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ADUR & WORTHING COUNCILS

3 July 2023

Joint Strategic Committee	
Date:	11 July 2023
Time:	6.30 pm
Venue:	Gordon Room, Worthing Town Hall

Committee Membership:

Adur District Council: Councillors; Neil Parkin (Adur Chair), Angus Dunn (Adur Vice-Chair), Carson Albury, Kevin Boram, Emma Evans and Steve Neocleous

Worthing Borough Council: Councillors; Dr Beccy Cooper (Worthing Chair), Carl Walker (Worthing Vice-Chair), Caroline Baxter, Sophie Cox, Rita Garner, Emma Taylor, John Turley, Vicki Wells and Rosey Whorlow

Agenda

Part A

1. Declarations 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. Minutes

To approve the minutes of the Joint Strategic Committee meeting held on 7 February 2023, copies of which have been previously circulated.

3. Public Question Time

To receive any questions from members of the public.

Questions should be submitted by noon on Thursday 6 July 2023 to Democratic Services, democratic.services@adur-worthing.gov.uk

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

4. Members Questions

Pre-submitted Members questions are pursuant to rule 12 of the Council & Committee Procedure Rules.

Questions should be submitted by noon on Thursday 6 July 2023 to Democratic Services, democratic.services@adur-worthing.gov.uk

(Note: Member 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. Financial Performance 2022/23 - Revenue Outturn (Pages 5 - 34)

To consider a report by the Director for Sustainability and Resources, copy attached as item 6

7. Developing a revenue budget for 2024/25 in difficult economic circumstances (Pages 35 - 76)

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

8. Investing for our future - Capital Strategy 2024/27 (Pages 77 - 124)

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

9. Renewal of insurances contract - Use of urgency powers (Pages 125 - 132)

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

10. Proactive working with residents in Adur and Worthing: an update (Pages 133 - 164)

To consider a report by the Director for Housing and Communities, copy attached as item 10

11. Regulating wisely: Updated Adur and Worthing Public Health & Regulation Enforcement Policy (Pages 165 - 172)

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

12. Review of Joint Strategic Committee Pilot Scheme (Pages 173 - 184)

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

13. Union Place - Joint Venture Partnership with Roffey Homes (Pages 185 - 208)

To consider a report by the Director for Place, copy attached as item 13

14. Exclusion of the Press and Public

In the opinion of the Proper Officer the press and public should be excluded from the meeting for consideration of the following items. Therefore the meeting is asked to consider passing the following resolution:

'that under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting from the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in the paragraph of Part 3 of Schedule 12 A to the Act indicated against the item'.

Part B - Not for Publication – Exempt Information Reports

15. Union Place - Joint Venture Partnership with Roffey Homes - Exempt Appendices (Pages 209 - 248)

Exempt Appendices to agenda item 13, copy attached as item 16

Recording of this meeting

The Council will be live streaming the meeting, including public question time. A 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 Senior Democratic Services Officer 01903 221364 chris.cadman-dando@adur-worthing.gov.uk	Andrew Mathias Senior Solicitor 01903 221032 andrew.mathias@adur-worthing.gov.uk

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



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11 July 2023

Joint Overview & Scrutiny Committee
7 September 2023

Key Decision: No

Ward(s) Affected: All

Financial Performance 2022/23 - Revenue outturn

Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2022/23 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, both due to be completed by the end of July. The audit commencement date is still to be confirmed but is unlikely to commence until the Autumn, any adjustments that emerge during the audit will be reported to members later in the year.
- 1.2 The final position for operational services were overspends for Adur District Council of £1.8m and Worthing Borough Council of £3.6m. This is compared to the projections reported at quarter 3 when operational outturns were predicted to be an overspend of £1.6m in Adur and £3.3m in Worthing before any use of reserves.
- 1.3 Overall outturn positions were an overspend of £10k in Adur District Council and an underspend of £778k in Worthing Borough Council. This represents a 0% overspend against the budget for Adur and 6% underspend in Worthing.

1.4 The table at 4.4 below sets out the components contributing to the outturn positions in 2022/23.

1.5 There is one 2022/23 budget carry forward proposed in Worthing of £35,000 to support Cost of Living funding.

1.6 This outcome is an improvement for both Councils from that forecast in the quarter 3 monitoring report '3rd Revenue Budget Monitoring Report (Q3) 2022/23' when net overall overspends after reserve transfers of £382k and £2.1m were being projected in Adur and Worthing respectively. The significant movement in Worthing is due to the outcome of the VAT appeal claim related to leisure services (see section 4.7) which was announced in the last quarter of the financial year. Adur's outturn position improved due to increased income from business rates.

1.7 The following appendices have been attached to this report:

Appendix 1 Joint Summary of 2022/23 Outturn

Appendix 2 (a) Adur Summary of 2022/23 Outturn
(b) Adur Use of Earmarked Reserves

Appendix 3 (a) Worthing Summary of 2022/23 Outturn
(b) Worthing Use of Earmarked Reserves

Appendix 4 (a) HRA Summary
(b) HRA Briefing Note of Variances Q3 to Outturn

2. Recommendations

2.1 The Joint Strategic Committee is asked to recommend that Adur District Council, at its meeting on 20th July 2023 and Worthing Borough Council at its meeting on 18th July 2023:-

(a) NOTE the overall final outturn for 2022/23.

(b) APPROVE the net appropriations from General Fund Reserves in the year as detailed in section 6 of the report totalling: Adur District Council £749,839 Worthing Borough Council £1,644,580.

(c) AGREE in Worthing Borough Council the revenue budget carry forward to 2023/24 of £35,000 to be funded from reserves to support work associated with the Cost of Living crisis.

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 2022/23 was a year of multiple financial challenges with the long term impacts of the pandemic running alongside the sudden cost of living crisis. The Councils saw increases in the wage bill, significant hikes in energy costs and a rise in homelessness. Council service teams worked tirelessly to maintain service levels throughout these consecutive upheavals while also delivering significant change programmes such as the rationalisation of office accommodation at Portland House to generate rental income, increases to a number of commercial income streams and strong performance in the Strategic Property Investment Fund. Positive contributions from underspends in the Minimum Revenue Provision for both Councils; and in Worthing a VAT reclaim payment significantly improved final outturns. Current and future years continue to be challenging in a period of persistently high inflation and seemingly permanent changes to income streams such as car parking. There remains a need to continually review and reshape the medium term financial strategy to adapt the councils' budget to new financial realities.

3.2 The Joint Strategic Committee last considered the 5-year forecast for 2022/23 to 2026/27 on 6th December 2022. This report '2023/24 - 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 previous strategies whose 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.

4. Issues for consideration

- 4.1 As part of the 2022/23 budget the Councils committed to savings of £0.168m for Adur District Council and £1.136m 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. However, the financial landscape has changed due to the impact of the economic downturn, energy prices, rising inflation and interest rates visible in additional cost pressures falling on the Council over the last 12 months. Additional pressure has also been created by the national pay award which was higher than assumed and built into the 2022/23 budget.

- 4.2 Following the LGA Finance peer review in November 2019, which referenced in its feedback report 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 where possible for areas of uncertainty in the budget.
- Accelerating savings initiatives where possible - including generating additional commercial income.

These measures have built some capacity in the Council's reserves which is much needed at this time.

- 4.3 The budgets were approved in February 2022 with continued uncertainty around the pace of recovery from the impact of the Covid 19 pandemic. During 2022/23

the government continued to help support people and businesses as the country navigated its way through the recovery, this had an ongoing impact on local councils:

- Administration of the government backed schemes for energy rebate payments.
- 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.

There was also a large volume of work created in 2022/23 from the returns and reconciliations required associated with the business and self isolation grants administered by the councils on behalf of the government in 2021/22.

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

2022/23 Outturn	Adur £000	Worthing £000
Over/(under)spend in operational services – including share from Joint	1,770	3,563
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2022/23, due to reprofiling of the capital programme.	(911)	(867)
Leisure Services VAT reclaim - net repayment after costs	-	(2,780)
Pay award - impact above budgeted allowance	392	606
Reduction in national insurance contribution rate	(30)	(45)
Net Overspend before Government Funding and Transfers to reserves	1,221	477
Non ring fenced Government grants	(27)	(41)
Outturn overspend before impact of taxation and transfer to/from reserves	1,194	436
Impact of Taxation		
Impact on NDR income from additional reliefs and appeals	(444)	1,208
Overspend before transfer to/(from) reserves	750	1,644
Transfers to(from) Reserves:		
Business rates smoothing reserve	-	(1,216)
Tax Guarantee smoothing reserve - contribution to Council Tax 2020/21 deficits funded over a three year period	(59)	(37)
Net Operational Over/(Underspend)	691	391
Transfer to / from (-) reserves to fund revenue expenditure	(681)	(1,169)
Outturn after total transfers to/(from) reserves	10	(778)

4.5 In summary the overall revenue outturn positions are as follows:

	Joint	Adur	Worthing
	£000	£000	£000
Current Budget	25,790	9,742	13,785
Outturn (Including funding and transfers to/from reserves)	28,379	9,752	13,007
	2,589	10	(778)
		0.0%	-6.0%

Comparison of outturn position to the Q3 forecast:

	Joint	Adur	Worthing
	£000	£000	£000
Outturn Over/(under)spend	2,589	10	(778)
Forecast Over/(under)spend Q3	2,912	382	2,100
Movement	(323)	(372)	(2,878)

4.6 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.

4.7 The movement between the quarter 3 forecast report to members and the outturn position are due to higher business rate income than expected in Adur, and in Worthing the announcement that the VAT appeals associated with leisure services has been decided and in agreement with the local government claims.

4.8 The key factors underpinning the outturn financial position include:

- Car Parking Income - in Worthing the service income did not achieve budget, with a shortfall of £160,000. This was as a result of a slower than assumed recovery in 2022/23 from the pandemic. Income performance in Adur was on budget. In addition expenditure was £137k higher than the budget due to the increasing transactional costs associated with an increasing number of cashless payments. The final year end position was as predicted and reported at quarter 3.
- The government response to the cost of living crisis in the form of support through energy rebate payments created additional resourcing requirements

this together with the need to deal with the backlog work created whilst Covid grants were being processed has meant cost pressures have been incurred with the need to recruit temporary staff.

