant. Therefore the Councils are faced with the dilemma of increasing Council Tax or finding additional savings to support a Council Tax freeze. This is particularly pertinent in the next two years when the Councils have to find savings of over £6.3m.

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2.00% or £5.00 per Band D property. At this time we do not know the referendum limit for the 2022/23 Council Tax increase. The Consumer Price Index (CPI) was 9% in April 2021 and is expected to increase over the forthcoming months. However there are no indications whether the Council will be willing to allow a higher threshold for 2023/24 in light of the inflationary pressures on Councils. Consequently for the purposes of planning it is assumed that the limit will be retained at 2%. A 2% increase would be equivalent to £6.35 per year for a Band D property in Adur and £5.05 per year for a Band D property in Worthing.

So, even if the Councils were minded to increase Council Tax, there is an imposed limit on the actual increase that the Councils can make. Members should be aware that a 1% change in Council Tax is equivalent to £69,240 in Adur and £100,360 in Worthing for 2023/24.

The current outline forecasts assume that the Councils will set the following increases over the next 5 years:

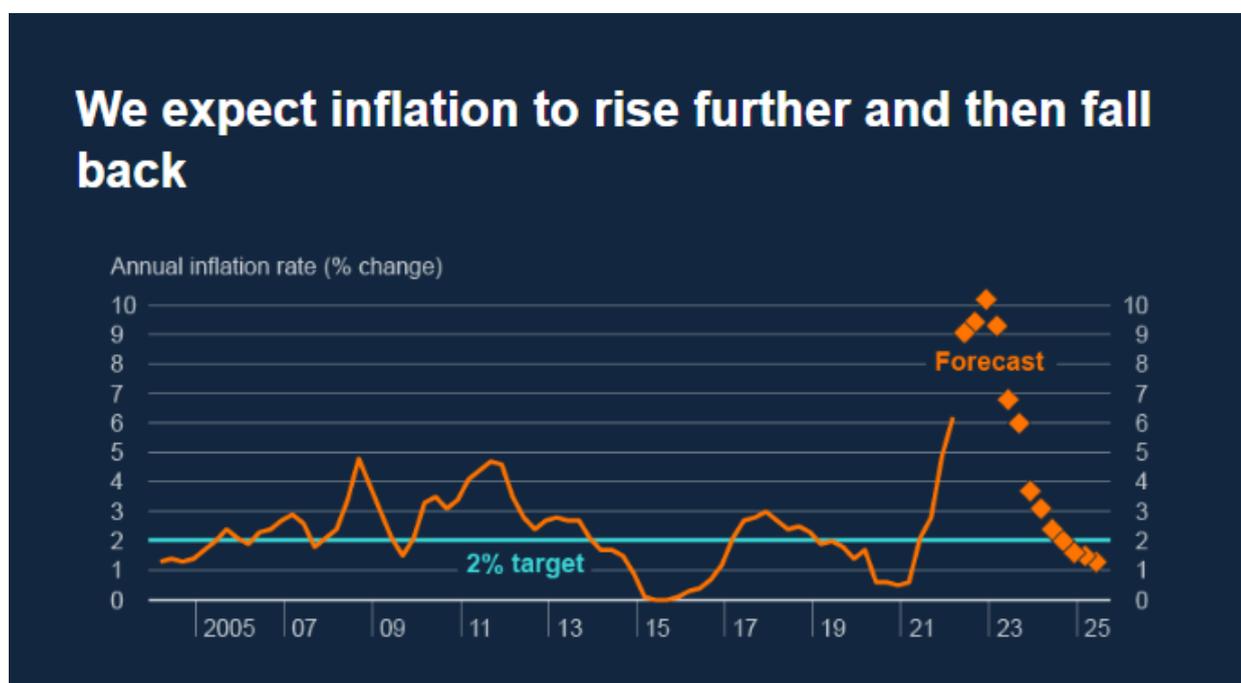
2022/23	2023/24	2024/25	2025/26	2026/27
2.0%	2.0%	2.0%	2.0%	2.0%

#### 4.6. Other budget pressures in the next 5 years

4.6.1 In addition to the pressures identified above, the Councils have a number of key financial issues that need to be addressed over the coming 5 years. Most of these were highlighted in the revenue budget report presented to Members earlier this year, and arise not from increasing service levels or delivering new services, but simply from maintaining current services. The most significant of these impacts are detailed below:

##### 4.6.2 Pay and Prices

4.6.2.1 The largest source of immediate cost pressure in any given year comes from inflation. General inflation is currently at 9.0% (CPI) which is significantly above the target 2% set by the Bank of England. The Bank of England expect the rate to continue to rise to 10% before falling back to 2% in two years time.



Source: Monetary Policy Report - May 2022

The high inflationary pressures will influence the pay negotiations for both this and next year. These pressures not only impact on the Council but will impact on our contractors and so we should provide for an increase to our major contractual arrangements as well.

4.6.2.2 In addition to general inflation, the Council will need to allow for any pay award for 2023/24. It is expected that the current years negotiations will result in a pay award in excess of 4%, and inflation is set to remain at a high level for some time to come consequently the budget is allowing for a 4.5% pay increase in 2023/24 with rates not expected to return to around 2% until 2024/25 at the earliest. The inflation provision will be reviewed on an annual basis and amended for 2024/25 and beyond if needed when the MTFP is reviewed next year.

4.6.2.3 The following pay and price inflation allowances have been built into the 5-year forecast which reflects the forecast provided by the Bank of England:

	2023/24	2024/25	2025/26	2026/27	2027/28
	%	%	%	%	%
Pay*	4.5	2	2	2	2
Supplies and** Services	2	2	2	2	2
Income	4	2	2	2	2

\* An additional allowance for increments has been included in each of the budgets as follows:

Adur	Worthing	Joint Strategic Committee
£'000	£'000	£'000
5	10	235

Increment costs vary year on year due to the impact of re-gradings and recruitment. This is reassessed annually.

\*\* Energy and fuel inflation has been separately allowed for and expected to be at least 50% on electricity and diesel, and up to 300% on gas.

Overall net pay and price inflation is expected to add to the 2022/23 base budget over the next 5 years as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Adur*	303	601	896	1,197	1,495
Worthing*	493	982	1,460	1,931	2,414
<b>Note:</b>					
Joint Services * (included above)	1,408	2,159	2,906	3,637	4,383

Income is assumed to increase by 4.0% in 2023/24 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation for 2023/24 particularly in relation to pay at this early point in the year. A 1% difference in the inflation assumptions is equivalent to:

	Adur	Worthing	Joint
	£'000	£'000	£'000
Pay	5	9	267
Supplies and Services	21	110	19
Income	-28	-98	-32
<b>Total</b>	-2	21	254
<b>Share of joint inflation</b>	102	152	-254
<b>OVERALL TOTAL</b>	100	173	-

#### 4.6.3 **Interest rates**

The bank interest rates have remained low throughout 2021/22 but have begun to rise. The base rate is currently 1% in comparison our cash investments in the CCLA property funds currently yield about 4%. The base rate is expected to rise to help combat the increases to inflation. These will influence both the returns that the Council is likely to get on any cash investments and the cost of any borrowing associated with the capital programme. There is considerable uncertainty at the moment about interest rates and our treasury advisors indicate that they will stay relatively low for a longer period of time. Built into the 5 year forecasts are the following assumptions regarding average investment yields:

	2023/24	2024/25	2025/26	2026/27	2027/28
Average interest yield	1.50%	1.71%	1.71%	1.92%	2.13%

Each 0.5% change in interest rates is equivalent to £50,000 (based on £10,000,000 investments).

#### 4.6.4 Impact of Platforms for our places:

4.6.4.1 Contained within the Medium Term Financial Plan are a number of commitments relating to the delivery of Platforms for our Places. These are due to be reviewed in light of the new emerging Corporate Plan and so may be changed or reprofiled. In summary the amounts currently provided are:

Impact of Platforms for our places	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
<b>Adur District Council</b>					
Measures to reduce waste - Impact of the Environment bill	72	72	72	72	72
Bike share scheme	28	28	28	28	28
Heat Network	0	10	10	10	10
<b>Total</b>	<b>100</b>	<b>110</b>	<b>110</b>	<b>110</b>	<b>110</b>

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
<b>Worthing Borough Council</b>					
Measures to reduce waste - Impact of the Environment bill	128	128	128	128	128
Refurbishment of High Street Car Park - Financing costs	46	255	255	255	255
Brooklands improvement programme - net costs	7	23	43	43	43
Bike share scheme (£52k already included in the 2022/23 budget)	37	37	37	37	37
Heat Network	0	121	121	121	121
General provision for future impact of major projects	0	284	484	684	684
<b>Total</b>	<b>218</b>	<b>848</b>	<b>1,068</b>	<b>1,268</b>	<b>1,268</b>

#### 4.6.4.2 Impact of the new Environment Act

The new Environment Act passed into legislation in November 2021. There are three changes which have a potential financial impact on the Councils:

- i) Consistency in the range of recycling materials collected and the method of handling the materials.
- ii) The implementation of charges for the producers of packaging towards the costs of disposal (Producer pays principle) which will be distributed to local government although it is unclear how this will be distributed.
- iii) The implementation of weekly food waste collections by 2024/25.
- iv) The potential requirement to provide free fortnightly garden waste collections to all households (which is currently a weekly, chargeable, subscription service).

The Government has committed to funding the net cost of the proposed changes including the cost of implementation and any capital costs. However, at this time there is little information on how any funding mechanism will work and whether the funding is sufficient to cover the costs of the changes made.

Further reports on the impact of the new Environment Act will be presented to the Joint Strategic Committee in due course. At present, an allowance of £200,000 is allowed in 2023/24 for the implementation of the new arrangements. This allowance will be reviewed during the Summer.

#### 4.7 Councils' Budget and Shortfall:

4.7.1 A summary of the position for 2023/24 is therefore:

	Adur £'000	Worthing £'000
Main cost pressures:		
Inflationary pressures in excess of the likely increase in Council Tax	835	1,649
<b>Changes in funding from taxation</b>		
Fall out of one off funding for 2021/22	121	185
Change in retained business rates	-175	-172
Change in New Homes Bonus	157	156
Changes in Council Tax Surplus / Deficit	-61	-36
Total change to funding from Government	42	133
<b>Impact of funding the Council's strategy</b>		
Impact of the Environment Act	72	128
Refurbishment of Car Parks - Financing costs		46
Brooklands improvement programme - net costs		7
Bike share scheme	28	37
Overall impact of funding the Council's strategy	100	218
<b>Other items:</b>		
Net impact of the capital programme	73	314
Improvement in investment income	-105	-121
Impact of industrial action	117	208
Removal of one-off budgets	-175	0
Income recovery following pandemic	-26	-93
Extension of Council Tax Support Scheme	0	137
Increase to building maintenance budgets	0	50
Contingency for committed growth	70	90
Provision for new growth items	70	90
Other items	0	-2
Overall savings to be met by the budget strategy / Surplus (-)	1,001	2,673

Note: This breakdown of the cost pressures is given at an early point in the financial year; consequently a contingency amount has been added for unidentified items and known budget risks. This will be stripped out as the year progresses.

4.7.8 The overall estimated budget shortfall for both Councils is expected to increase for the next five years is as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>ADUR</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	1,001	1,958	2,338	2,692	2,943
Annual shortfall	1,001	957	380	354	251
Total net budget funded by taxation	9,871	9,581	9,787	9,997	10,215
Annual savings as a percentage of overall net budget (%)	10.14%	9.99%	3.88%	3.54%	2.46%

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>WORTHING</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	2,702	4,341	5,209	5,933	6,381
Annual shortfall	2,702	1,639	868	724	448
Total net budget	13,717	13,582	13,892	14,206	14,536
Annual savings as a percentage of overall net budget (%)	19.70%	12.07%	6.25%	5.10%	3.08%

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>JOINT SERVICES**</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	3,770	4,650	5,038	5,650	6,275
Annual shortfall	3,770	880	388	612	625
Total net budget	24,477	24,477	24,966	25,216	25,468
Annual savings as a percentage of overall net budget (%)	15.40%	3.60%	1.55%	2.43%	2.45%

## 5. Reserves Position

Both Councils have an established policy to maintain working balances at a minimum level of 6% and a maximum level of 10% of net expenditure. However, the working balance was increased substantially at the end of 2019/20 to manage the risks associated with the pandemic with the expectation that this would be available to manage the financial losses resulting from the emergency. The level of General Fund working balance as at the 1st April 2022 is estimated to be:

	<b>Adur</b>	<b>Worthing</b>
	<b>£'000</b>	<b>£'000</b>
Working balance	1,051	1,351
Net budget	9,742	13,785
Percentage held	10.8%	9.8%

The working balance was deliberately increased in 2019/20 to help fund the consequences of the pandemic, however maintaining a high working balance will also help mitigate against the current inflationary pressures. In addition to the General Fund reserves, the Councils can access other major reserves to help smooth the impact of Council Tax increases and levels of savings necessary:

- The Capacity Issues Fund which was set up to help the Council cope with a range of cost pressures including cushioning the impact of the recession and to fund one-off initiatives (both Adur District Council and Worthing Borough Council);
- The Special and Other Emergency Expenditure Reserve which was set up to fund any strategic or one-off expenditure that may arise (both Adur District Council and Worthing Borough Council).

The Councils have a policy of actively contributing to these reserves when possible by proactively managing the inflation provision. In addition, where possible, the Councils are opting to use the ability to use capital receipts to fund initiatives which make on-going savings (capital flexibilities) to further protect the reserves position. It is estimated that the balance available to support the budget will be:

	Adur District Council		Worthing Borough Council	
	Balance as at 31-Mar-22	Uncommitted resources*	Balance as at 31-Mar-22	Uncommitted resources*
	£'000	£'000	£'000	£'000
Capacity Issues Reserve	674	445	1,306	396
Special and other emergency expenditure reserve	60	60	0	0
<b>Total</b>	<b>734</b>	<b>505</b>	<b>1,306</b>	<b>396</b>

\* This allows for approvals to use the resources from 2022/23 onwards.

## 6. Options for addressing the budget gap in 2023/24 and beyond

6.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget, particularly if the Councils want to deliver on the initiatives emerging from the new strategies. The savings process to be followed for the development of the budget has five stages:

1. A Budget Challenge involving senior leaders across the organisation during July, working collaboratively to identify and prioritise further opportunities for savings and income.
2. Subsequently giving Directors responsibility for identifying any further proposals required to meet a significant proportion of the savings targets which are to be considered by the Council Leadership Team in the autumn.
2. The Leader and Executive Members will then consider the proposals identified to meet the 2023/24 budget shortfall which fit with the Councils' priorities.
3. The savings proposals are then considered by the Joint Overview and Scrutiny Committee with a view to commenting on those which will impact on the Worthing Borough Council budget. Joint Overview and Scrutiny Committee can also add to the list of proposed savings with additional proposals as considered appropriate.
4. Consideration by the Joint Strategic Committee of which of the savings are to be used to fund the budget shortfall.

A flowchart with outline timescales for the 2023/24 budget is attached at Appendix 1.

6.2 The Councils fundamentally reshaped the budget strategy back in 2016/17, with new explicit strands of work designed to balance the budget and support the delivery of the Councils' priorities. The focus of this strategy has been to increase income generation and reduce the savings to be delivered from service reductions – nevertheless each year additional savings will still need to be found with a substantial challenge arising for 2023/24. Currently it is estimated that around £2.7m of savings still need to be found across the Councils, this would be equivalent to a reduction in the staffing budget of around 10%.

6.3 This programme will continue to be shaped over the coming months by the strategic work streams which are discussed in more detail below. The programme of work will be also be reassessed as the Corporate Plan is developed. The proposed targets for the main programmes of work are:

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Main programmes:						
Strategic Property Investment Fund	(200)	552	200	200	200	952
Commercial income growth	600	600	600	600	600	3,000
Digital service redesign Programme	200	200	200	200	200	1,000
Corporate Landlord programme	135	135	175	190	190	825

6.4 Each programme of work is overseen by an internal working group as follows:

1. The Major Projects Board leads on delivering projects to increase employment space and additional housing;
2. The Commercial working group leads on the delivery of the income growth from commercial services and seeks to improve the customer experience.
3. The Strategic Asset Management Board leads on delivering the income growth associated with the Strategic Property Investment Fund and the property disposal programme.

5. The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.

6.5 These strands of work reflect the priorities identified as part of the Councils' current strategy 'Platforms for our Places' In developing our new corporate plan we will be reviewing all these strategic activities and either stopping them or reshaping them to reflect priorities agreed as part of that process. We report on them here as they remain in delivery until that review has happened.

**Platform 1: Prosperous places**

The Councils will:

- i) Provide strategic support to the business sectors to drive growth across Adur and Worthing facilitating the creation of more employment and retail space thereby increasing business rates income.
- ii) Invest in and deliver major projects and key infrastructure to increase employment space and new homes
- iii) Use the Council's Strategic Property Investment Fund to support the delivery of projects to support our economies and deliver new revenue streams. This will be achieved through the identifying opportunities to develop new commercial properties which supports the economic regeneration or wellbeing of our areas. To facilitate this, within the capital strategy, funding is released each year for opportunities that will generate a return of between 2% and 3% after allowing for any financing costs. It should be appreciated that actual spend in any given year will be dependent on successfully identifying properties to purchase. An element of the additional income will be set aside each year to help fund the impact of any future void properties and support the future cost of property improvement.

Per Council	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Expected cumulative return (after debt charges and allowance for voids)	(200)	552	200	200	200

- iv) Promote initiatives to increase employment and reduce the burden on the public purse associated with benefits and poverty.

## **Platform 2: Thriving People and Communities**

The Councils will:

- i) Provide and enable the delivery of new homes across Adur and Worthing. The delivery of new homes will increase Council Tax income and lever in any government reward grant available (e.g. New Homes Bonus). On average each new home built (Band C) will generate £280.30 for Adur District Council and £224.32 for Worthing Borough Council in Council Tax income. There are a significant number of developments either being delivered or considered by both Councils. Adur District Council, via the HRA, is directly delivering a number of schemes to improve the supply of affordable homes.
- ii) The Council will prevent homelessness. As part of this, the councils have been proactively looking at ways in which to reduce the costs of accommodating residents in temporary and emergency accommodation including:
  - a) Preventing residents from becoming homeless;
  - b) Working with landlords on delivering fit for purpose, cost effective accommodation through the Open Door scheme; and
  - c) Acquiring or developing Council owned accommodation to meet community needs. Two new schemes have recently been approved to date which will generate savings for the Council whilst providing good quality temporary and emergency accommodation.

## **Platform 3: Tackling Climate Change and Supporting our Natural Environment**

The Councils will:

- i) Becoming Carbon Neutral by 2030

As part of this commitment, the councils will investigate new options for a solar farm, and additional options for widespread solar PV. £968,000 has been allocated to deliver these and other energy efficiency improvements in the 2022/23 capital investment programmes. A detailed Carbon Reduction Plan has been developed which identifies prioritised interventions to deliver cost effective carbon reduction and long term cost savings.

ii) Reducing waste, increasing reuse, recycling and composting

Engage with our communities to promote and support the zero to landfill objective thereby minimising the costs associated with meeting the new requirements of the Environment Act.

**Platform 4: Good Services and New Solutions**

The Councils will identify and maximise the financial return on our services to support the Council's budgetary position by:

a. Increasing the range of modern digital services:

The Councils have embarked on a radical digital transformation programme. There is an ongoing programme of work designed to lever in significant savings which the Council has continued to roll-out.

	2023/24	2024/25	2025/26	2026/27 and beyond
	£'000	£'000	£'000	£'000
Annual Savings	200	200	200	200
Cumulative impact	200	400	600	800

b. Grow our commercial & traded income and external sources of funding:

There are two elements to this area of work:

- Existing fee earning services are being reviewed:
  - Services which either have fees set by central government or can only break-even by statute will be reviewed to ensure that income is sufficient to cover costs. This includes Land Charges, Building Control and Development Management.
  - Services which operate on a commercial basis will be encouraged to maximise profit margins where possible.
- The Councils will look for new income generating opportunities.

A target increase in income from commercial activities has been agreed. It is expected that this strand of work will generate an additional £600k

per annum which, if achieved, will be a substantial contribution to resolving the budget shortfall.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Annual Savings	600	600	600	600	600
Cumulative impact	600	1,200	1,800	2,400	3,000

c. Develop a Corporate Landlord approach to managing our property estate

Platforms for our Places Going Further identified the development of a Corporate Landlord approach to property management as a means to instigate an ongoing programme of modernisation and improvement in how the Councils manage its property and assets. The adopted Joint Strategic Asset Management Plan (JSC March 2020) is the initial step setting out clear objectives and principles around how the Councils will look to manage its assets. The programme will involve a number of workstreams to improve existing approaches:

- Finance & Budgets Workstream
- Data, Information & Compliance Workstream
- Governance Workstream
- Revenue Generation Workstream
- Asset Challenge Workstream
- Property Rationalisation Workstream

The cumulative effect of delivering these workstreams will mean that the councils' land and resources will be managed as corporate resources in a holistic and strategic manner seeking to involve the right stakeholders to meet the needs and priorities of the councils. This will be a change to the historic approach, which is being explored through the corporate landlord group.

The Corporate Landlord Model means that the ownership and responsibility for the asset in terms of management and maintenance will transfer from services to the corporate centre. The service then transitions to a customer/corporate tenant approach as a key stakeholder freeing services to focus on planning and delivery of their service area.

Corporate landlord will take responsibility for acquisition, development, management, maintenance, disposal of land and buildings but also asset planning, review and feasibility/options appraisals to ensure that assets are challenged to be working to deliver council priorities.