- Pay award - the national pay award was agreed with an increase of £1,925 to each spinal column pay point. This equated to an average pay increase of 5.82%, 3.82% higher than the 2% budgeted allowance creating an in year cost pressure of £972,000. This was partially offset by £75,000 with the 1.25% reduction in the employer national insurance contributions from November following the government decision to reverse the increase introduced at the start of April 2022 .
- Waste dispute - created additional cost pressures resulting from the negotiated changes following the waste dispute earlier in the financial year and agency costs being incurred to cover vacancies, holiday and sickness. In addition there was also a reduction in income against budget as a result of cancellations and refunds associated with the dispute. A report was taken to Joint Strategic Committee in June 2022 setting out for members the unbudgeted cost implications for the councils with approval to utilise the Capacity Issues Reserves of £209,020 in Adur and £371,590 in Worthing to support the identified cost pressures.
- Homelessness - caseload numbers (individuals, couples and families presenting themselves to the council in immediate housing crisis) have been consistently higher than expected during 2022/23 with 97 in Adur and 337 in Worthing at the end of March 2023 compared to 81 and 271 in the respective councils at the beginning of the financial year. The final outturn positions were overspends in the service of £437,000 in Adur and £544,000 in Worthing, this despite an increase in the 22/23 Adur budget of £150,000. This compares with the £247k and £703k respective overspends projected at quarter 3. To address the ongoing demand on the service an additional budget has been built into the 2023/24 budgets for both Councils (£381,000 Adur and £748,000 Worthing).
- An underspend in the Minimum Revenue Provision (MRP) and net interest payable and receivable budgets. These budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current year's capital spend. Both councils have an underspend in the MRP budget due to reprofiling to 2022/23 of a proportion of the 2021/22 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. The reduced need to borrow also translates into a

saving on interest payable. Furthermore, higher interest rates than assumed when setting the budget have also increased the income received from the council investments:

Over/(underspends)	Adur (General Fund)	Worthing
	£000	£000
Minimum Revenue Provision *	(469)	(302)
Interest payable on borrowing	(219)	(77)
Interest from investment income	(223)	(508)
Other financing costs	0	20
Total	(911)	(867)

* *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.*

- Shortfall in net income from Worthing crematorium leading to an overspend against the bereavement service of £609,000. Although a substantial shortfall against the budget this is an improvement on the quarter 3 forecast of a £672k shortfall, in part due to cemetery income being £30k higher than projected.
- Worthing VAT Reclaim relating to Leisure Services - Worthing Borough Council has had a claim lodged (that stood behind three lead appeal cases Chelmsford City Council, Midlothian Council and Mid-Ulster District Council reflecting the different legal regimes in England and Wales, Scotland and Northern Ireland) for 12 years regarding the VAT treatment of sport and leisure services. The appeals concerned whether VAT is payable on the provision of local authority leisure services or treated as non-business as they are delivered under a special legal regime. The case has now been heard by all tribunal tiers and the decision found to be in agreement with the local authorities claims. This means that HMRC accepts that local authority leisure services in the UK are non-business supplied. Tax refunds for overpaid VAT will now be repayable by HMRC for the relevant periods 2007-2015 with. The net amount, after the KPMG advisory commission, is expected to be in the region of £2.78m, with the exact amount depending on the outcome of ongoing negotiations around some income streams (catering

and party hire), and the final interest calculation which has yet to be confirmed. The same opportunity did not exist for Adur District Council as the leisure service has been outsourced since 2005.

- Planning Income - Adur and Worthing have both experienced a reduction in applications that have led to a shortfall in income within the planning service departments as broken down in the table below.

Shortfall in income against budget	Adur	Worthing
	£000	£000
Building Control	83	67
Development Control	29	51
Land Charges	57	56
Total income shortfall	169	174

The outturn position is an improvement on the predicted income shortfalls reported in quarter 3 of £195k in Adur and £235k in Worthing. In addition to the shortfall in income there was also a significant overspend in costs £111,000 in Worthing associated with professional and legal fees related to a number of sites including Goring Gap, which is partly covered by an approved contribution from the Capacity Issues reserve of £42,927.

- Cross cutting

Utilities - as reported to members during the year the cost of energy has been a significant cost pressure for both councils. The outturn positions are overspends against both gas and electricity budgets for Adur and Worthing.

Overspend against budget	Adur	Worthing
	£000	£000
Gas	5	31
Electricity	45	199

Worthing has a larger number of public buildings where the cost of utility supply is the responsibility of the council, including the crematorium where there is a significant supply need to deliver the service.

Maintenance - expenditure budgets were as predicted in respect of over and underspend positions, the final outturn position was as follows compared to the quarter 3 forecast:

Over/(under)spend	Q3 Forecast	Outturn
	£000	£000
Joint	198	115
Adur	71	40
Worthing	(127)	(92)

- **Business Rates**

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 2022/23 is shown below:

	Adur		Worthing	
	Budget	Outturn	Budget	Outturn
	£m	£m	£m	£m
Net income after tariff	2.186	2.191	2.304	2.344
Add: Section 31 grant	1.215	1.840	1.750	2.872
Add: Safety net payment	-	-	-	-0.471
Less: Levy 2022/23	-0.817	-0.622	-0.681	-
Less: Levy adjustment relating to prior years	-	-0.064	-	-0.376
Less: Recovery of estimated 2020/21 deficit	-	-0.366	-3.153	-3.153
Add: Withdrawal from Business Rates Smoothing / Local Income Tax Guarantee reserves to fund net deficit	-	-	3.153	1.215
Income expected from Business rates	<u>2.584</u>	<u>2.979</u>	<u>3.373</u>	<u>3.374</u>

Balance on Smoothing reserve 31 March 2022	1.766	3.307
Use of reserves in 2022/23	-	-1.215
Contribution to reserve in 2022/23	-	0.400
Balance on Smoothing reserve 31 March 2023	1.766	2.492
Expected use of reserve in 2023/24	-1.286	-2.492

Overall income from business rates in Adur was better than expected when setting the budget and no withdrawal from the smoothing reserves required in 2022/23. This is after over awarding £5m in mandatory and discretionary reliefs to businesses during the year. The closing balance on the reserve is sufficient to meet the overall projected deficit on the Collection Fund for 2023/24.

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 2022/23, the Government awarded significant additional reliefs in-year which generated a deficit within the collection fund which the Council will need to fund in 2024/25. However the balance on the Smoothing Reserve will be used over the next two years to fund the deficit on the Collection Fund.

- Local Tax Income Guarantee

The government 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:

	Adur		Worthing	
	Council Tax	NNDR	Council Tax	NNDR
	£	£	£	£
Balance of Reserve 1 April 2022	118,666	0	72,180	229,769
Approved use 2022/23	59,000	0	37,000	0
Balance 31 March 2023	59,666	0	35,180	229,769
Approved planned use in 2023/24	59,666	0	35,180	229,769

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 £397,284 which is an improvement on the £578,149 overspend projected in quarter 3. The movement is mainly due to a review of the depreciation policy which has reduced the annual charge to the revenue budget by £610,000. This favourable variance is offset by continuing rental income losses as a result of increased void properties, along with increased repair costs.

5.2 The HRA Reserve stood at £1.045m at 31st March 2023 with earmarked reserves totalling £0.117m. This reflects the positive impact of the depreciation policy review, which was backdated to the prior financial year (2021/22).

6.0 TRANSFERS TO RESERVES

6.1 Movements and Use of Earmarked Reserves

As part of the 2022/23 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 2022/23, 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:

Adur District Council transfers from General Fund Earmarked Reserves 2022/23		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none"> • Decrease in Grants & Contributions Carried Forward • Self-insurance charges and proposed contributions • Approved use of reserves • Local Tax Income Guarantee 	<p>(289,435)</p> <p>(69,740)</p> <p>(321,498)</p> <p>(59,000)</p>	<p></p> <p></p> <p></p> <p></p> <p>(739,673)</p>
<p>Contribution from reserves from general overspend:</p> <ul style="list-style-type: none"> • General Fund overspend withdrawn from the General Fund Working Balance 	<p>(10,166)</p>	<p></p> <p>(10,166)</p>
<p>Total recommended net withdrawals from Earmarked Reserves</p>		<p>(749,839)</p>

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will decrease to £1.041m which, at 10.7% of net expenditure of £9.752m, is just above the range of 6%-10% 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 £0.968m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), a decrease of £1.359m over 31st March, 2022. The full listing of earmarked reserves is attached at **Appendix 2b**.

Worthing Borough Council:

Worthing Borough Council net transfers from General Fund Earmarked Reserves 2022/23		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none"> • Decrease in grants & contributions Carried Forward • Net withdrawal from Theatres Reserve • Approved use of reserves • Local Tax Income Guarantee • Self-insurance charges and proposed contributions • Withdrawal from Business Rates Smoothing Reserve 	(312,378) (31,497) (803,893) (37,000) (22,150) (1,215,763)	(2,422,681)
Transfer to reserves for general underspend: <ul style="list-style-type: none"> • Transfer to Business Rates Smoothing Reserve to fund future NDR losses • General Fund underspend transferred to Capacity Issues Reserve 	400,000 378,101	778,101
Total recommended net withdrawals from Earmarked Reserves		(1,644,580)

If all the proposals in the above table are adopted, Worthing Borough Council's General Fund Working Balance will increase to £1.347m which, at 10.4% of net expenditure of £13.007m, is above the range of 6%-10% 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 £1.992m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), a decrease of £0.479m over 31st March 2022. The full listing of earmarked reserves is attached at **Appendix 3b**.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2022/23 AND DEBT POSITION

MRP Requirement for 2022/23

7.1 The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 require the Councils to make a prudent provision within the accounts for repayment of debt. This provision is called the Minimum Revenue Provision (MRP) and is charged to revenue expenditure.

7.2 The Councils' MRP policy was approved by the Joint Strategic Committee at its meeting of 2nd June 2016 and was recommended for approval by Worthing Council at its meeting on 19th July 2016 and by Adur Council at its meeting on 21st July 2016. It was agreed that: firstly for any debt associated with unfunded capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

This does not apply to Worthing Borough Council which had no debt as at 1st April 2008. Secondly, for both Councils' non-HRA capital expenditure which forms part of the Capital Financing Requirement (the CFR), (excluding loans to RSLs 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 2022/23 relates to unfunded expenditure incurred up to and including 31st March 2022. 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 2022/23 accounts:

- For Adur District Council General Fund the MRP was £1,885,636. £10,000 of Voluntary MRP was offset. No Voluntary MRP was set aside for the HRA.

- For Worthing Borough Council the MRP was £1,853,450. £160,000 of Voluntary MRP was offset.

Debt Position at 31 March 2023

- 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 2023	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Actual Long Term Debt 01/04/22	102,342,319	58,624,959	160,967,278	153,750,873
New Long Term Debt Raised in year	7,000,000	8,000,000	15,000,000	73,250,000
Long Term Debt Repaid in Year	(7,811,605)	(3,851,167)	(11,662,772)	(23,052,312)
Actual Long Term Debt 31/03/23	101,530,714	62,773,792	164,304,506	203,948,361

CFR v Long Term Debt Position at 31 March 2023	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Capital Financing Requirement (CFR)	106,797,904	66,652,570	173,450,474	206,400,045
(Over) / Under Borrowing	5,267,190	3,878,778	9,145,968	2,451,684

7.9 Adur also held the Parish Precept of £637,337 on behalf of Lancing Parish Council.

7.10 For Adur Council the General Fund is under-borrowed by approximately £5.267m. The HRA is under-borrowed by £3.879m. 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 £2.452m due to the use of internal resources as described above for Adur. New loans have been taken out in 2022-23 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 cost pressures from inflation, a pay award above that budgeted for the year and the impact of the waste dispute. As highlighted in section 4.4 the outturn position for Adur District Council is an overspend of £10k and for Worthing Borough Council an underspend of £778k.
- 11.2 As a direct result of the HMRC repayment expected from HMRC in relation to its leisure services claim Worthing is in a position of underspend at the end of the financial year and able to contribute to reserves. This is a significant improvement from the projected overspend forecast of £2.1m at quarter 3. This is very 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 'Final Revenue Budget Estimates 2022/23' Report

[JSC Agenda - February 2022](#)

Adur District Council 'Budget Estimates 2022/23 and Setting of the 2022/23 Council Tax' Report

[Adur District Council Public Document Pack - February 2022](#)

Worthing Overall Budget Estimates 2022/23 and Setting of 2022/23 Council Tax Report

[Worthing Borough Council Public Document Pack - February 2022](#)

Financial Performance 2021/22 - Revenue Outturn Report

[JSC Agenda - July 2022](#)

3rd Quarter Revenue Monitoring Report 2022/23

[Adur JSC Sub Committee Agenda - March 2023](#)

[Worthing JSC Sub Committee Agenda - March 2023](#)

Chief Executive's use of urgency powers to settle the waste dispute - report by the Chief Executive

[JSC Committee Agenda - June 2022](#)

Local Government Association Finance Peer Review and Improvement Action Plan

[LGA Finance Peer Review](#)

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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

 ADUR & WORTHING COUNCILS	ORIGINAL ESTIMATE 2022/23	CURRENT ESTIMATE 2022/23	OUTTURN 2022/23	((UNDER)/ OVERSPEND 2022/23
	£	£	£	£
Chief Executive	645,580	645,480	772,797	127,317
Director for Communities	9,014,030	8,886,940	10,448,039	1,561,099
Director for Digital & Resources	12,227,570	11,397,520	12,597,875	1,200,355
Director for the Economy	3,903,400	3,869,480	4,075,568	206,088
TOTAL SERVICES	25,790,580	24,799,420	27,894,278	3,094,858
ALLOCATION OF COSTS				
Recharged to Capital	(1,169,680)	-	(530,222)	(530,222)
Other Recharges to Joint		(178,520)	(198,537)	(20,017)
	24,620,900	24,620,900	27,165,518	2,544,618
Adur District Council	(9,933,310)	(9,933,310)	(10,897,237)	(963,927)
Worthing Borough Council	(14,687,590)	(14,687,590)	(16,268,282)	(1,580,692)
TOTAL SERVICE BLOCK ALLOCATIONS	(24,620,900)	(24,620,900)	(27,165,518)	(2,544,618)

 ADUR DISTRICT COUNCIL	ORIGINAL BUDGET 2022/23	CURRENT ESTIMATE 2022/23	OUTTURN 2022/23	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£	£	£	£
CABINET MEMBER PORTFOLIOS						
Leader	771,920	771,920	704,985	(8,203)	351,155	(409,888)
CM for Environment	3,075,710	3,075,710	3,611,352	(4,558)	53,837	486,364
CM for Health & Wellbeing	1,360,290	1,360,290	1,531,276	(2,400)	120,825	52,561
CM for Customer Services	1,565,670	1,565,670	2,329,295	1,520	6,660	755,444
CM for Regeneration	1,748,630	1,748,630	1,982,718	(4,070)	203,821	34,337
CM for Resources	163,680	163,680	721,607	55,118	350,618	152,191
Holding Accounts	246,010	246,010	-	(30,650)	(1,086,916)	871,557
TOTAL CABINET MEMBER	8,931,910	8,931,910	10,881,233	6,757	-	1,942,566
Credit Back Depreciation	(1,534,510)	(1,534,510)	(1,541,257)	(6,757)		10
Minimum Revenue Provision	2,344,950	2,344,950	1,875,637			(469,313)
	9,742,350	9,742,350	11,215,613	-	-	1,473,263
Additional Non Ring Fenced Grants			(26,816)			(26,816)
Total Including additional grant funding			11,188,797	-	-	1,446,447
Adjustments for taxation						
Section 31 grants and Collection Fund adjustments			(444,163)			(444,163)
Total before transfer to/(from) reserves			10,744,634	-	-	1,002,284
Transfers to/from reserves:						
Tax Income Guarantee Reserve			(59,000)			(59,000)
Transfer (from) / to reserves to fund specific expenditure including REFCUS			(933,117)			(933,117)
Net Overspend Transferred (from) Reserves			(10,166)			(10,166)
Total Budget requirement before External Support from Government	9,742,350	9,742,350	9,742,350	-	-	(0)

 ADUR DISTRICT COUNCIL	Opening Balance 2022/23	Transfers Out 2022/23	Transfers In 2022/23	Closing Balance 2022/23
EARMARKED REVENUE RESERVE ACCOUNTS				
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets	831,053			
New Salts Farm Lancing (JSC/047/20-21 8 September 2020)		(33,802)		
Platinum Jubilee (JSC/87/21-22 8 Feb 2022)		(12,063)		
Funding of cost pressures on waste (07/06/22 JSC)		(209,020)		
Business Development fund		(88,077)	-	
HRA Transformation costs - HR		(9,615)		
Senior Management Restructure		(37,072)		
Balance				441,405
Insurance Fund	152,699	(100,440)	30,700	82,959
Business Rates Smoothing Reserve	1,765,540			1,765,540
Local Tax Income Guarantee	118,666	(59,000)		59,666
Grants and Contributions held in Reserves	1,203,102	(481,285)	191,849	913,666
Property Investment Risk Reserve	375,674	-		375,674
Risk Reserve - Exit Costs			68,150	
Projected Underspend/(Overspend) (Reserve to be identified at outturn)		(10,166)		(10,166)
General Fund Reserve	1,051,497	-	-	1,051,497
TOTALS	5,498,231	(1,040,539)	290,699	4,748,391

 WORTHING BOROUGH COUNCIL	ORIGINAL BUDGET 2022/23	CURRENT BUDGET 2022/23	OUTTURN 2022/23	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£	£	£	£
CABINET MEMBER PORTFOLIOS						
Leader	794,730	794,730	985,506	(180)	4,279	186,677
CM for Environment	3,413,060	3,413,060	4,898,300	(21,598)	658,375	848,462
CM for Community Wellbeing	899,210	899,210	930,829	420	(4,010)	35,209
CM for Citizen Services	3,419,340	3,419,340	5,120,413	203,630	185,960	1,311,482
CM for Regeneration	2,431,070	2,431,070	3,127,961	78,125	447,886	170,880
CM for Resources	203,720	203,720	(2,724,355)	134,925	398,393	(3,461,393)
CM for Culture & Leisure	4,166,310	4,166,310	4,438,618	(268,070)	122,533	417,846
CM for Climate & Emergency	124,450	124,450	128,178	-	3,728	-
Holding Accounts	411,200	411,200	-	(89,698)	(1,817,144)	1,495,642
TOTAL CABINET MEMBER	15,863,090	15,863,090	16,905,448	37,553	-	1,004,805
Credit Back Depreciation	(4,160,620)	(4,160,620)	(4,198,163)	(37,553)		10
Minimum Revenue Provision	1,995,930	1,995,930	1,693,450			(302,480)
	13,698,400	13,698,400	14,400,735	-		702,335
Additional Non Ring Fenced Grants			(40,791)			(40,791)
Total Including additional grant funding			14,359,944	-	-	661,544
Adjustments for Taxation						
Section 31 grants and Collection Fund adjustments			1,208,153			1,208,153
Total before transfer to/(from) reserves			15,568,097	-	-	1,869,697
Transfer to/from reserves:						
Tax Income Guarantee Reserve			(37,000)			(37,000)
Business Rates Smoothing reserve			(1,215,763)			(1,215,763)
Transfer (from)/to reserves to fund specific expenditure including REFCUS	86,250	86,250	(1,308,786)			(1,395,036)
Contribution to Business Rates Smoothing Reserve	-	-	400,000			400,000
Contribution to Capacity Issue Reserve	-	-	378,101			378,101
Net Overspend Transferred (from)/to Reserves			778,101	-	-	778,101
Total Budget requirement before External Support from Government	13,784,650	13,784,650	13,784,650	-		(0)

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2022/23	Transfers Out 2022/23	Transfers In 2022/23	Closing Balance 2022/23
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets	1,308,326			
Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21)		(38,375)		
Hardship Fund Contribution (11/01/22 JSC/77/21-22)		(46,264)		
Contribution to foodbank		(53,736)		
Platinum Jubilee (08/02/22 JSC/87/21-22)		(14,361)		
Funding of cost pressures on the Waste service (07/06/2022 JSC)		(371,950)		
Resourcing of community engagement, inclusion and participation activities (JSS-C(W)/4/22-23 5 July 2022)		(22,691)		
Business Development Fund		(145,920)		
Local Plan examination costs		(42,927)		
HRA Transformation - HR support		(14,423)		
Senior Management Restructure		(55,608)		
S106 Funding - Land west of Worthing Station			1,500	
Balance				503,571
Insurance Reserve	252,394	(52,150)	30,000	230,244
Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	27,766	0		27,766
Museum reserve	106,396	(31,497)		74,899
Business Rates Smoothing Reserve	3,307,389	(1,215,763)	400,000	2,491,626
Local Tax Income Guarantee	301,949	(37,000)		264,949
Property Investment Risk Reserve	450,000			450,000
Building Maintenance Reserve	326,259	(67,289)		258,970
Risk Reserve - Exit Costs	0		68,150	68,150
Grants & Contributions	1,066,798	(642,648)	330,271	754,421
Projected Underspend/ (Overspend) - net of £400k contribution from underspend to Business Rates Smoothing Reserve		(400,000)	778,101	378,101
General Fund Working Balance	1,347,348			1,347,348
TOTAL	8,494,625	(3,252,602)	1,608,022	6,850,045