In advance of this change programme three initial strands of work have been identified to drive financial return to the council in the shorter term and in accordance with the recently adopted Property Asset Management Plan:

- Property Rationalisation Workstream - initiatives to rationalise the amount of accommodation and depot space used by the Councils
- Revenue Generation Workstream - Work to ensure that rent reviews are up to date and continue effectively manage the councils' estates
- Asset Challenge Workstream - Identify surplus assets which could be disposed of to reduce the borrowing costs to the Councils for other priority projects identified in Platforms for our Places Going Further.

It is expected that this programme will lever in the following savings over the next 5 years.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Annual Savings	135	135	175	190	190
Cumulative impact	135	270	445	635	825

d. Effective procurement and contract management, driving sustainability and value for money

The Councils will continue to identify opportunities to lever in further procurement savings by working with other organisations to pool both specialist procurement resources and aggregate contracts to deliver value for money. The clear intention is to identify potential 'procurement savings' within existing budgets where possible thereby protecting front-line services.

e. Base budget review

The Councils will undertake a base budget review to ensure that the budgets are as accurate as possible and strip out any unneeded provisions.

- 6.6 In addition to the above, the councils will also review existing programmes of work to identify projects which can be deferred or cancelled with a view to supporting the Councils financial position both in the current year and in future years. This review will be actioned across all of the Councils' current programme of work.
- 6.7 The Councils currently have uncommitted reserves (excluding the working balance) of:

	<b>£'000</b>
Adur	525
Worthing	1,050

Given the current financial position of the Councils and the level of risk associated with the current inflationary pressures, the reserves should only be used to balance the budget for 2023/24 as a last resort. Nevertheless, there remains a limited option to use some reserves to smooth the impact of the savings required. However, any use of reserves can only be regarded as a short-term and non-sustainable solution and should have due regard to the level of reserves available. At this point of time in the budget cycle, it is not proposed to use reserves to balance the budget for 2023/24, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Councils have a clearer understanding of the financial challenges ahead.

- 6.7 At the request of Worthing members, to ensure that the savings offered later in the year reflect the Councils' priorities, all the proposals which affect Worthing will also be presented to the Joint Overview and Scrutiny Committee for consideration and comment.

## **7. 2024/25 and beyond**

- 7.1 The detailed budget projections for 2023/24 to 2027/28 are also shown in Appendix 3. It is clear that many of the cost pressures identified for 2023/24 will continue on for the coming years and that there is a continuing need to make significant savings although the level of annual savings should decline once the Council has addressed the impact of the Fairer Funding Review .
- 7.2 It is an inherent feature of the budget strategy that officers will continue to be asked to identify annual "cashable" efficiency and procurement savings to help meet the budget gap and to protect priority services. However, the focus of the current strategy is to meet a significant proportion of the challenge through income generation by:
- i) Building new homes and increasing income from Council Tax.

- ii) Increasing business rates through the development of new employment spaces.
- iii) Increasing income from commercial activity;
- iv) Investing in property to support the local economy using the Strategic Property Investment Fund.
- v) Using the Councils assets through the asset management plan to best support the Council's priorities.
- vi) To address the costs of homelessness through preventative measures and acquiring better value homes for emergency accommodation.

However this strategy will be reviewed over the coming months to ensure that it will continue to deliver the changes required to balance the budget.

7.3 This strategy will have long term benefits. Overall as a result of the strategy adopted both Council will be able to address significant proportions of the budget shortfalls identified.

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Adur District Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated cumulative savings required to balance the budget	1,001	1,958	2,338	2,692	2,943
Savings strategy:					
Strategic Property Investment	100	0	-100	-200	-300
Commercial income and commissioning	-150	-300	-450	-600	-750
Service and digital redesign	-80	-160	-240	-320	-400
Commercial landlord programme	-30	-60	-130	-130	-130
Other savings identified	-300	-300	-300	-300	-300
Residual savings to be identified	541	1,138	1,118	1,142	963

	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Worthing Borough Council</b>					
Estimated cumulative savings required to balance the budget	2,702	4,341	5,209	5,933	6,381
Savings strategy:					
Strategic Property Investment	100	-352	-452	-552	-652
Commercial income and commissioning	-450	-900	-1,350	-1,800	-2,250
Service and digital redesign	-120	-240	-360	-480	-600
Commercial landlord programme	-105	-210	-315	-505	-695
Residual savings to be identified	2,127	2,639	2,732	2,596	2,184

Shown at Appendix 4 is a 10 year forecast which considers whether the current strategy will result in a more sustainable budget for the future based on known cost pressures. Whilst the next 2 to 3 years are challenging, if the Councils are successful in delivering the strategy detailed above, the financial issues faced in the future should be manageable.

7.4 Challenging times are ahead, however if the Councils focus on delivering the strategy and continue to target limited resources on priorities, then we are in a good position to respond to the inevitable budget shortfalls.

## 8. Adur District Council - Housing Revenue Account

8.1 The Housing Revenue Account (HRA) has a 30-year financial plan which was included in the rent setting report considered in February this year. It is not intended to replicate those financial projections within this report but update the forecast later once the asset management plan has been refreshed. However, like the General Fund, the HRA is facing some significant challenges, not least the impact of inflation on the cost of service delivery and increasing maintenance costs associated with the condition of the housing stock.

8.2 Nevertheless, the HRA will be subject to the same budget process and strategy as outlined below.

## 9. Budget strategy for the development of the 2023/24 budget

9.1 A detailed budget strategy now needs to be agreed, to underpin the preparation of the budget throughout the coming months and to reflect the discussion outlined above. The following are recommended as principles to be used in the preparation of the 2023/24 revenue and capital budgets:

## 9.2 Revenue Budget Strategy

- The Councils will aim to keep Council Tax increases to a minimum;
- The Councils will seek to increase income from business rates and council tax by facilitating the creation of new homes and employment space.
- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Councils' Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (5.0%) or such higher increase as the individual markets can bear
- Expenditure is to be increased by: 4.5% for pay (plus an allowance has been made for increments which are a contractual commitment) and 2.0% for all other expenditure (except for inflation arising from contractual indexation provisions and energy for which an appropriate provision is to be made);
- The Council aims to set a balanced budget. Any proposed use of reserves is to have regard to the adequacy of such reserves and any such policy must be sustainable in the longer term. In addition, the Council aims not to have any planned call upon the General Fund Working Balance;
- The Council will identify the majority of savings for 2023/24 through six proposed programmes of work, although these strands of work will be reviewed in the light of the new corporate plan:
  - Strategic Property Investment Fund
  - Commercial strategy
  - Affordable homes programme
  - Corporate Landlord programme
  - Digital and service redesign programme
  - Investment in renewable energy
- Officers are to identify other 'cashable' efficiency savings, options for reducing non-priority services, and undertake a critical review of budgets to identify further options for balancing the budget including reviewing commitments to existing projects.

### 9.3 Capital Investment Programme

- The maximum level of funding be made available per year for the next 5 years to fund new General Fund schemes as follows:

**Adur District Council:** £1.5 m core funding in 2023/24 and 2024/25  
(plus £5.6m for the Housing Investment Programme)

**Worthing Borough Council:** £2.5m core funding

The funding of the programme is to be made up of prudential borrowing, capital grants and capital receipts. This reflects concerns about affordability; however members need to be aware that the number, age and condition of the Councils' assets continue to be a cause for concern and that the programmes may need to be increased if any unavoidable expenditure that cannot be accommodated within the programme is identified.

- Additional capital expenditure to be only agreed where additional funding from capital grants, contributions, earmarked receipts, approved additional prudential borrowing or use of reserves has been secured.

## 10. **Engagement and Communication**

- 10.1 The budget proposals will be the subject of internal officer consultation and staff will be briefed on the challenges ahead.
- 10.2 All savings proposals will be scrutinised by the Joint Overview and Scrutiny Committee at its meeting of 24th November 2022.
- 10.3 All members will participate in the setting of the annual budget at the Council meetings in February.
- 10.4 Any savings which impact on the services delivered to the public will be consulted on. The consultation exercise will start in September and be open for a period of 5 weeks. The outcome will be available for members when they consider the savings proposals in December 2022.
- 10.5 The Adur Consultative Forum (tenants' forum) will be consulted regarding any proposed changes to the HRA.

## 11. **Financial Implications**

- 11.1 There are no other financial implications other than those outlined above.

## 12. Legal Implications

- 12.1 The Council is required to set a robust budget under the Local Government Act 2003. This report is the first step towards the Council achieving this aim for the 2022/23 budget round.

### Background Papers

Report to Adur District Council Executive 1st February 2022 - Estimates 2022/23 and setting of 2022/23 Council Tax

Report to Worthing Borough Council Executive 31<sup>st</sup> January 2022 -Estimates 2022/23 and setting of 2022/23 Council Tax

Report to Joint Strategic Committee 5<sup>th</sup> July 2022 – Final Revenue Outturn for Joint, Adur and Worthing 2021/22.

Budget Statement 2022 – Report from HM Treasury

Report to Joint Strategic Committee 2<sup>nd</sup> December 2014 – Investing in New Technology: The Springboard to Excellent Customer Experience and Business Efficiency.

Report to the Joint Strategic Committee 3<sup>rd</sup> December 2019 – *Platforms for our Places - Going Further (2020-2022)* : Unlocking the Power of People, Communities and our Local Geographies

### Officer Contact Details:-

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## **Sustainability & Risk Assessment**

### **1. Economic**

The budget contains funding for commitments made under Platform 1: Our Financial Economies.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified with the budget strategy itself. However individual proposals arising from the budget will be the subject of an equalities impact assessment.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