HOUSING REVENUE ACCOUNT SUMMARY	ORIGINAL BUDGET	FORECAST ACTUAL	VARIANCE
	£	£	£
EXPENDITURE			
General Management	4,075,920	4,208,127	132,207
Special Services	748,080	755,596	7,516
Rent, Rates, Taxes & Other Charges	61,100	202,845	141,745
Repairs & Maintenance	3,008,370	3,094,610	86,240
Bad/Doubtful Debt	50,000	66,870	16,870
Capital Financing Costs			
Depreciation and Revenue Contribution to Capital	4,421,760	3,811,275	(610,485)
Interest charges	2,262,200	2,201,195	(61,005)
TOTAL EXPENDITURE	14,627,430	14,340,519	(286,911)
INCOME			
Dwelling Rents	(12,750,170)	(12,265,956)	484,214
Non-Dwelling Rents	(550,480)	(494,746)	55,734
Heating and Other Service Charges	(623,110)	(494,833)	128,277
Leaseholder Service Charges	(265,940)	(216,436)	49,504
Interest Received	(28,000)	(61,534)	(33,534)
TOTAL INCOME	(14,217,700)	(13,533,505)	684,195
NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE	409,730	807,014	397,284

HRA Financial Issues 2022/23 – Q4 outturn**Outturn Variances compared to Q3 Forecast**

The table below provides a summary of the main HRA budget variances.

Service Area	Q3 Forecast	Q3 Forecast Variance to Budget	Q4 Outturn	Q4 Variance to Budget
Dwelling Voids	Current voids at end Jan = 103 (excluding Ashcroft and Inner Rooms) (4.1% of total stock) Avg loss of £10,300/wk	£420,000	Voids at end of March = 112 (excluding Ashcroft and Inner Rooms) (4.5% of total stock) Avg loss of £12,300/wk.	£484,000
Garage Voids	Current voids at end Oct = 339 (31% of total stock) Avg loss of £3,800/wk	£56,000	Voids at end of March = 340 (31% of total stock) Avg loss of £3,700/wk	£56,000
Service Charges	Proportionate effect of void loss, along with a delay in setting electrical and asbestos inspection charges (matching under spend in repairs & maintenance expenditure).	£120,000	Proportionate effect of void loss, along with a delay in setting electrical and asbestos inspection charges (matching under spend in repairs & maintenance expenditure).	£178,000
Staffing Costs	Flat rate increase of £1,925 per head.	£70,000	Flat rate increase of £1,925 per head.	£70,000
Staffing Costs	Some vacancy saving can now be seen, as vacancies have arisen in the second half of the year and been held vacant.	£50,000	The full vacancy provision was met due to continuing vacancies in the Neighbourhood Services and Systems teams and additional allocations of relevant staff to Capital projects.	(£79,000)
Council Tax	Over spend of £79k forecast due to increased void numbers.	£79,000	Council Tax costs have continued to increase due to	£145,000

			the high level of void properties.	
Repairs & Maintenance	An underspend of £143k was forecast, due to delays in contract award for electrical and asbestos inspections.	(£143,000)	There have been some significant subcontractor costs in the fourth quarter, notably £58k for fire damage works.	£102,000
Central Support Recharges	No variance anticipated.	-	Additional costs.	£124,000
Depreciation	No variance anticipated.	-	Reduced cost of depreciation due to a review of the policy.	(£610,000)
Interest Payable	Due to slippage in the capital programme and the ability to capitalise interest payments in connection with Albion Street, lower borrowing costs are now anticipated.	(£67,000)	Due to slippage in the capital programme and the ability to capitalise interest payments in connection with Albion Street, lower borrowing costs are now anticipated.	(£61,000)
Interest Receivable	Due to interest rate rises, additional income is expected.	(£42,000)	Additional income due to interest rate rises	(£34,000)
Other	Other variances	(£28,852)	Other variances	£22,284
	FORECAST OVER SPEND	£578,148	OVER SPEND	£397,284
	DEFICIT BUDGET	£409,730	DEFICIT BUDGET	£409,730
	FORECAST IMPACT ON RESERVES	£987,878	IMPACT ON RESERVES	£807,014

Reserve Balances

- The HRA general and earmarked reserves have been drawn upon in recent years in order to maintain service levels when the government's rent reduction policy required a 1% per annum reduction between 2016/17 and 2019/20. Since the 2020/21 budget, rent increases have been capped at CPI + 1% but this has not yet been enough to counter cost pressures and bring us back to a balanced budget position.

- This rent policy and ongoing cost pressures have reduced the level of reserves significantly over the last six years. The table below sets out the opening reserve balances as at 1st April 2022, restated in light of the backdated depreciation policy adjustments.
- The New Development Reserve balance is committed to development appraisal work at Southwick, the other closing balances are not now committed to any specific project.

HRA Reserves	Opening Balance 22/23	Spend	Closing Balance 22/23
General Reserve	£ 1,852,243	£ 807,014	£ 1,045,229
Discretionary Assistance Fund	£ 115,627	£ 114,156	£ 1,471
New Development Reserve [committed to Southwick development]	£ 352,100	£ 321,200	£ 30,900
Business Improvement Reserve	£ 91,664	£ 7,488	£ 84,176
	£ 2,411,634	£ 1,249,858	£ 1,161,776

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ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11 July 2023

Joint Overview & Scrutiny Committee
7 September 2023

Key Decision [Yes/No]

Ward(s) Affected: All

Developing a revenue budget for 2024/25 in difficult economic circumstances

Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 The purpose of this report is to propose a budget strategy for the development of the 2024/25 budgets. When the 2023/24 budget was set, there was a clear expectation that inflation rates would begin to fall throughout 2023 with an associated reduction in interest rates. However inflation has remained stubbornly high and has only just started to reduce with impacts on our pay, contracts and our treasury management costs.
- 1.2 It has been a long time since the Councils have had any certainty during budget setting. Having come through a pandemic and one very difficult year, the Councils now have to address the challenge of extended inflationary pressures which continues to impact on our budgets.
- 1.3 The local government funding review is now looking likely to be deferred until after the next parliamentary election in 2024, consequently there is unlikely to be any change until 2026/27. The difficult economic climate continues to influence a number of budget lines, from pay to income for services such as car parks which will need to be reassessed as we balance our budget.
- 1.4 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.

- 1.5 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 plans for the future. Our financial strategy will need to include managed and prudent increases in council tax, and a clear focus on driving efficiency and productivity.
- 1.6 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 2024/25 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.
- 1.7 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, and transforming our digital capabilities, so that we have capacity to continue to deliver our aspirations for our Councils.
- 1.8 Work has been underway for some time to address our financial challenges for 2024/25 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 2023 as part of the development of the 2024/25 budget.
- 1.9 In line with the recommendations outlined in Item 12 this budget strategy is written with the assumption that we continue to maximise the benefits from the shared service with a joint revenue budget while continuing to create separate capital programmes for each Council. Attention has been paid to where priorities differ and where relevant attention will be drawn to differences of approach.

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 2023/24 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 2023/24

3.1.1 Since the budget was set in February, there have been some significant issues which influence the Councils financial prospects for both the coming year and 2024/25 onwards. Below are details of the preliminary assessment of the impact of these issues.

1. Impact of current economic factors

Inflation rates have remained higher for longer than expected. The current inflation rate will have a profound impact on the Councils' budgets. It is expected that inflation will continue to remain high for this year although there are signs that it is beginning to reduce. By the year end rates are expected to be in the region of 5% and reduce back to 2% by the end of 2024. Against this backdrop the annual pay award will be negotiated.

Firstly, we now anticipate that the pay award for 2023/24 may exceed 7%. The current offer is equivalent to 5.7% and two of the three Unions have rejected the pay award whilst the third is currently balloting on the offer. Consequently, we are providing for an average 7.7% pay award for 2023/24 as we expect there to be an extended negotiation. Our budget contained an allowance of 4.5%, this will cost the Councils approximately £0.8m per year based on an in-year award of an average 7.7% (Adur £313,000 and Worthing £469,000).

As inflationary pressures are expected to be sustained for longer, included within the forecast is an allowance of 4.5% for the 2024/25 pay award which increases pay costs by over £680,000.

The current high level of inflation will also influence the cost of any contract renewals and so the Council will have to address any significant price increases arising, For example the Councils have already seen significant increase in the cost of the recently renewed insurance contract (see item 9).

Energy markets are calming and wholesale prices reducing. Whilst it is unlikely that prices will reduce to the previous levels, the Councils may see a reduction in overall cost. This will be reassessed over the Summer and if appropriate any saving will be built into the budget.

2. 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 2024/25. In most financial years this is constrained to 2%, however it was increased for 2023/24 to 3% which may be extended for a further year.

However, for now, we should plan for a 2% limit.

As a result of the new pressures, our financial position is worsening both in the current financial year and next year. Within 2023/24 we are now expecting to overspend largely to do with inflationary pressures.

2023/24 - Impact of pressures in the current financial year:

The potential impact of the identified pressures in 2023/24 is as follows:

	Adur £'000	Worthing £'000	Total £'000
Salary and pay pressures	438	656	1,094
Other inflationary pressures	145	173	318
Commercial income pressures	12	503	515
Total identified pressures	595	1,332	1,927
Less: Contingency budgets	-250	-152	-150
Net identified pressures	345	1,180	1,777

However, this is based on information early in the year and so the position will inevitably change as the year progresses. Full monitoring report for the first quarter of the financial year will be presented to members in September which will update the forecast for 2023/24.

Like last year, it is critical that our financial position is closely monitored. To help support the budget in 2023/24 the following measures have been implemented:

1. Any underspend from 2022/23 is placed in the reserves with the express intention of supporting the in-year position. To maximise the amount available, we will minimise any carry forward requests of underspend this year.
2. Any emerging underspend in the current year 2023/24 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. Addresses resilience or improves productivity; or
 - f. The project is identified as a key priority in the corporate strategy.
4. Vacancy control measures have been introduced for all posts including agency staff and will continue in this budget year. This will also support the budget measures required to balance the 2024/25 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	1,041	1,347
Capacity Issues Reserves	441	882
	1,481	2,229

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 and a strategy implemented to ensure that the position improves with time.

4. **2024/25 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.

- 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 2024/25; 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 current system is no longer fit for purpose having had no major review in over 13 years despite a government commitment to overhaul the system. There is no expectation of any change now until after the General Election in 2024 and so no change is expected for the 2025/26 year and possibly later.
- 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 2023/24, there was yet another 1 year settlement with the funding review delayed until the next parliament. However, from the policy statement made earlier in December 2022, it was clear that “the core settlement will continue in a similar manner for 2024-25 and that the major grants would continue as set out for 2023-24.”

The Chancellor's Budget on the 15th March held little for local government. However there was additional funding for local swimming pools announced (£60m) and support for Council Homes through a reduced PWLB borrowing rate for investment within the HRA which will be 0.40% lower than other borrowing.

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.

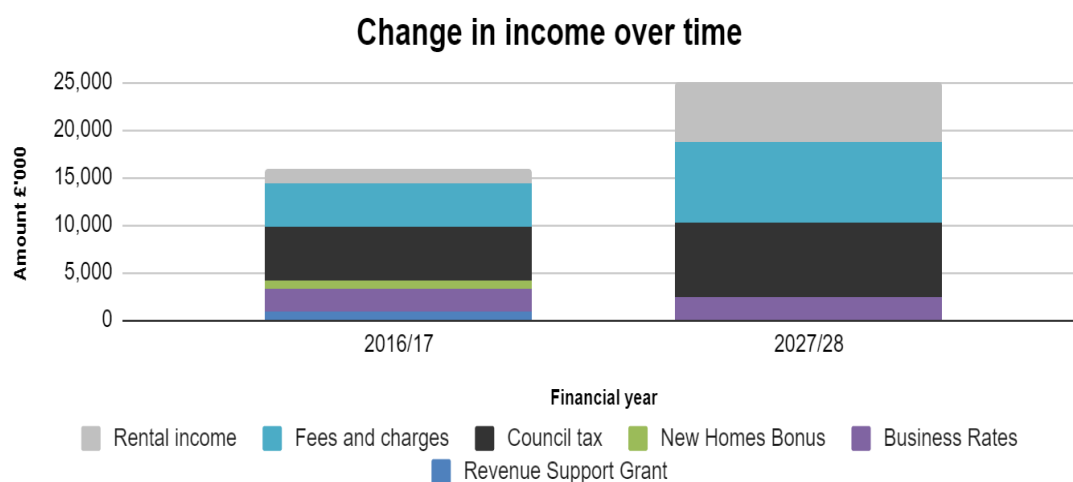
4.5.2 How the Councils are funded:

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 any further one-off grants available until the funding review.



(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 a proactive role in enabling the provision of both new homes and employment space through our strategies, whether this is through the provision of new office space to attract high quality employers or through working with others to facilitate the development of sites within our areas to meet local needs.

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 impact of the appeals arising from the national business rate revaluation in 2022.
- 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 progressive loss of surplus Business Rate income from 2026/27 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 2024/25 due to the implementation of the FR.

Overall the business rate income is expected to increase by 5% in 2024/25 as the increase reflects the CPI in September thereafter it is expected to increase by 2% in line with Bank of England forecasts of inflation rates.

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 2024/25. However the scale and timing of any adjustment to the tariff beyond 2025/26 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:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Adur						
Baseline funding	1,832	1,924	1,962	2,001	2,041	2,082
Retained surplus rates	1,066	1,457	1,479	1,135	772	393
Total business rate income kept locally	2,898	3,381	3,441	3,136	2,813	2,475
Net business rate income collected	19,562	19,855	20,242	20,627	21,063	21,493
Percentage retained locally	14.81%	15.23%	15.23%	13.84%	12.46%	11.07%

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Worthing						
Baseline funding	2,793	2,933	2,992	3,052	3,113	3,175
Retained surplus rates	576	1,172	1,315	1,010	687	349
Total business rate income kept locally	3,369	4,105	4,307	4,062	3,800	3,524
Net business rate income collected	28,428	29,067	29,634	30,196	30,834	31,466
Percentage retained locally	11.85%	13.19%	13.14%	12.38%	11.60%	10.85%

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 development includes 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.
- Decoy Farm in Worthing – This key development site is earmarked for employment space. The development will take 3 – 4 years to complete once planning permission has been granted.

Clearly, if the business rate income improves in 2023/24, then the increase could be used to support the budget in 2024/25. 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 2023/24 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	2023/24	2024/25 and beyond
	£'000	£'000
Adur	74	0
Worthing	125	0

4.5.8 Council Tax

Council Tax is now the Councils' major source of general income from taxation. It is now 66% of the total taxation income received by Adur District Council and 69% 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 years. However, 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 £5.0m.

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 3.00% or £5.00 per Band D property. At this time we do not know the referendum limit for the 2024/25 Council Tax increase.

The Consumer Price Index (CPI) was 8.7% in May 2023 although this is expected to decrease over the forthcoming months. Consequently Councils may be able to increase Council Tax at a higher rate.

However there are no indications whether the government will be willing to allow a higher threshold for 2024/25 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 £6.74 per year for a Band D property in Adur and £5.46 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 £71,240 in Adur and £102,730 in Worthing for 2024/25.

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

2024/25	2025/26	2026/27	2027/28	2028/29
2.0%	2.0%	2.0%	2.0%	2.0%

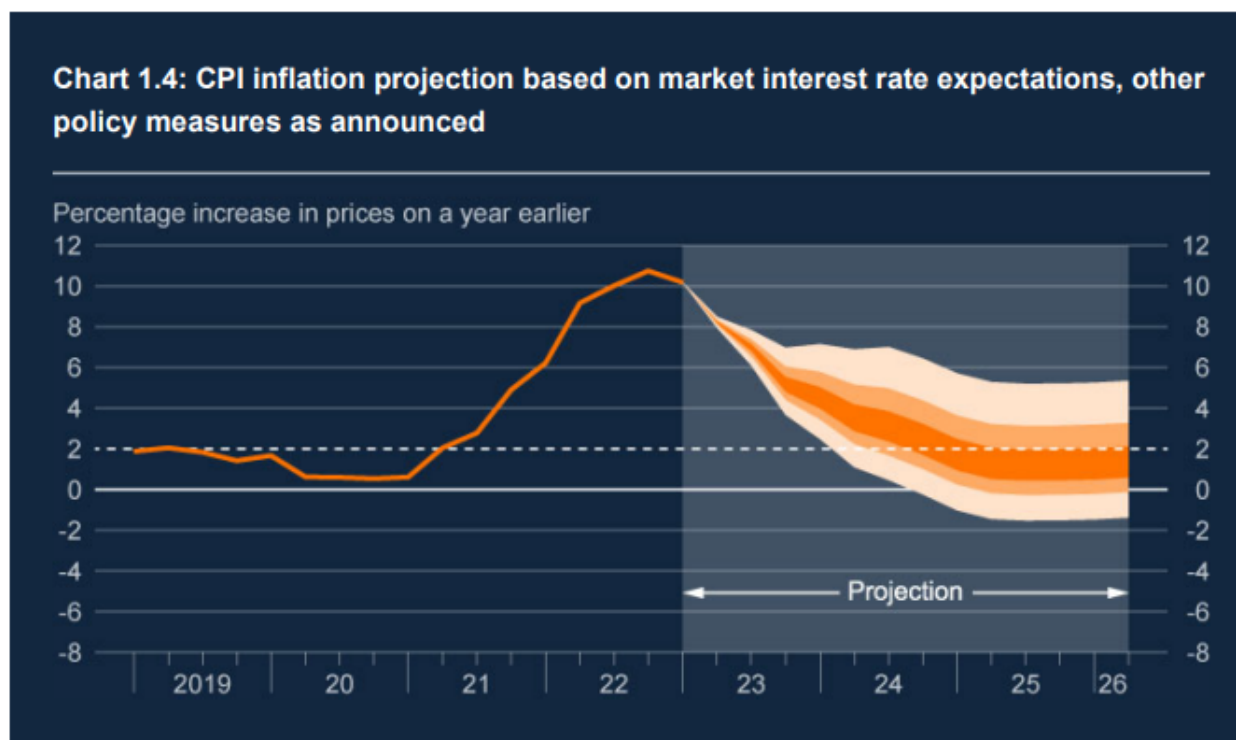
Each Council will take individual decisions regarding the level of tax to be set. The final rate will depend on the progress in developing a balanced budget and the individual choices of each authority.

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 8.7% (CPI) which is significantly above the target 2% set by the Bank of England. The Bank of England expects the rate to fall back to 2% over a two year period.



Source: Monetary Policy Report - May 2023

The high inflationary pressures will influence the pay negotiations for both this and next year. These pressures not only impact on the Councils 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 Councils will need to allow for any pay award for 2024/25. 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 2024/25 with rates not expected to return to around 2% until 2025/26 at the earliest. The inflation provision will be reviewed on an annual basis and amended for 2025/26 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:

	2024/25	2025/26	2026/27	2027/28	2028/29
	%	%	%	%	%
Pay*	4.5	2	2	2	2
Supplies and** Services	3	2	2	2	2
Income	3	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.

Overall net pay and price inflation is expected to add to the 2023/34 base budget over the next 5 years as follows:

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Adur*	939	1,281	1,622	1,957	2,298
Worthing*	1,451	1,995	2,539	3,073	3,618
Note:					
Joint Services * (included above)	2,253	3,054	3,853	4,635	5,434

★ This excludes the impact of the new insurance contract which has been separately budgeted for. The contract has increased by £135k for Adur District Council and £161k for Worthing Borough Council.