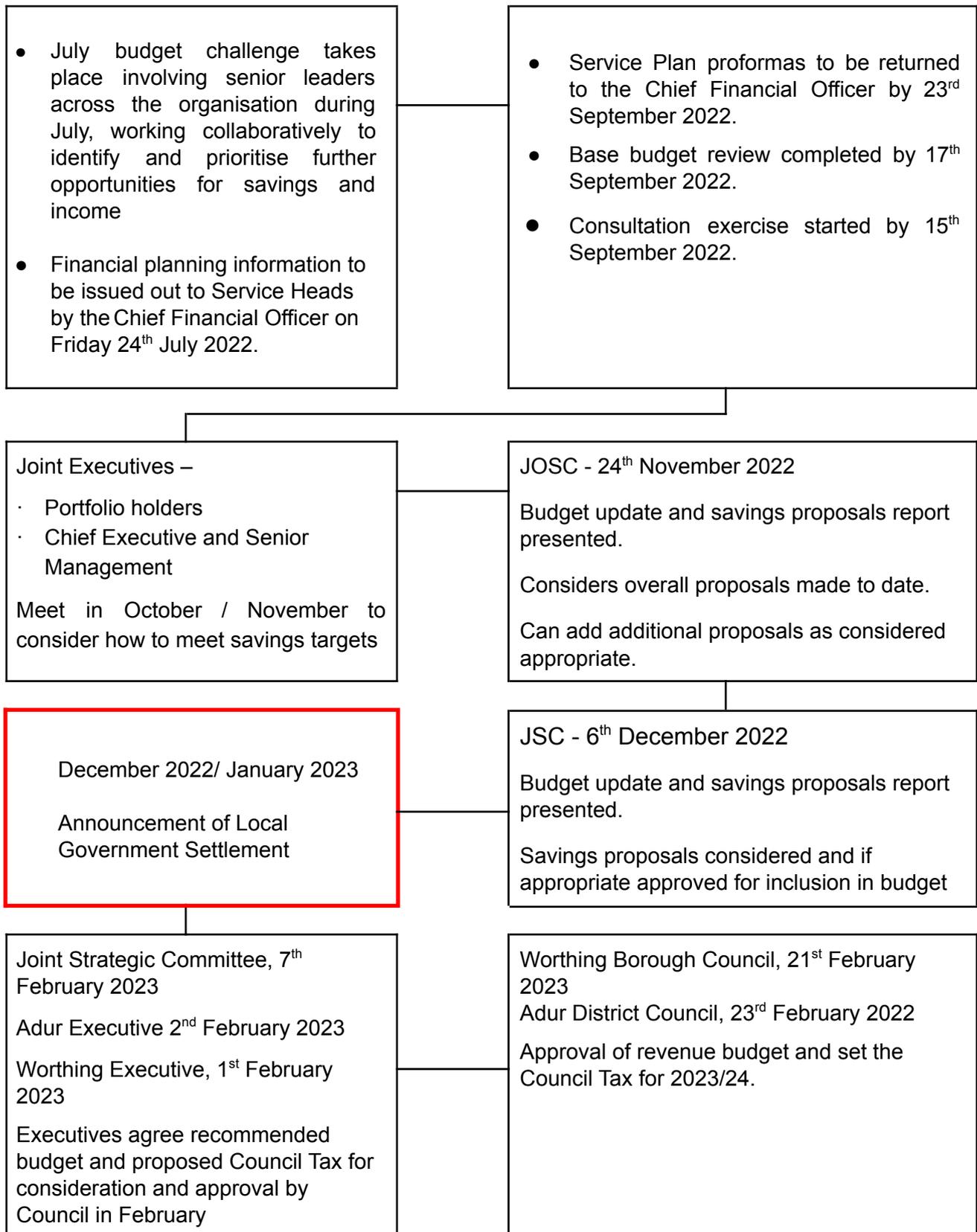
### **3. Environmental**

The budget contains funding for decarbonisation initiatives.

### **4. Governance**

Matter considered and no issues identified.

## Appendix 1



## Appendix 2

ADUR DISTRICT COUNCIL						
Revenue Budget Summary Statement 2022/23 - 2027/28						
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Net Spending to be Financed from Taxation	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Base budget</b>	9,742	9,742	9,742	9,742	9,742	9,742
<b>(a) Annual Inflation</b>						
Estimated inflation		303	601	896	1,197	1,495
Impact of 2022/23 pay award (Assume 5% budget contains 2%)		330	337	344	351	358
<b>(b) One -off / non-recurring items</b>						
Local Elections (held every other year)		18	-	19	-	20
<b>(c) Impact of Cost of Living crisis</b>						
Additional pay award - Usually budget for 2% assume 4.5%		286	294	303	299	305
Gas and electricity (300% gas, 50% electricity)		66	66	66	66	66
Diesel (50% increase)		88	88	88	88	88
Removal of inflation contingency budget		(67)	(67)	(67)	(67)	(67)
<b>(d) Impact of funding 'Platforms'</b>						
Measures to reduce waste - Impact of the Environment bill		72	72	72	72	72
Bike share scheme (part year cost included in 2022/23)		28	28	28	28	28
Heat Network		-	10	10	10	10
<b>(e) Capital Programme and Treasury Management</b>						
Capital programme financing costs		73	130	280	455	491
Investment income		(105)	(112)	(146)	(182)	(220)
<b>(f) Other items</b>						
Impact of waste dispute:						
Impact of negotiation on salaries costs		90	90	90	90	90
Impact of dispute on net income		27	27	27	27	27
Removal of one-off budgets:						
Removal of 2022/23 Covid contingency budget		(175)	(175)	(175)	(175)	(175)
Improvement to car parking income following end of pandemic measures.		(26)	(52)	(52)	(52)	(52)
Final cost of new leisure contract		(18)	(117)	(117)	(117)	(117)

**ADUR DISTRICT COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
Delay to Fairer Funding Review - Homeless funding to continue for 2021/22		-	297	297	297	297
Allowance for committed growth items approved in December		70	140	210	280	350
<b>(g) Approved Growth items</b>						
Provision for new growth items		70	140	210	280	350
<b>Total Cabinet Member Requirements</b>	<b>9,742</b>	<b>10,872</b>	<b>11,539</b>	<b>12,125</b>	<b>12,689</b>	<b>13,158</b>
<b>Income from taxation:</b>						
<b>Business Rates</b>						
Baseline funding	1,767	1,767	1,802	1,838	1,875	1,913
Add: Retained additional business rates	766	941	480	488	496	508
<b>Adjusted Business Rate income</b>	<b>2,533</b>	<b>2,708</b>	<b>2,282</b>	<b>2,326</b>	<b>2,371</b>	<b>2,421</b>
<b>Council Tax income</b>	<b>6,892</b>	<b>7,063</b>	<b>7,220</b>	<b>7,382</b>	<b>7,547</b>	<b>7,715</b>
<b>Other grants</b>						
New homes bonus (2019/20 - 2022/23)	10	-	-	-	-	-
New homes bonus (2022/23)	147	-	-	-	-	-
<b>Total NHB</b>	<b>157</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Lower Tier Services Grant	79	79	79	79	79	79
Local Tax Guarantee Scheme - Council Tax	59	59	-	-	-	-
Services Grant	121	-	-	-	-	-
Collection fund surplus/deficit (-)	(99)	(38)	-	-	-	-
<b>Total other grants and contributions</b>	<b>317</b>	<b>100</b>	<b>79</b>	<b>79</b>	<b>79</b>	<b>79</b>
<b>Total Income from Grants and Taxation</b>	<b>9,742</b>	<b>9,871</b>	<b>9,581</b>	<b>9,787</b>	<b>9,997</b>	<b>10,215</b>
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	<b>-</b>	<b>1,001</b>	<b>1,958</b>	<b>2,338</b>	<b>2,692</b>	<b>2,943</b>

**ADUR DISTRICT COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	-	1,001	1,958	2,338	2,692	2,943
<b>Savings strategy:</b>						
<b>Strategic Property Investment Fund</b>						
Future developments			200	400	600	800
Provision for future voids		(100)	(200)	(300)	(400)	(500)
<b>Commercial and Customer Activities</b>		150	300	450	600	750
<b>Service and Digital redesign</b>		80	160	240	320	400
<b>Commercial Landlord Programme</b>		30	60	130	130	130
<b>Other efficiency savings (net of growth)</b>						
<b>MRP review</b>		300	300	300	300	300
<b>Total savings initiatives identified to date</b>		<b>460</b>	<b>820</b>	<b>1,220</b>	<b>1,550</b>	<b>1,880</b>
<b>Cumulative savings still to be found/ (surplus)</b>		<b>541</b>	<b>1,138</b>	<b>1,118</b>	<b>1,142</b>	<b>1,063</b>
<b>Annual savings still to be found</b>		<b>541</b>	<b>597</b>	<b>(20)</b>	<b>24</b>	<b>(79)</b>
<b>Council Tax increase</b>		<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Annual increase (Band D property)		£6.35	£6.48	£6.61	£6.74	£6.88
Weekly increase (Band D property)		£0.12	£0.12	£0.13	£0.13	£0.13
Average annual increase (Band C property)		£5.64	£5.76	£5.88	£5.99	£6.12
Average weekly increase (Band C property)		£0.11	£0.11	£0.11	£0.12	£0.12

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>13,785</b>	<b>13,785</b>	<b>13,785</b>	<b>13,785</b>	<b>13,785</b>	<b>13,785</b>
<b>(a) Annual Inflation</b>						
Estimated inflation (with 4.5% allowance in 2023/34)		493	982	1,460	1,931	2,414
Impact of 2022/23 pay award (Assume 5% budget contains 2%)		510	520	530	541	552
<b>(b) One -off / non-recurring items</b>						
Local Elections (held three out of four years)		50	50	50	-	50
<b>(c) Impact of Cost of Living crisis</b>						
Additional pay award - Usually budget for 2% assume 4.5%		420	424	439	450	459
Gas and electricity (300% gas, 50% electricity)		379	379	379	379	379
Diesel (50% increase)		156	156	156	156	156
Leisure Contract		90	90	90	90	90
Removal of inflation contingency budget		(158)	(158)	(158)	(158)	(158)
<b>(d) Impact of funding 'Platforms'</b>						
Measures to reduce waste - Impact of the Environment bill		128	128	128	128	128
Refurbishment of High Street Car Park - Financing costs		46	255	255	255	255
Brooklands improvement programme - net costs		7	23	43	43	43
Bike share scheme (£52k already included in the 2022/23 budget)		37	37	37	37	37
Heat Network		-	121	121	121	121
General provision for future impact of major projects		-	284	484	684	684
<b>(e) Treasury Management</b>						
Financing costs - General Programme		314	388	765	1,075	1,230
Investment income		(121)	(160)	(239)	(334)	(444)
<b>(g) Other items</b>						
Impact of waste dispute:						
Impact of negotiation on salaries costs		160	160	160	160	160
Impact of dispute on net income		48	48	48	48	48
Triennial pension valuation - Reduction in contributions		(23)	(46)	(69)	(69)	(69)

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28
<b>Net Spending to be Financed from Taxation</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Building maintenance - scale up budget		50	50	50	50	50
Increase in car parking income due to easing of pandemic measures.		(93)	(186)	(186)	(186)	(186)
Removal of hardship funding following introduction of new Council Tax Support Scheme		(39)	(39)	(39)	(39)	(39)
Delay to Fairer Funding Review - Homeless funding in current form to continue for 2023/24		-	272	272	272	272
Allowance for committed growth items		90	180	270	360	450
<b>(h) Approved Growth items</b>						
Provision for new investment in services		90	180	270	360	450
<b>Total Cabinet Member Requirements</b>	<b>13,785</b>	<b>16,419</b>	<b>17,923</b>	<b>19,101</b>	<b>20,139</b>	<b>20,917</b>
<b>Business Rate income</b>						
Baseline funding	2,693	2,693	2,747	2,802	2,858	2,915
Add: Net retained additional business rates	867	845	411	417	421	433
Add: Share of surplus /deficit (-) net of use of reserves	(194)					
<b>Adjusted Business Rate income</b>	<b>3,366</b>	<b>3,538</b>	<b>3,158</b>	<b>3,219</b>	<b>3,279</b>	<b>3,348</b>
<b>Council Tax income</b>	<b>9,996</b>	<b>10,237</b>	<b>10,483</b>	<b>10,736</b>	<b>10,994</b>	<b>11,259</b>
<b>Impact of removal of Council Tax Support</b>		<b>(176)</b>	<b>(180)</b>	<b>(184)</b>	<b>(188)</b>	<b>(192)</b>
<b>Other grants</b>						
New homes bonus (2019/20 - 2022/23)	68			-	-	-
New homes bonus (2022/23)	88					
<b>Total New Homes Bonus</b>	<b>156</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Lower Tier Services Grant	121	121	121	121	121	121
Local tax compensation scheme	37	37				
Services Grant	185					
Collection fund surplus/deficit (-)	(76)	(40)				
<b>Total other grants and contributions</b>	<b>423</b>	<b>118</b>	<b>121</b>	<b>121</b>	<b>121</b>	<b>121</b>
<b>Total Income from Taxation</b>	<b>13,785</b>	<b>13,717</b>	<b>13,582</b>	<b>13,892</b>	<b>14,206</b>	<b>14,536</b>

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>		<b>2,702</b>	<b>4,341</b>	<b>5,209</b>	<b>5,933</b>	<b>6,381</b>
<b>Savings / Initiatives identified to date:</b>						
<b>Strategic Property Investment Fund</b>						
Future property developments		-	200	400	600	800
Provision for future voids and repairs		(100)	(200)	(300)	(400)	(500)
Wellbeing centre and car park - net of debt charges		-	352	352	352	352
<b>Commercial and Customer Activities</b>		450	900	1,350	1,800	2,250
<b>Service and Digital redesign programme</b>		120	240	360	480	600
<b>Corporate Landlord Programme</b>		105	210	315	505	695
<b>Total savings initiatives identified to date</b>		<b>575</b>	<b>1,702</b>	<b>2,477</b>	<b>3,337</b>	<b>4,197</b>
<b>Cumulative savings still to be found/ (surplus)</b>		<b>2,127</b>	<b>2,639</b>	<b>2,732</b>	<b>2,596</b>	<b>2,184</b>
<b>Annual savings still to be found</b>		<b>2,127</b>	<b>512</b>	<b>93</b>	<b>(136)</b>	<b>(412)</b>
<b>Council Tax increase</b>		<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Annual increase (Band D property)		£5.05	£5.15	£5.25	£5.36	£5.46
Weekly increase (Band D property)		£0.10	£0.10	£0.10	£0.10	£0.11
Average annual increase (Band C property)		£4.49	£4.58	£4.67	£4.76	£4.86
Average weekly increase (Band C property)		£0.09	£0.09	£0.09	£0.09	£0.09

**JOINT STRATEGIC COMMITTEE**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>24,477</b>	24,477	24,477	24,477	24,477	24,477
(a) <b>Annual Inflation</b>						
Estimated inflation		1,408	2,159	2,906	3,637	4,383
Impact of 2022/23 pay award (Assume 5% budget contains 2%)		801	817	833	850	867
(b) <b>Impact of funding 'Platforms'</b>						
Measures to reduce waste		200	200	200	200	200
(c) <b>Impact of Cost of Living crisis</b>						
Additional pay award - Usually budget for 2% assume 4.5%		667	680	694	708	722
Gas and electricity (300% gas, 50% electricity)		100	100	100	100	100
Diesel (50% increase)		244	244	244	244	244
(c) <b>Other items</b>						
<b>Impact of waste dispute:</b>						
Impact of negotiation on salaries costs		250	250	250	250	250
Allowance for committed growth items approved in December		100	200	300	400	500
<b>Net cost to be reallocated to the Councils</b>	<b>24,477</b>	<b>28,247</b>	<b>29,127</b>	<b>30,004</b>	<b>30,866</b>	<b>31,743</b>
Adur District Council	9,873	9,873	9,873	10,070	10,171	10,273
Worthing Borough Council	14,604	14,604	14,604	14,896	15,045	15,195
<b>Total income for services provided to the constituent councils</b>	<b>24,477</b>	<b>24,477</b>	<b>24,477</b>	<b>24,966</b>	<b>25,216</b>	<b>25,468</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>-</b>	<b>3,770</b>	<b>4,650</b>	<b>5,038</b>	<b>5,650</b>	<b>6,275</b>

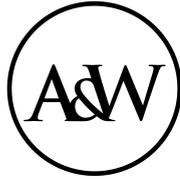
Appendix 4

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
<b>Adur District Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Base	9,742	9,742	9,742	9,742	9,742	9,742	9,742	9,742	9,742	9,742	9,742
Inflation		1,006	1,319	1,630	1,934	2,245	2,555	2,867	3,179	3,495	3,812
Impact of capital programme and treasury management decisions		-32	18	134	273	271	406	544	667	792	912
Net growth		156	460	619	740	900	1,062	1,212	1,322	1,472	1,582
<b>Net expenditure funded by taxation</b>	<b>9,742</b>	<b>10,872</b>	<b>11,539</b>	<b>12,125</b>	<b>12,689</b>	<b>13,158</b>	<b>13,765</b>	<b>14,365</b>	<b>14,910</b>	<b>15,501</b>	<b>16,048</b>
<b>Income from taxation</b>											
Business rates	2,533	2,708	2,282	2,326	2,371	2,421	2,470	2,520	2,569	2,618	2,673
Council Tax	6,793	7,025	7,220	7,382	7,547	7,715	7,887	8,063	8,243	8,427	8,615
Other grants	416	138	79	79	79	79	79	79	79	79	79
<b>Total income from taxation</b>	<b>9,742</b>	<b>9,871</b>	<b>9,581</b>	<b>9,787</b>	<b>9,997</b>	<b>10,215</b>	<b>10,437</b>	<b>10,662</b>	<b>10,891</b>	<b>11,124</b>	<b>11,366</b>
<b>Cumulative budget shortfall</b>	<b>0</b>	<b>1,001</b>	<b>1,958</b>	<b>2,338</b>	<b>2,692</b>	<b>2,943</b>	<b>3,328</b>	<b>3,703</b>	<b>4,019</b>	<b>4,377</b>	<b>4,682</b>
<b>Budget strategy initiatives</b>											
Investment in commercial property		-100	0	100	200	300	450	600	750	900	1,050
Development of commercial income		150	300	450	600	750	920	1,090	1,260	1,430	1,600
Impact of digital strategy		80	160	240	320	400	480	560	640	720	800
Commercial landlord initiatives		30	60	130	130	130	130	130	130	130	130
Other initiatives		300	300	300	300	300	300	300	300	300	300
<b>Total savings initiatives identified</b>		<b>460</b>	<b>820</b>	<b>1,220</b>	<b>1,550</b>	<b>1,880</b>	<b>2,280</b>	<b>2,680</b>	<b>3,080</b>	<b>3,480</b>	<b>3,880</b>
Remaining savings to be identified		<b>541</b>	<b>1,138</b>	<b>1,118</b>	<b>1,142</b>	<b>1,063</b>	<b>1,048</b>	<b>1,023</b>	<b>939</b>	<b>897</b>	<b>802</b>
Savings per year to be identified		<b>541</b>	<b>597</b>	<b>-20</b>	<b>24</b>	<b>-79</b>	<b>-15</b>	<b>-26</b>	<b>-84</b>	<b>-42</b>	<b>-96</b>

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33
<b>Worthing Borough Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Base	13,785	13,785	13,785	13,785	13,785	13,785	13,785	13,785	13,785	13,785	13,785
Inflation		1,890	2,393	2,896	3,389	3,892	4,396	4,902	5,410	5,923	6,439
Impact of capital programme		193	228	526	741	786	1,494	1,808	1,992	2,192	2,392
Net growth		551	1,517	1,894	2,224	2,454	2,634	2,814	2,944	3,174	3,354
<b>Net expenditure funded by taxation</b>	<b>13,785</b>	<b>16,419</b>	<b>17,923</b>	<b>19,101</b>	<b>20,139</b>	<b>20,917</b>	<b>22,309</b>	<b>23,309</b>	<b>24,131</b>	<b>25,074</b>	<b>25,970</b>
<b>Income from taxation</b>											
Business rates	3,366	3,538	3,158	3,219	3,279	3,348	3,396	3,443	3,510	3,576	3,651
Council Tax	9,920	10,197	10,483	10,736	10,994	11,259	11,530	11,808	12,092	12,383	12,682
Other grants	499	158	121	121	121	121	0	0	0	0	0
<b>Total income from taxation</b>	<b>13,785</b>	<b>13,893</b>	<b>13,762</b>	<b>14,076</b>	<b>14,394</b>	<b>14,728</b>	<b>14,926</b>	<b>15,251</b>	<b>15,602</b>	<b>15,959</b>	<b>16,333</b>
<b>Cumulative budget shortfall</b>	<b>0</b>	<b>2,526</b>	<b>4,161</b>	<b>5,025</b>	<b>5,745</b>	<b>6,189</b>	<b>7,384</b>	<b>8,059</b>	<b>8,530</b>	<b>9,115</b>	<b>9,637</b>
<b>Budget strategy initiatives</b>											
Investment in commercial property		-100	352	452	552	652	802	952	1,102	1,252	1,402
Development of commercial income		450	900	1,350	1,800	2,250	2,680	3,110	3,540	3,970	4,400
Impact of digital strategy		120	240	360	480	600	600	600	600	600	600
Commercial landlord initiatives		105	210	315	505	695	695	695	695	695	695
<b>Total savings initiatives identified</b>		<b>575</b>	<b>1,702</b>	<b>2,477</b>	<b>3,337</b>	<b>4,197</b>	<b>4,777</b>	<b>5,357</b>	<b>5,937</b>	<b>6,517</b>	<b>7,097</b>
Remaining savings to be identified		<b>1,951</b>	<b>2,459</b>	<b>2,548</b>	<b>2,408</b>	<b>1,992</b>	<b>2,607</b>	<b>2,702</b>	<b>2,593</b>	<b>2,598</b>	<b>2,540</b>
Savings per year to be identified		<b>1,951</b>	<b>508</b>	<b>89</b>	<b>-140</b>	<b>-416</b>	<b>615</b>	<b>95</b>	<b>-109</b>	<b>6</b>	<b>-58</b>

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
<b>Overall</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Overall budget shortfall</b>										
Adur	1,001	1,958	2,338	2,692	2,943	3,328	3,703	4,019	4,377	4,682
Worthing	2,526	4,161	5,025	5,745	6,189	7,384	8,059	8,530	9,115	9,637
<b>Total</b>	<b>3,527</b>	<b>6,119</b>	<b>7,363</b>	<b>8,437</b>	<b>9,132</b>	<b>10,712</b>	<b>11,761</b>	<b>12,548</b>	<b>13,492</b>	<b>14,319</b>
<b>Budget strategy initiatives</b>										
Investment in commercial property	-200	352	552	752	952	1,252	1,552	1,852	2,152	2,452
Development of commercial income	600	1,200	1,800	2,400	3,000	3,600	4,200	4,800	5,400	6,000
Impact of digital strategy	200	400	600	800	1,000	1,080	1,160	1,240	1,320	1,400
Other initiatives in place	135	270	445	635	825	825	825	825	825	825
<b>Total budget strategy initiatives</b>	<b>735</b>	<b>2,222</b>	<b>3,397</b>	<b>4,587</b>	<b>5,777</b>	<b>6,757</b>	<b>7,737</b>	<b>8,717</b>	<b>9,697</b>	<b>10,677</b>
Remaining cumulative savings to be identified	<b>2,792</b>	<b>3,897</b>	<b>3,966</b>	<b>3,850</b>	<b>3,355</b>	<b>3,955</b>	<b>4,024</b>	<b>3,831</b>	<b>3,795</b>	<b>3,642</b>
Annual savings still to be identified	<b>2,792</b>	<b>1,105</b>	<b>69</b>	<b>-116</b>	<b>-495</b>	<b>600</b>	<b>69</b>	<b>-193</b>	<b>-36</b>	<b>-154</b>

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ADUR & WORTHING  
COUNCILS

Joint Overview and Scrutiny Committee  
14 July 2022

Key Decision [No]

Ward(s) Affected:N/A

## JOSC Work Programme review

### Executive Summary

#### 1. Purpose

1.1 This report outlines progress in implementing the work contained in the Joint Overview and Scrutiny Committee (JOSC) Work Programme for 2022/23.