Income is assumed to increase by 3.0% in 2024/25 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation for 2024/25 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
Total	-2	21	254
Share of joint inflation	102	152	-254
OVERALL TOTAL	100	173	-

4.6.3 Interest rates

The bank interest rates have increased consistently throughout 2022/23 and 2023/24 although as the inflation begins to fall, there is an expectation that the interest rates will begin to fall. The base rate is currently 5% in comparison our cash investments in the CCLA property funds currently yield about 4%. These rates 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:

	2024/25	2025/26	2026/27	2027/28	2028/29
Average interest yield	4.42%	3.17%	2.33%	2.33%	2.33%

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

4.6.4 Impact of strategic priorities on the Councils budget:

4.6.4.1 Contained within the Medium Term Financial Plan are a number of commitments relating to the delivery of the Councils agreed priorities. These draw from the commitments made by the two administrations as well as joint commitments which are contained in 'Our Plan'. These are due to be reviewed as part of the annual planning process and so may be changed or reprofiled. In summary the amounts currently provided are:

Impact of delivering our priorities	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Adur District Council					
Heat Network	10	10	10	10	10
Nature restoration projects	100	100	100	100	100
Total	110	110	110	110	110

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Worthing Borough Council					
Brooklands improvement programme - net costs	16	20	20	20	20
Heat Network (Low carbon heat)	121	225	225	225	225
Redevelopment of Union Place - Phase 1					
Loss of income from High Street surface car park	52	52	52	52	52
Other costs	5	5	5	5	5
Teville Gate - MRP costs if not sold	-	73	75	77	77
Grafton Site - Loss of income	-	83	83	83	83
General provision for future impact of new policy commitments	-	-	200	400	400
Total	218	848	1,068	1,268	1,268

4.6.4.2 Impact of the new Environment Act

The new Environment Act passed into legislation in November 2021. There are four 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. Councils may be required to collect some material separately, which would affect the number of containers households need, collection vehicles and collection efficiency. The final cost will depend on how recyclates are handled (whether co-mingling will still be allowed) and the frequency of residual waste collection. Announcements on consistency in collections have been repeatedly delayed by central government.
- ii) The implementation of charges for the producers of packaging towards the costs of disposal (Extended Producer Responsibility). This is expected to generate £780m across the country once fully implemented although this is expected to decline over time as producers opt for more sustainable packaging. This funding will be distributed to local government although it is unclear how this will be distributed. Whilst the Council will benefit from this income as the Government has committed to not reducing other funding streams as a result of the new income the detail is yet to be announced..
- iii) It was originally anticipated that implementation of weekly food waste collections would be required by 2024/25. Overall we know that the roll out of food waste collection will cost the Councils at least £1.5m, although the County may benefit due to a reduction in disposal costs. The government consultation referenced support through capital and new burdens funding to cover additional costs. Announcements regarding food waste collections and funding have been repeatedly delayed by central government. Realistically it will take a minimum of two years to roll out this new service taking into account procurement (eg of vehicles) and investment required in transfer and disposal infrastructure.
- iv) The potential requirement to provide free fortnightly garden waste collections to all households (which is currently a weekly, chargeable, subscription service). It is understood that these proposals will be scrapped.

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.

For the purposes of this budget, there is an assumption that there will be no net cost associated with the introduction of food waste which will be funded through a combination of new burdens funding, working with the County regarding the funding of the costs and the Extended Producer Responsibility funding. However this will need to be assessed as more information is forthcoming.

Further reports on the impact of the new Environment Act will be presented to the Joint Strategic Committee in due course. An allowance of £50,000 was built into the budget to support the implementation of the new arrangements. A proportion of this funding is being used to fund a temporary support officer to rationalise the collection rounds to improve efficiency and prepare them for any service changes as a result of the Environment Act. It is also being used to support waste minimisation work.

4.6.4 Review of commercial activity

Since the pandemic, some of our commercial income budgets have never fully recovered. Consequently these budgets have been showing a shortfall for some time. Built into the budget is an allowance for the restatement of these budgets to ensure that the Council's budgets are robust. This issue particularly impacts on Worthing where issues have emerged in car parking and bereavement services.

4.6.5 Contingency budget

The Councils have only limited contingency budgets. The budgets that the Councils have had have been created from the provision of one-off government grants or from the budget set aside for inflationary pressures. However, given the level of uncertainty regarding inflation and pressure on the Councils, it is recommended that the Council reviews the current arrangement and increase the level set aside on an annual basis by £100k for Adur District Council and £200k for Worthing Borough Council.

4.7 Councils' Budget and Shortfall:

- 4.7.1 A summary of the estimated position for 2024/25, based on the assumptions outlined in this report, is therefore:

	Adur £'000	Worthing £'000
Main cost pressures:		
Inflationary pressures in excess of the likely increase in Council Tax	780	1,206
Changes in funding from taxation		
Fall out of one off funding for 2023/24	128	141
Change in retained business rates	(483)	(736)
Change in New Homes Bonus	79	125
Changes in Council Tax Surplus / Deficit	143	(43)
Total change to funding from Government	(133)	(513)
Impact of funding Council priorities		
Heat Network	10	121
Nature restoration projects - to fund capital and revenue impacts of any proposals	100	
Brooklands improvement programme - net costs		16
Redevelopment of Union Place - Phase 1		
Loss of income from High Street surface car park		52
Other costs		5
Overall impact of funding Council priorities	110	194
Other items:		
Net impact of the capital programme	60	413
Impact of triennial review	(95)	(163)
Improvement in investment income	(13)	(91)
Removal of one-off items	(50)	48
Impact of leisure contract	(99)	-
Review of commercial income budgets	12	817
Creation of new contingency budget	100	200
Impact of new insurance contract	135	161
Contingency for committed growth	70	120
Provision for new growth items	100	250
Increase to provision for the management of strategic property	100	100
Other items	(26)	12
Overall savings to be met by the budget strategy	1,051	2,754

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:

	2024/25	2025/26	2026/27	2027/28	2028/29
ADUR	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	941	1,606	2,388	3,137	3,855
Annual shortfall	941	1,606	2,388	3,137	3,855
Total net budget funded by taxation	10,902	10,943	10,804	10,650	10,485
Annual savings as a percentage of overall net budget (%)	6.20%	6.90%	7.60%	8.40%	9.20%

	2024/25	2025/26	2026/27	2027/28	2028/29
WORTHING	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	2,754	4,024	5,490	6,640	8,299
Annual shortfall	2,754	1,270	1,466	1,150	1,659
Total net budget	14,947	15,144	15,157	15,160	15,155
Annual savings as a percentage of overall net budget (%)	18.43%	8.39%	9.67%	7.59%	10.95%

	2024/25	2025/26	2026/27	2027/28	2028/29
JOINT SERVICES**	£'000	£'000	£'000	£'000	£'000
Overall cumulative shortfall	2,263	3,044	3,823	4,585	5,364
Annual shortfall	2,363	901	899	882	899
Total net budget	26,347	26,347	26,347	26,347	26,347
Annual savings as a percentage of overall net budget (%)	9.04%	3.42%	3.41%	3.35%	3.41%

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 2023 is estimated to be:

	Adur	Worthing
	£'000	£'000
Working balance	1,041	1,347
Net budget	10,610	14,189
Percentage held	9.8%	9.5%

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 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-23	Uncommitted resources*	Balance as at 31-Mar-23	Uncommitted resources*
	£'000	£'000	£'000	£'000
Capacity Issues Reserve	441	306	882	761

- * This allows for approvals to use the resources from 2024/25 onwards.

6. Options for addressing the budget gap in 2025/26 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. An annual planning process involving senior leaders will start during July, firstly working to surface all work and priorities for the organisation and then working collaboratively to create a sustainable programme of work for the organisation.
 2. Portfolio holders to be involved in this process to ensure transparency of service delivery and project prioritisation.
 3. Subsequently giving Directors responsibility for identifying any further proposals required to meet residual savings targets which are to be considered by the Council Leadership Team in the autumn.
 4. The Leader and Executive Members will then consider the proposals identified to meet the 204/25 budget shortfall which fit with the Councils' priorities.
 5. 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.
 6. Consideration by the Joint Strategic Committee of which of the savings are to be used to fund any budget shortfall.

A flowchart with outline timescales for the 2024/25 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 another substantial challenge arising for 2024/25 due to the current economic challenges. Currently it is estimated that around £3.5m 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 also be reassessed as the year progresses. The proposed targets for the main programmes of work are:

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Main programmes:						
Asset review and rationalisation programme	380	533	615	697	779	3,004
Commercial income growth	600	600	600	600	600	3,000
Digital service redesign Programme	200	200	200	200	200	1,000

6.4 Each major 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 Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.
4. The Technology & Change Board leads on the delivery of the digital service redesign programme and makes recommendations on prioritisation of projects

6.5 These strands of work reflect the strategic work plans identified as part of the Councils' current Corporate Strategy 'Our Plan' which are the delivery mechanism for the priorities of both Councils. These plans will be grouped as:

- Thriving Places
- Thriving Economy
- Thriving People
- Thriving Environment

In addition to these externally focused work plans the Councils will also continue to deliver the organisational change indicated by Our Plan. Part of this work will be to 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 programme of rapid digital transformation which the Councils are supporting. There is an ongoing programme of work designed to lever in significant savings which the Council continues to roll-out.

	2024/25	2025/26	2026/27	2027/28 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.

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Annual Savings	600	600	600	600	600
Cumulative impact	600	1,200	1,800	2,400	3,000

c. Asset review and rationalisation

There are three strands of work have been identified to drive financial return to the council in the shorter term and in accordance with the Council's 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 - Review the assets held by the Council and identify those which could be disposed of to reduce the borrowing costs to the Councils.

Both Councils have a clear sense of how they want to approach asset rationalisation and this will be developed as part of the place based approach outlined within Our Plan - enabling each administration to make decisions which best reflect this places.

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

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'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 or protect the Council from excessive price rises 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:

	£'000
Adur	306
Worthing	761

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 2024/25 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 2024/25, 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.

6.8 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 2024/25 to 2026/27 are also shown in Appendix 3. It is clear that many of the cost pressures identified for 2024/25 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 any 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) Using both Council’s assets through the asset management plans 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;
 - vii) Improving service delivery and efficiency through digital transformation;
 - viii) Investigating opportunities to expand partnership working with others

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.