#### 2. Recommendations

2.1 That JOSC note the progress in delivering the JOSC Work Programme for 2022/23 and consider the Scrutiny request set out in the Appendix B to this report .

### **3. Context**

- 3.1 The JOSC Work Programme for 2022/23 was agreed by the Committee in March and confirmed by both Councils in April 2022. It is usual practice for the Work Programme to be reviewed at each meeting during the Municipal Year and the last review was undertaken at the meeting on 9 June 2022. A copy of the updated 2022/23 Work Programme is attached as part of the Appendix A to this report for review.
- 3.2 Paragraph 9.2 of the Joint Overview and Scrutiny Procedure Rules, which form part of the Councils' Constitutions and are binding on all Members, states that the work programme will be approved by both Councils. A report must also be taken to each full Council on an annual basis detailing any changes to the Work Programme and this is usually reported mid year and for 22/23 this will be done in December 2022.

### **4. Issues for consideration**

- 4.1 Items for the JOSC Work Programme need to be chosen guided by how closely they align with the Councils' Strategic objectives, how the Committee can influence the outcomes and also general value and outcomes in accordance with the (PAPER criteria) - P - Public Interest, (A) - Ability to change, (P) - Performance, (E) - Extent and (R) - Replication.
- 4.2 The Committee is requested to review the draft Work Programme and consider if any further items are required to be added to the Work Programme. During the Municipal Year, items may be added to the JOSC Work Programme, where appropriate. Requests for additional matters to be included in the Work Programme will initially be considered by the Joint Chairpersons in accordance with the criteria and they will make their recommendations to the next JOSC for consideration and determination following receipt of the Officer report. Consideration should also be given to the capacity of the Committee and resources available when considering further Work Programme items. The Committee should also be aware that work is ongoing to review the Constitutions (via the Joint Governance Committee) and the outcomes from this work might impact on the role of JOSC, the individual Overview and Scrutiny Committees and Work Programmes.
- 4.3 At the JOSC meeting on 9 June 2022 there was discussion on the Shared Prosperity Fund and it was suggested that this might be an issue that JOSC could review either by a Working Group or via report to JOSC. Details of the

issues involved in this matter, how the issue relates to the Councils strategic objectives and possible scope for the review are included in the attached scrutiny request information as an Appendix B to this report. JOSC is asked to consider the issues and decide if the matter should be added to the Work Programme.

## **5. Engagement and Communication**

- 5.1 The JOSC Chairmen, Vice-Chairmen and the Councils Leadership Team have been consulted on the proposals contained in this report and in the Work Programme.

## **6. Financial Implications**

- 6.1 There are no direct financial implications to consider within this report, however, some items contained in the Work Programme do have financial implications for the Councils.

## **7. Legal Implications**

- 7.1 Under Section 111 of the Local Government Act 1972, the Councils have the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.
- 7.2 Section 1 of the Localism Act 2011 provides a Local Authority to do anything that individuals generally may do (subject to any current restrictions or limitations prescribed in existing legislation).
- 7.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 7.4 Paragraph 9.2 of the current Joint Overview and Scrutiny Procedure Rules, which form part of the Councils' Constitutions and are binding on all Members, states that the Work Programme will be approved by both Councils. A report must be taken to both Councils on an annual basis seeking both Councils' approval of the Joint Overview and Scrutiny Committee work programme for the forthcoming year and any changes to the Work Programme should be submitted to the Councils approximately mid year for noting.

## **Background Papers**

Joint Overview and Scrutiny Procedure Rules

### **Officer Contact Details:-**

Mark Lowe

Scrutiny and Risk Officer

Tel: 01903 221009

[mark.lowe@adur-worthing.gov.uk](mailto:mark.lowe@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

Some of the issues scrutinised as part of the Work Programme could impact on the development of our places or the economic participation of our communities if implemented.

### **2. Social**

#### **2.1 Social Value**

Some of the issues to be scrutinised as part of the Work Programme will have an impact on the communities.

#### **2.2 Equality Issues**

Matter considered and no direct issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Some of the issues being scrutinised will have community safety implications.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered. The Work Programme includes an item to receive an update on the Councils approach to climate change.

### **4. Governance**

- 4.1 Matter considered and no direct issues identified. It is good practice for an Overview and Scrutiny Committee to set its Work Programme ahead of the Municipal Year. The current Joint Overview and Scrutiny Procedure Rules state that the Work Programme will be approved by both Councils and that any changes to the Work Programme should be submitted to the Councils approximately mid year for noting.

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## Adur & Worthing Joint Overview and Scrutiny Committee Work Programme - 2022/2023

### Joint Overview and Scrutiny Committee - 14 July 2022

<u>AGENDA ITEM</u>	<u>REPORT AUTHOR</u>	<u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u>	<u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u>
Joint Revenue outturn report 2021/22	Director for Digital, Sustainability & Resources/Chief Financial Officer	Chief Financial Officer	No
Outline Budget Strategy 2023/24	Director for Digital, Sustainability & Resources/Chief Financial Officer	Chief Financial Officer	No
Interview with Adur Leader	Director for Digital, Sustainability	Adur Leader	No

	& Resources		
Interview with Worthing Leader	Director for Digital, Sustainability & Resources	Worthing Leader	No
Adur Homes Repairs and Maintenance transformation work and feedback from the JOSC Working Group	Report from the JOSC Working Group and Housing Transformation Manager	No	No
Review of JOSC Work Programme	Director for Digital, Sustainability & Resources	No	No

**Joint Overview and Scrutiny Committee - 15 September 2022**

<b><u>AGENDA ITEM</u></b>	<b><u>REPORT AUTHOR</u></b>	<b><u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u></b>	<b><u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u></b>
Interview with Worthing Executive Member for Culture and Leisure	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Worthing Executive Member for Citizens Services	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Adur Executive Member for Customer Services	Director for Digital, Sustainability & Resources	Executive Member	No

Report on the policy used by the Councils when placing vulnerable people in accommodation outside of the Council areas -	Head of Housing Services	No	No
Report on Governance issues relating to JOSC	Director for Digital, Sustainability & Resources/ Head of Legal Services	No	Yes. Item added at the request of JOSC on 9 June 2022.
JOSC Cultural Services Working Group report	Chairman of the Working Group	No	Yes. Item deferred from July meeting in order to finalise the report.
Worthing Theatres contract monitoring	Director for Economy	Director for Economy	Yes. Item deferred from the July meeting to enable appropriate Officer attendance at the meeting.
Annual summary of complaints and compliments	Director for Digital, Sustainability & Resources	No	No
Review of JOSC Work Programme	Director for Digital, Sustainability & Resources	No	No

**Joint Overview and Scrutiny Committee - 13 October 2022**

<b><u>AGENDA ITEM</u></b>	<b><u>REPORT AUTHOR</u></b>	<b><u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u></b>	<b><u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u></b>
Interview with Worthing Executive Member for Climate Emergency	Director for Digital, Sustainability & Resources	Executive Member	No
Report on the delivery of Platforms for our Places: Going Further and progress on the review of the delivery of the new Corporate Strategy and interview with Chief Executive	Director for Digital, Sustainability & Resources	Chief Executive	No
Annual update on progress with delivering the Climate Change agenda	Director for Digital, Sustainability & Resources	Director for Digital, Sustainability & Resources/Sustainability Manager	No
Interview with the Adur Executive Member for Health & Wellbeing	Director for Digital, Sustainability & Resources	Executive Member	No
Crime and Disorder update - Interview with the Chairman of the Adur & Worthing Safer Communities Partnership	Covering report - Director for Digital, Sustainability & Resources	Chairman of the Adur & Worthing Safer Communities Partnership and Executive Members.	No
Review of JOSOC Work Programme	Director for Digital, Sustainability & Resources	No	No

**Joint Overview and Scrutiny Committee - 24 November 2022**

<b><u>AGENDA ITEM</u></b>	<b><u>REPORT AUTHOR</u></b>	<b><u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u></b>	<b><u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u></b>
Towards a sustainable financial position - Budget update	Director for Digital, Sustainability & Resources/Chief Financial Officer	Chief Financial Officer	No
Interview with Worthing Executive Member for Resources	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Adur Executive Member for Resources	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Worthing Executive Member for Community Wellbeing	Director for Digital, Sustainability & Resources	Executive Member	No
Review of progress on the delivery of the Housing Strategy	Head of Housing Services	Head of Housing	No
Review of JOSOC Work Programme including note of changes made since Work Programme agreed by Councils in April 2021	Director for Digital, Sustainability & Resources	No	No

### Joint Overview and Scrutiny Committee - 19 January 2023

<u>AGENDA ITEM</u>	<u>REPORT AUTHOR</u>	<u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u>	<u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u>
Interview with Worthing Executive Member for Environmental Services	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Adur Executive Member for Environment	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with the Worthing Deputy Leader	Director for Digital, Sustainability & Resources	Worthing Deputy Leader	No
Annual review of the recovery of the Adur & Worthing evening and night time economies	Director for Economy/Director for Communities	Director for Economy/Director for Communities	Yes. Item added as a result of JOSC review.
Review of JOSC Work Programme	Director for Digital, Sustainability & Resources	No	No

**Joint Overview and Scrutiny Committee - 16 March 2023**

<b><u>AGENDA ITEM</u></b>	<b><u>REPORT AUTHOR</u></b>	<b><u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u></b>	<b><u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u></b>
Review of the delivery of the new Corporate Strategy and interview with Chief Executive	Director for Digital, Sustainability & Resources	Chief Executive	No
Interview with Adur Executive Member for Regeneration	Director for Digital, Sustainability & Resources	Executive Member	No
Interview with Worthing Executive Member for Regeneration	Director for Digital, Sustainability & Resources	Executive Member	No
Annual feedback report from meetings of the West Sussex Health & Adult Social Care Scrutiny Committee (HASC) - Issues affecting Adur & Worthing	Verbal report from the Council Members on HASC	No	No
JOOSC Work Programme setting 2023/24	Director for Digital, Sustainability & Resources	No	No

### Working Group reports - Dates to be confirmed

<u>ITEM</u>	<u>REPORT AUTHOR</u>	<u>EXECUTIVE MEMBER/OFFICERS TO ATTEND</u>	<u>STATUS</u>
Reports from the Working Group reviewing the Adur Homes repairs and maintenance service and transformation	Chairman of the Working Group	No	Ongoing -Working Group currently in progress
Final report from the Working Group reviewing Cultural Services	Chairman of the Working Group	No	Working Group currently reviewing information - Report expected in 2022.

### PREVIOUS MEETINGS AND ITEMS CONSIDERED IN 2022/23

#### Joint Overview and Scrutiny Committee - 9 June 2022

<u>AGENDA ITEM</u>	<u>REPORT AUTHOR</u>	<u>EXECUTIVE MEMBERS/OFFICERS TO ATTEND</u>	<u>CHANGE TO ORIGINAL WORK PROGRAMME?YES/NO/REASON</u>
Annual JOSOC report for 2021/22	Joint Chairmen of JOSOC	No	No
JOSOC Worthing BID Working	Chairman of the Working	No	No

Group report	Group		
Review of JOSC Work Programme and confirmation of JOSC Working Group memberships for 2022/23	Director for Digital, Sustainability & Resources	No	No

**Additional items to be considered as part of the forward Work Programme in 2023/24**

**Note:-** This draft Work Programme is a 'live' document and all dates and items contained in it are provisional and subject to change in agreement with the JOSC Joint Chairmen/Vice-Chairmen, JOSC and relevant Officers

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<p><b>Scrutiny request</b></p> <p><b>Issue</b> - Review of the work being undertaken by the Councils to obtain funds from the Government Shared Prosperity Fund</p>
<p><b>Request from</b> - JOSC Members</p>
<p><b>Public interest</b> - The UK Shared Prosperity Fund (UKSPF) is a central pillar of the UK government's ambitious Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. It will help places right across the country deliver enhanced outcomes and recognises that even the most affluent parts of the UK contain pockets of deprivation and need support.</p> <p><a href="https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus">https://www.gov.uk/government/publications/uk-shared-prosperity-fund-prospectus/uk-shared-prosperity-fund-prospectus</a></p>
<p><b>Score</b> = High</p>
<p><b>Ability to change</b> - Places will be empowered to identify and build on their own strengths and needs at a local level, focused on pride in place and increasing life chances. Local places will be able to use the Fund to complement funding such as the Levelling Up Fund, and mainstream employment and skills provision to maximise impact and simplify delivery.</p> <p>The Fund's interventions will be planned and delivered by councils and mayoral authorities across England, Scotland and Wales – 'lead local authorities', working closely with local partners.</p> <p>The UKSPF will help to deliver the levelling up objectives which are:-</p> <ul style="list-style-type: none"> <li>• Boost productivity, pay, jobs and living standards by growing the private sector, especially in those places where they are lagging</li> <li>• Spread opportunities and improve public services, especially in those places where they are weakest</li> <li>• Restore a sense of community, local pride and belonging, especially in those places where they have been lost</li> <li>• Empower local leaders and communities, especially in those places lacking local agency.</li> </ul>
<p><b>Score</b> = High</p>
<p><b>Performance</b> - The UKSPF does not relate to Council performance</p>
<p><b>Score</b> = High</p>
<p><b>Extent</b> - The UKSPF will apply to both Adur and Worthing Council areas.</p>

**Score = High**

**Replication - No**

**Score = High**

**Expected Outcomes** - JOSC will have the opportunity to review the work which the Councils have been undertaking to try and access some of the UKSPF.

**Does the proposed review link with the Council strategic objectives or does the Joint Overview and Scrutiny Committee have the ability to influence and/or add value on the subject?**

The UKSPF can help levelling up across the UK and improve prosperity and overcome geographical inequalities. Additional funding for the Councils will help deliver against the strategic objectives which aim to provide 'Prosperous Places' and 'Thriving People and Communities'.

The fund is a mix of capital and revenue and is allocated to every 'place' within the UK in a similar way to the WBF and has an emphasis on investing in people, business and place.

Full guidance will follow in Spring with Investment Plans (the Councils intended projects and schemes) to be submitted this summer with all being signed off by autumn.

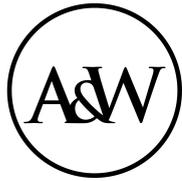
**Score = High**

**How could this review be undertaken?** Report to JOSC reviewing the approach to the Shared Prosperity Fund. The Councils are already working on identifying projects and finalising applications against the timetable for applying for the Fund.

**Recommendations from Joint Overview and Scrutiny Committee Chairmen/Vice-Chairmen:-**

That JOSC receive a report from Officers later in 2022/23 which sets out the work undertaken by the Councils to identify the projects and schemes to Bid for the UKSPF and the outcomes of the funding allocations.

Joint Overview and Scrutiny Committee  
14 July 2022



ADUR & WORTHING  
COUNCILS

Key Decision [No]

Ward(s) Affected:N/A

## **JOSC Working Group- Review of the Adur Homes repairs and maintenance service**

### **Report by the Director for Digital, Sustainability & Resources**

#### **1. Purpose**

1.1 This report sets out information received by the Joint Overview and Scrutiny Committee (JOSC) Working Group which was created as part of the JOSC Work Programme to review the Adur Homes repairs and maintenance service and work being undertaken to improve the services as part of the overall housing transformation.

#### **2. Recommendations**

2.1 That JOSC note the report, consider any recommendations that it would like to put to the JOSC Adur Homes Working Group as part of its work and note and welcome the progress being made to transform and improve the Adur Homes services.

### **3. Context**

- 3.1 As part of its Work Programme, JOSOC set up a Working Group to continue to review the improvements to the Adur Homes repairs and maintenance Service and overall transformation of the Adur Homes services which had been recommended by an earlier JOSOC Working Group and implemented by the Joint Strategic Committee in early 2021.
- 3.2 The current membership of the Working Group as agreed by JOSOC on 9 June 2022 is Councillors Carol Albury, Ann Bridges, Joss Loader, Sharon Sluman and Deb Stainforth.

### **4. Issues for consideration**

- 4.1 The JOSOC Working Group met in July and October 2021 and January and April 2022 to review the progress with improvements to the service and received regular update reports from the Chief Executive, Head of Housing and Housing Transformation Manager as well as from new Team Leaders in the new Adur Homes management structure.
- 4.2 A report which set out the latest progress made to improve the Adur Homes repairs and maintenance service was reported to the Working Group in April and a summary of that information as updated is now contained in the appendix attached to this report. The Working Group wanted to highlight the improvements that had been made with appropriate timelines for the delivery of future improvements. To improve transparency of the process the Working Group considered that this information should be reported via JOSOC.
- 4.3 The JOSOC Working Group will continue with its work to review the progress with the transformation of the Adur Homes service in 2022/23 and to keep a careful watching eye on the issues, ensuring that what has already been implemented is working effectively and that the next steps in the transformation process can be delivered on time for the benefit of Adur Homes tenants and leaseholders.

### **5. Engagement and Communication**

- 5.1 The JOSOC Working Group has held discussions with relevant Council Officers and consulted with the Adur Executive Member for Customer Services.

## **6. Financial Implications**

- 6.1 There are no direct financial implications connected to this report but there are financial implications connected to the overall review and transformation process of the Adur Homes service.

## **7. Legal Implications**

- 7.1 Under Section 111 of the Local Government Act 1972, the Councils have the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.
- 7.2 Section 1 of the Localism Act 2011 provides a Local Authority to do anything that individuals generally may do (subject to any current restrictions or limitations prescribed in existing legislation).
- 7.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Background Papers**

Previous report of JOSC Adur Homes Working Group to JOSC - October 2020.

### **Officer Contact Details:-**

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## **Sustainability & Risk Assessment**

### **1. Economic**

Matter considered and no significant issues identified.

### **2. Social**

#### **2.1 Social Value**

Matter considered. An improved Adur Homes service will improve social value for the tenants and leaseholders of Adur Homes.

#### **2.2 Equality Issues**

Matter considered and no significant issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no significant issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no significant issues identified.

### **3. Environmental**

Matter considered and no significant issues identified.

### **4. Governance**

Matter considered. The JOSC Working Group has been set up in accordance with the JOSC Procedure Rules and forms part of the agreed JOSC Work Programme for 2022/23.



## **Adur Homes Maintenance and Repairs Service**

### **1.0 Summary**

- 1.1 This report provides an update on the progress made to improve the maintenance and repairs received by Adur Homes residents

### **2.0 Changes to Staffing structure**

- 2.1 The first Phase of a new staff structure was implemented on 1 December 2021. The new structure reviewed the service areas and brought in the right leadership and skill set to deliver the changes required. The phase did not involve frontline roles.
- 2.2 A Neighbourhood Services Manager is now in post and leading on implementing changes to the services delivered to tenants and leaseholders. The Tenancy Handbook is now being rewritten and a leaseholder handbook will also be rewritten. Drafts of these documents will be shared with the appropriate tenant groups before they are finalised. A new tenancy agreement is also being developed with Legal Services to ensure that our tenancy agreement complies with current legislation. Tenancy services and Leasehold Services are now fully staffed.
- 2.3 An Interim Asset Manager who is now in post and leading on the review of the existing state of the stock, delivering immediate maintenance remedies and putting a plan in place for future investment both in the short and long term. Further details are provided in the report.
- 2.4 A new Leaseholders Forum has been established and leaseholders are now represented at the Adur Homes Management Board.
- 2.5 The recruitment process for a resident engagement officer has commenced.