	2024/25	2025/26	2026/27	2027/28	2028/29
Adur District Council	£'000	£'000	£'000	£'000	£'000
Estimated cumulative savings required to balance the budget	941	1,606	2,388	3,137	3,855
Savings strategy:					
Asset rationalisation programme	(30)	(60)	(90)	(120)	(150)
Commercial income	(150)	(300)	(450)	(600)	(750)
Service and digital redesign	(80)	(160)	(240)	(320)	(400)
Residual savings to be identified	681	1,086	1,608	2,097	2,555

	2024/25	2025/26	2026/27	2027/28	2028/29
Worthing Borough Council	£'000	£'000	£'000	£'000	£'000
Estimated cumulative savings required to balance the budget	2,754	4,024	5,490	6,640	8,299
Savings strategy:					
Asset rationalisation programme	(350)	(473)	(525)	(577)	(629)
Commercial income	(450)	(900)	(1,350)	(1,800)	(2,250)
Service and digital redesign	(120)	(240)	(360)	(480)	(600)
Residual savings or income growth to be identified	1,834	2,411	3,255	3,783	4,820

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 2024/25 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 2024/25 revenue and capital budgets:

9.2 Revenue Budget Strategy

The following assumptions underpin our budget strategy:

- Both Councils will aim to keep Council Tax increases to a minimum;
- Both 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 each 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;
- Commercial income is to be increased in line with the inflationary pressures upon the Councils (3.0%) or such higher increase as the individual markets can bear
- 2024/25 expenditure is to be increased by: 4.5% for pay (plus an allowance has been made for increments which are a contractual commitment) and 3.0% for all other expenditure (except for inflation arising from contractual indexation provisions);
- 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 2024/25 through six proposed programmes of work, although these strands of work will be reviewed in the light of the new corporate plan:
 - Commercial strategy
 - Affordable homes programme and subsequent reductions in emergency and temporary accommodation costs
 - Asset review and rationalisation programme
 - Service transformation through digital investment
 - Investment in renewable energy
 - Development of an external funding strategy
 - Shared service and partnering review
- Officers will continue 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: £1.0 m core funding in 2024/25 and 2025/26 (plus £10m for the Housing Investment Programme)

Worthing Borough Council: £1.5m core funding

The funding of the programme is to be made up of prudential borrowing, and capital receipts. The Council will actively seek to supplement this programme through external funding where possible. 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 2023.
- 10.3 All members will participate in the setting of the annual budget at the Council's meetings in February.
- 10.4 Any savings which impact on the services delivered to the public will be consulted on. The outcome will be available for members when they consider the savings proposals in February 2023.
- 10.5 The Adur Homes Management Board 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 2023/24 budget round.

Background Papers

Report to Adur District Council Executive 2nd February 2023 - Estimates 2023/24 and setting of 2023/24 Council Tax

Report to Worthing Borough Council Executive 1st February 2023 -Estimates 2022/23 and setting of 2022/23 Council Tax

Report to Joint Strategic Committee 11th July 2023 – Final Revenue Outturn for Joint, Adur and Worthing 2022/23.

Budget Statement 2023 – Report from HM Treasury

Report to Joint Strategic Committee 11th October 2022 - Our Plan - The new corporate plan for Adur & Worthing Councils

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Sustainability & Risk Assessment

1. Economic

The budget contains funding for commitments made under Mission: Thriving 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)

The budget contains funding for community safety.

2.4 Human Rights Issues

Matter considered and no issues identified.

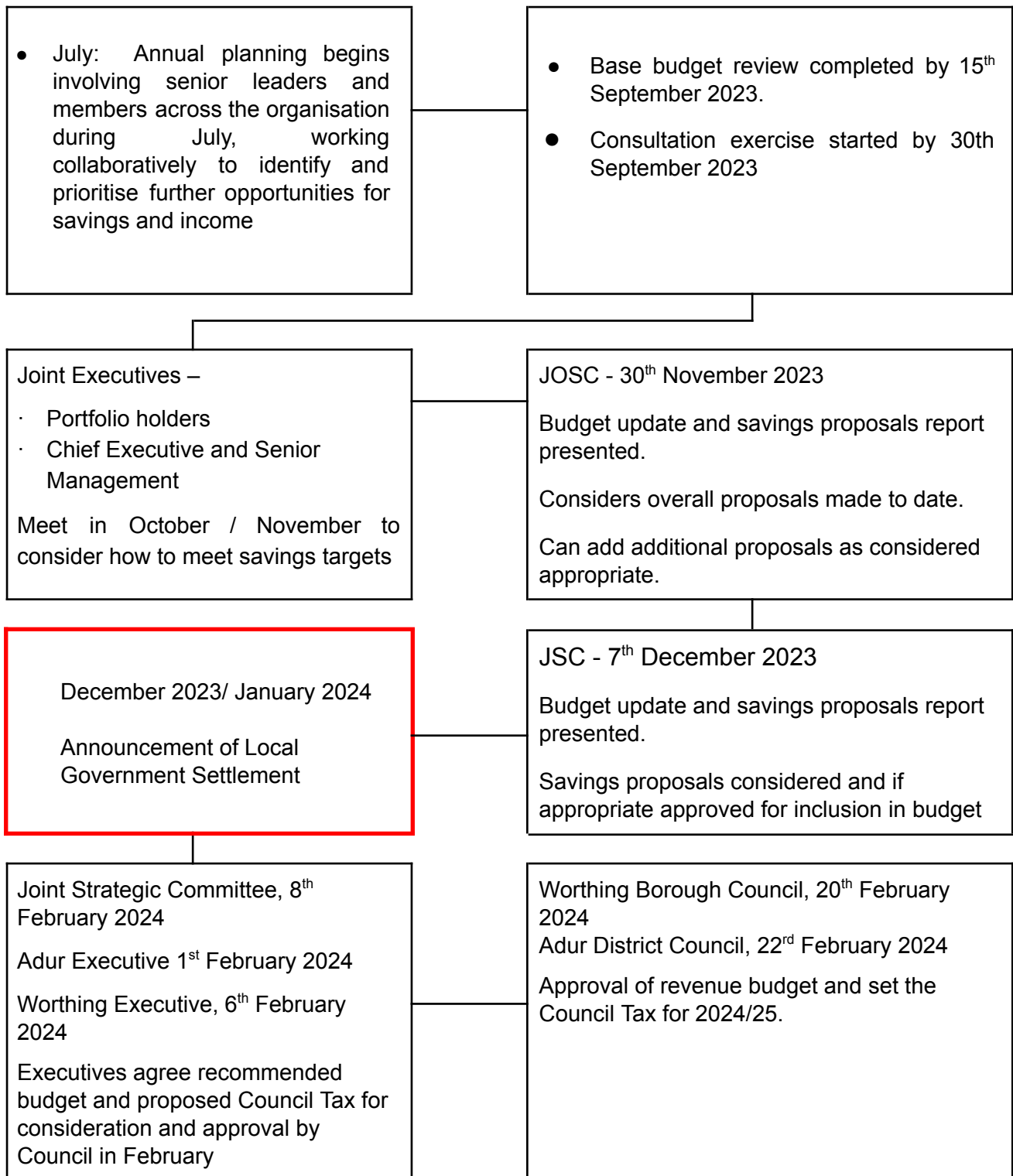
3. Environmental

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 2023/24- 2027/28						
	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation	10,610	10,610	10,610	10,610	10,610	10,610
Base budget	10,610	10,610	10,610	10,610	10,610	10,610
(a) Annual Inflation						
Estimated inflation		626	962	1,297	1,626	1,961
Impact of current pay offer (an average of 5.7%)		117	119	121	123	125
Provision for higher pay award (say 2 % extra)		196	200	204	208	212
(b) One -off / non-recurring items						
Local Elections (held every other year)		(18)	-	(19)	-	(20)
(c) Impact of funding the Council's priorities						
Heat Network		10	10	10	10	10
Nature restoration projects - to fund capital and revenue impacts of any proposals		100	100	100	100	100
(d) Capital Programme and Treasury Management						
Capital programme financing costs		60	216	309	288	258
Investment income		(13)	99	176	167	158
(e) Other items						
Impact of Triennial review:						
Reduction in back funded contributions		(95)	(190)	(190)	(190)	(190)
Final cost of new leisure contract		(99)	(99)	(99)	(99)	(99)
Impact of rate revaluation 2022		5	8	29	30	31
Removal of one-off growth associated with the local plan review		(50)	(150)	(150)	(150)	(150)
Renewal of insurance contract		135	135	135	135	135
Review of clinical waste budgets		12	12	12	12	12
Removal of contingency budget created by one off resources in 2023/24		(123)	(123)	(123)	(123)	(123)
Planned increase to the Strategic Property Management annual provision		100	200	300	400	500
Contingency budget		100	100	100	100	100
Allowance for committed growth items		70	140	70	140	210
(f) Approved Growth items						
Provision for new growth items to be agreed later in the process		100	200	300	400	500
Total Cabinet Member Requirements	10,610	11,843	12,549	13,192	13,787	14,340

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2023/24- 2027/28

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Total Cabinet Member Requirements B/fwd	10,610	11,843	12,549	13,192	13,787	14,340
Baseline funding	1,832	1,924	1,962	2,001	2,041	2,082
Add: Retained additional business rates	1,066	1,457	1,479	1,135	772	393
Add: Share of previous year's surplus / (deficit)		-				
Adjusted Business Rate Income	2,898	3,381	3,441	3,136	2,813	2,475
Council Tax income	7,107	7,266	7,428	7,594	7,763	7,936
Other grants						
New homes bonus	79	-	-	-	-	-
Lower Tier Services Grant / Revenue Support Grant	74	74	74	74	74	74
Local Tax Guarantee Scheme - Council Tax	59	-	-	-	-	-
Services Grant	69	-	-	-	-	-
Funding guarantee	227	227	-	-	-	-
Collection fund surplus/deficit (-)	97	(46)	-	-	-	-
Total other grants and contributions	605	255	74	74	74	74
Total Income from Grants and Taxation	10,610	10,902	10,943	10,804	10,650	10,485
AMOUNT REQUIRED TO BALANCE BUDGET	-	941	1,606	2,388	3,137	3,855

ADUR DISTRICT COUNCIL
Revenue Budget Summary Statement 2023/24- 2027/28

Net Spending to be Financed from Taxation	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET		941	1,606	2,388	3,137	3,855
Savings strategy:						
Asset review and rationalisation		30	60	90	120	150
Commercial income		150	300	450	600	750
Service and Digital redesign - Rapid improvement programme		80	160	240	320	400
Total initiatives identified		260	520	780	1,040	1,300
Cumulative savings still to be found/ (surplus)		681	1,086	1,608	2,097	2,555
Annual savings still to be found		681	405	522	489	458
Council Tax increase		1.99%	2.00%	2.00%	2.00%	2.00%
Annual increase (Band D property)		£6.45	£6.61	£6.74	£6.88	£7.01
Weekly increase (Band D property)		£0.12	£0.13	£0.13	£0.13	£0.13
Average annual increase (Band C property)		£5.73	£5.88	£5.99	£6.12	£6.23
Average weekly increase (Band C property)		£0.11	£0.11	£0.12	£0.12	£0.12