### **3.0 Repairs and Maintenance**

#### **3.1 Repairs Performance**

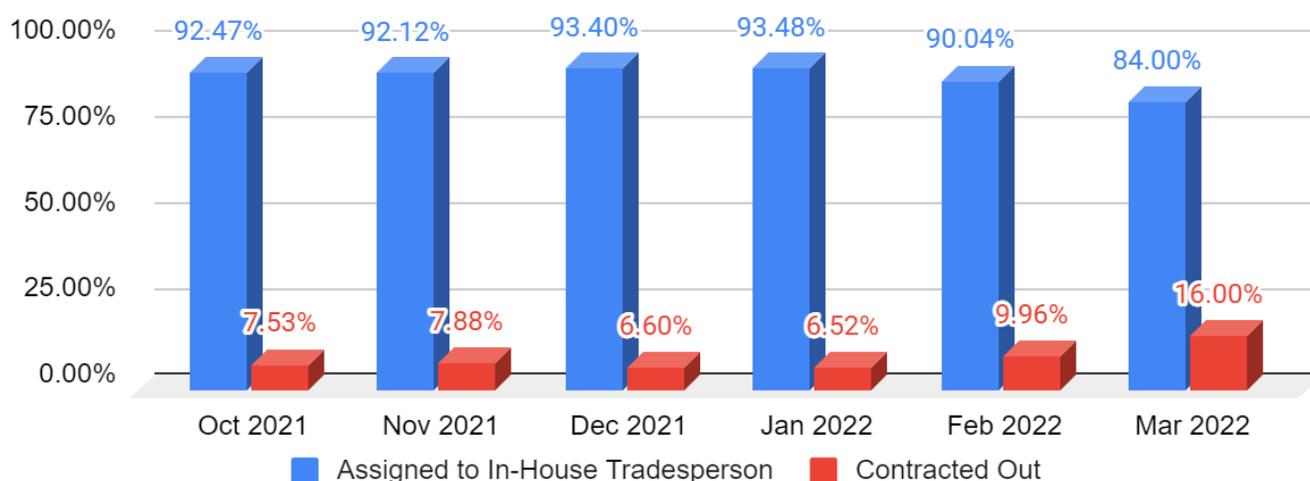
Significant focus has been on improving the quality of repairs undertaken by trades operatives. A dedicated multi trade chargehand now oversees contractor operations while two charge hands manage 12 trades operatives.

In the last 12 months to March 2022, 9 officers have moved on from Building Services with 3 dismissed for gross misconduct. Two managers and a trades operatives left the service in the last 6 months for performance or conduct reasons.

The table below shows the total number of jobs completed in the last 6 months to March 2022. Apart from February and March, over 90% of these jobs were completed. The drop in performance in February and March were due to a high number of officers taking annual leave in order to use their leave before the end of the financial year.

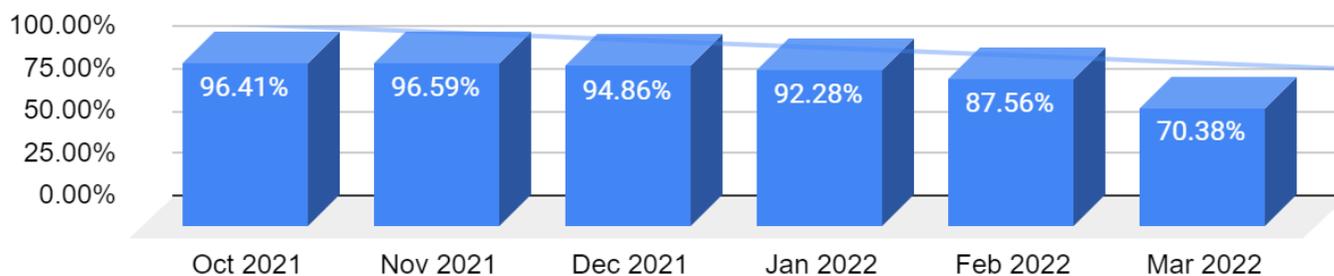
	Total Jobs Raised	Total Completed	% completed	Assigned In-House	Contracted out
<b>Oct 2021</b>	1806	1776	98.34%	1670	136
<b>Nov 2021</b>	2005	1905	95.01%	1847	158
<b>Dec 2021</b>	1500	1392	92.80%	1401	99
<b>Jan 2022</b>	1871	1700	90.86%	1749	122
<b>Feb 2022</b>	1938	1667	86.02%	1745	193
<b>Mar 2022</b>	1881	1243	66.08%	1580	301

The graph below shows that over 90% of these jobs were assigned to trades operatives in the Councils' Building Services except for March. For similar reasons as above, more jobs were assigned to contractors in February and March.



**Percentage of Jobs assigned In-House and to Contractors**

The graph below shows that Building Services completed at least 92% of all assigned jobs except in February and March. There was a decline in the performance from December which continued up till March. This was due to tradespersons being paired for all jobs in December and January as well as annual leave.



### **Percentage of assigned jobs completed by In-House tradespersons**

#### **3.2 Managing complaints about repairs**

In acknowledgement that the change process will take some time to resolve most of the issues experienced by residents, a Customer Enquiries Officer was recruited in October 2021 to deal with issues raised by residents. This has resulted in fewer repairs complaints being escalated to Stage 2 of the Councils' complaint process.

All enquiries relating to repairs raised by Councillors to the dedicated email address, [adurhomesce@adur-worthing.gov.uk](mailto:adurhomesce@adur-worthing.gov.uk), are reviewed weekly at the Problem Resolution Group which is chaired by the Head of Housing.

#### **3.3 Voids**

A significant amount of the voids created when tenants move require major works. This has created delays in the void turnaround time. The major works arise due to the poor state of the properties and the prevalence of asbestos within the stock. The Council has commissioned a local company to provide additional capacity to assist with turning the voids around quicker.

#### **4.0 Health and Safety (H&S) compliance**

4.1 To ensure Adur Homes stock complies with health and safety standards, the Council commissioned NPS (a company owned by Norfolk Council) to provide additional capacity. NPS to housing services.

4.2 Housing services supported by NPS carried out a detailed gap analysis of health and safety compliance in Adur Homes stock. The analysis identified gaps in the following areas - asbestos management, electrical safety, fire safety contracts, gas safety check compliance, legionella, lifts servicing, community alarm replacement, the Inner Rooms Project and building inspections.

4.3 NPS has produced 5 Work Stream briefs with actions, which the service is now working on. The brief covers the following areas

- Asset Management
- Contracts and Procurement
- People and Culture
- Strategy and Investment
- Systems and Data.

#### **4.4 Managing Asbestos within the stock**

A Corporate Asbestos policy and an Adur Homes Management Plan has been created. A tender for an Asbestos reinspection programme and Asbestos remedial work programme

is ongoing. A new system, AlphaTracker has been procured corporately to hold all asbestos survey records.

All trade operatives and Housing Officers have received training on Asbestos Awareness. One officer has obtained and a second is being supported to attain P405 qualifications which will allow them to carry out basic audits of asbestos removal projects and act as the asbestos coordinator.

#### 4.5 Electrical Safety

A contractor has been working with the service to carry out electrical safety inspections on all Adur Homes stock and ensure all Category 1 and 2 failures are remedied immediately.

A 5 year contract with the option to extend for a further 2 years is currently going through the procurement process. This will provide a compliant contract with a program of works to enable full compliance by the end of year 4 of the contract.

- 4.6 Fire Risk Assessments are up to date and a regime is now in place to review these within the review date. While immediate remedial action is undertaken where high risks are identified, most of the remedial work needed are put into the Capital Improvement programme. The Council is also has 100% compliance with Landlord Gas Safety Certificates

A recent review meeting with West Sussex Fire and Rescue Service (WSFRS) was successful. They were happy with our approach and our financial and resource commitment to mitigating the issues in a risk based way.

### **5.0 Contracts and Procurements**

- 5.1 A task and finish Housing Contracts and Procurement group, led by the Councils' Chief Finance Officer, is working to bring all repair and maintenance contracts up to date, ensure contracts comply with the Councils' Contracts and Procurement Policy and also achieve value for money.
- 5.2 Given the amount of contracts that need to be procured, the group has prioritised the contracts. Work is currently being undertaken to procure 14 contracts, all of which are in different stages of the procurement process.

### **6.0 Capital Improvement Works**

- 6.1 The Council allocated new capital investment of about £5,000,000 each year in 2021/22 and 2022/23.
- 6.2 Essential maintenance work in Southwick to address residents' concerns continues to take place. A dedicated survey has been appointed to deal with maintenance issues and repairs identified by Southwick residents are being addressed.
- 6.3 Some of the capital investment works started in 2021/22 have continued into the 2022/23 financial year. There several reasons for the delays include the impact of the COVID-19 pandemic and contractor performance.

6.4 The following projects are ongoing - Inner Rooms remedial works, Sheltered Housing and General Housing fire safety remedial works, Shadwells Court Ground Source Heat Pump project, Door Entry Systems replacements project, Fire Door installations and inspection and maintenance programme, Community Alarm replacement works. The external works to Bushby and Beachcroft are nearing completion.

6.5 The table below shows new projects planned for this financial year

<b>Project</b>	<b>Description</b>	<b>Timeline</b>
Southwick Estate Interim Works	Interim capital works programme to buildings in the Southwick Estate to ensure they remain safe and habitable until a decision is made regarding development/refurbishment.	Autumn or Winter 2022/23
Penstone, Osbourne and Warren Court Balconies	Balcony repairs and railing replacements.	Autumn 2022
UPVC replacement programme	A prioritised programme of window and balcony door replacements.	Autumn 2022
Roof covering replacement programme	A prioritised programme of roof covering replacements, including Fraser Court	Autumn 2022
Millfield	A repair programme across the estate to ensure buildings remain safe and habitable.	Autumn 2022

## **7.0 Asset Management Strategy**

7.1 We are currently undertaking estate level inspections across all of our stock. These will provide information around the level of repairs required across the external areas, internal common areas and external building fabric.

7.2 We have also created a Stock Condition Survey (SCS) within the T100 IT System and we are targeting specific properties as and when required. Moving forwards once we have adequate resources we will commence a program of SCS's.

7.4 We have initiated some high level options appraisals across some of our large sites, this is where it has become apparent that the level of investment required falls outside of the typical 'planned capital' works. These sites also pose other issues around fire safety, construction design and appropriate accommodation.

7.5 We are working collaboratively and holistically with the wider teams outside of Adur Homes to ensure information is shared to enable key strategic decisions to be made intelligently and support the overall aspirations of Adur District Council in delivering affordable accommodation which is fit for purpose.

7.6 At this point we are focusing on ensuring that the information that is collected is managed, analysed and used in a meaningful way.

7.7 As we move through these processes we will be able to start to define an asset management strategy.

## **8.0 Data Management**

8.1 Availability of reliable data is key to managing service performance, managing risk, planning for the future and ensuring appropriate governance. It is our intention to provide regular service performance reports in the future for both residents and elected members.

8.2 However, issues with Housing Services IT systems and gaps in skill set make this a significant challenge at present, especially with quality of data. The service currently uses 11 different IT systems, some of which do not interact with each other including several spreadsheets which hold information.

8.3 As part of the Phase 1 restructure, the Strategy and Performance Team was created to provide reporting and strategic reporting capacity. An Applications and Systems officer role was also created to work with Digital Services and the newly appointed Corporate Data Lead to develop data systems within Housing Services.

8.4 Though the work to improve data management is being led corporately, Housing services have already scoped the challenges. A subgroup in Housing Services has been created to work with the Corporate Data Lead to deliver and implement a plan to improve how we capture and hold data. It is anticipated that the plan will be delivered in stages as it will need to run alongside the changes to the services IT systems.

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