WORTHING BOROUGH COUNCIL
Revenue Budget Summary Statement 2023/24- 2027/28

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	14,189	14,189	14,189	14,189	14,189	14,189
(a) Annual Inflation						
Estimated inflation (with 4.5% allowance for pay increase in 2023/34)		982	1,516	2,050	2,574	3,109
Impact of current pay offer (an average of 5.7%)		176	180	184	188	192
Provision for higher pay award (say 2 % extra)		293	299	305	311	317
(b) One -off / non-recurring items						
Local Elections (held three out of four years)		-	(50)	-	-	-
(c) Impact of funding the Council's priorities						
Brooklands improvement programme - net costs		16	20	20	20	20
Heat Network		121	225	225	225	225
Redevelopment of Union Place - Phase 1						
Loss of income from High Street surface car park		52	52	52	52	52
Other costs		5	5	5	5	5
Teville Gate - MRP costs if not sold		-	73	75	77	79
Grafton Site - Loss of income		-	83	83	83	83
General provision for future impact of new policy commitments		-	-	200	400	400
(d) Treasury Management						
Financing costs - General Programme		413	834	1,054	1,178	1,945
Investment income		(91)	46	137	137	137
(e) Other items						
Impact of Triennial review:						
Reduction in back funded contributions		(163)	(358)	(358)	(358)	(358)
Impact of business rate revaluation 2017		12	18	50	3	3
Reassessment of the net cost of bereavement services		500	500	500	500	500
Removal of temporary rental income from Liverpool Gardens (for 2023/24 only)		48	48	48	48	48
Removal of proposal to charge for free car parks		49	49	49	49	49
Review of budgets for car parks		250	250	250	250	250
Review of clinical waste budgets		18	18	18	18	18
Impact of new insurance contract		161	161	161	161	161

WORTHING BOROUGH COUNCIL
Revenue Budget Summary Statement 2023/24- 2027/28

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
(e) Other items (contd)						
Planned increase to the Strategic Property Management provision		100	200	300	400	500
Contingency provision		200	200	200	200	200
Allowance for committed growth items		120	240	360	480	600
(f) Approved Growth items						
Provision for new growth items to be agreed later in the process		250	370	490	610	730
Total Cabinet Member Requirements	14,189	17,701	19,168	20,647	21,800	23,454
Baseline funding	2,793	2,933	2,992	3,052	3,113	3,175
Add: Net retained additional business rates	1,049	1,301	1,315	1,010	687	349
Add: Share of surplus /deficit (-) net of use of reserves	(473)	(129)				
Adjusted Business rate income	3,369	4,105	4,307	4,062	3,800	3,524
Council Tax income	10,232	10,477	10,728	10,986	11,251	11,522
Grants and contributions						
New Homes Bonus	125					
Lower Tier Services Grant	109	109	109	109	109	109
Local tax compensation scheme	37		-	-	-	-
Funding guarantee	256	256				
Services Grant	104					
Collection fund surplus/deficit (-)	(43)		-	-	-	-
Total other grants and contributions	588	365	109	109	109	109
Total Income from Taxation	14,189	14,947	15,144	15,157	15,160	15,155
AMOUNT REQUIRED TO BALANCE BUDGET	-	2,754	4,024	5,490	6,640	8,299

WORTHING BOROUGH COUNCIL
Revenue Budget Summary Statement 2023/24- 2027/28

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET		2,754	4,024	5,490	6,640	8,299
Savings / Initiatives identified to date:						
Asset review and rationalisation		350	473	525	577	629
Strategic Property Investment Fund Wellbeing centre and car park - net of debt charges		50	(143)	(143)	(143)	(143)
Commercial income		450	900	1,350	1,800	2,250
Service and Digital redesign programme		120	240	360	480	600
Total savings initiatives identified to date		970	1,470	2,092	2,714	3,336
Cumulative savings still to be found/ (surplus)		1,784	2,554	3,398	3,926	4,963
Annual savings still to be found		1,784	770	844	528	1,037
Council Tax increase		1.99%	1.99%	2.00%	2.00%	2.00%
Annual increase (Band D property)		£5.17	£5.28	£5.41	£5.52	£5.63
Weekly increase (Band D property)		£0.10	£0.10	£0.10	£0.11	£0.11
Average annual increase (Band C property)		£4.60	£4.69	£4.81	£4.90	£5.00
Average weekly increase (Band C property)		£0.09	£0.09	£0.09	£0.09	£0.10

JOINT STRATEGIC COMMITTEE
Revenue Budget Summary Statement 2023/24- 2027/28

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	26,347	26,347	26,347	26,347	26,347	26,347
(a) Annual Inflation						
Estimated inflation		1,471	2,256	3,039	3,805	4,588
Impact of current pay offer (an average of 5.7%)		293	299	305	311	317
Provision for higher pay award (say 2 % extra)		489	499	509	519	529
(b) Other items						
Review of clinical waste budgets		30	30	30	30	30
Provision for new growth items		100	200	300	400	500
Net cost to be reallocated to the Councils	26,347	28,730	29,631	30,530	31,412	32,311
Adur District Council	10,590	10,590	10,590	10,590	10,590	10,590
Worthing Borough Council	15,757	15,757	15,757	15,757	15,757	15,757
Total income for services provided to the constituent councils	26,347	26,347	26,347	26,347	26,347	26,347
(Surplus) / Shortfall in Resources	-	2,383	3,284	4,183	5,065	5,964

Appendix 4

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/24
Adur District Council	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Base	10,610	10,610	10,610	10,610	10,610	10,610	10,610	10,610	10,610	10,610	10,610
Inflation		939	1,281	1,622	1,957	2,298	2,641	2,986	3,332	3,681	4,034
Impact of capital programme and treasury management decisions		47	315	485	455	416	800	915	1,052	1,201	1,338
Net growth		247	343	475	765	1,016	1,307	1,558	1,849	2,100	2,391
Net expenditure funded by taxation	10,610	11,843	12,549	13,192	13,787	14,340	15,358	16,069	16,843	17,592	18,373
Income from taxation											
Business rates	2,898	3,381	3,441	3,136	2,813	2,475	2,124	2,166	2,209	2,254	2,299
Council Tax	7,204	7,220	7,428	7,594	7,763	7,936	8,113	8,294	8,479	8,668	8,861
Other grants	508	301	74	74	74	74	74	74	74	74	74
Total income from taxation	10,610	10,902	10,943	10,804	10,650	10,485	10,311	10,534	10,762	10,995	11,233
Cumulative budget shortfall	0	941	1,606	2,388	3,137	3,855	5,047	5,535	6,081	6,597	7,140
Budget strategy initiatives											
Asset rationalisation		30	60	90	120	150	180	210	240	270	300
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
Total savings initiatives identified		260	520	780	1,040	1,300	1,580	1,860	2,140	2,420	2,700
Remaining savings to be identified		681	1,086	1,608	2,097	2,555	3,467	3,675	3,941	4,177	4,440
Savings per year to be identified		681	405	522	489	458	912	208	266	236	263

	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/24
Worthing Borough Council	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Base	14,189	14,189	14,189	14,189	14,189	14,189	14,189	14,189	14,189	14,189	14,189
Inflation		1,451	1,995	2,539	3,073	3,618	4,164	4,714	5,267	5,825	6,388
Impact of capital programme		322	880	1,191	1,315	2,082	2,156	1,918	2,118	2,318	2,754
Net growth		1,739	2,104	2,728	3,223	3,565	3,857	4,249	4,591	4,933	5,225
Net expenditure funded by taxation	14,189	17,701	19,168	20,647	21,800	23,454	24,366	25,070	26,165	27,265	28,556
Income from taxation											
Business rates	3,369	4,105	4,307	4,062	3,800	3,524	3,239	3,304	3,370	3,437	3,506
Council Tax	10,189	10,477	10,728	10,986	11,251	11,522	11,799	12,084	12,374	12,672	12,978
Other grants	631	365	109	109	109	109	0	0	0	0	0
Total income from taxation	14,189	14,947	15,144	15,157	15,160	15,155	15,038	15,388	15,744	16,109	16,484
Cumulative budget shortfall	0	2,754	4,024	5,490	6,640	8,299	9,328	9,682	10,421	11,156	12,072
Budget strategy initiatives											
Asset rationalisation		350	473	525	577	629	681	733	785	837	889
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
Strategic Property Investment		50	-143	-143	-143	-143	60	60	60	60	210
Total savings initiatives identified		970	1,470	2,092	2,714	3,336	4,021	4,503	4,985	5,467	6,099
Remaining savings to be identified		1,784	2,554	3,398	3,926	4,963	5,307	5,179	5,436	5,689	5,973
Savings per year to be identified		1,784	770	844	528	1,037	344	-128	257	253	284

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32
Overall	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Overall budget shortfall										
Adur	941	1,606	2,388	3,137	3,855	5,047	5,535	6,081	6,597	7,140
Worthing	2,754	4,024	5,490	6,640	8,299	9,328	9,682	10,421	11,156	12,072
Total	3,695	5,630	7,878	9,777	12,154	14,375	15,217	16,502	17,753	19,212
Budget strategy initiatives										
Investment in commercial property	380	533	615	697	779	861	943	1,025	1,107	1,189
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
Total budget strategy initiatives	1,180	2,133	3,015	3,897	4,779	5,541	6,303	7,065	7,827	8,589
Remaining cumulative savings to be identified	2,515	3,497	4,863	5,880	7,375	8,834	8,914	9,437	9,926	10,623
Annual savings still to be identified	2,515	982	1,366	1,017	1,495	1,459	80	523	489	697



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11th July 2023

Key Decision [Yes/No]

Ward(s) Affected: All

Investing for our future - Capital Strategy 2024/27

Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 This report seeks the approval of the Councils' Capital Strategy for 2024/27. The Strategy outlines the Councils' approach to capital investment and how the Council ensures that capital investment is directed to both of the Council's priorities.
- 1.2 This year's strategy is set against an environment of high inflation and increasing interest rates which is having a significant impact on the Councils' finances and the affordability of the Councils' investment programmes. Whilst the programmes are inevitably constrained, the recommended approach focuses on the priorities identified by both councils around facilities that are recognised and valued by our communities.
- 1.3 The strategy also proposes a refreshed approach to the prioritisation approach putting delivery of both of the Councils' priorities at the heart of decision making process

2. Recommendations

- 2.1 The Joint Strategic Committee is asked to recommend to the Councils that the Capital Strategy 2024/27 be approved.

3. Context

3.1 The Councils have fixed assets (land, buildings, equipment and software) worth £471.4m as at 31st March 2022 which are used directly in the delivery of services and council priorities. The Councils' capital strategy details how the Councils approach investment in these assets and it is reviewed annually to reflect changes in each Council's priorities and resources.

3.2 It is a requirement of the Prudential Code that the Councils' have an annually approved capital strategy. The capital strategy brings together not only the capital expenditure policy and plans, but includes financing considerations in one comprehensive document. The requirements include:

- **The impact of the capital programme on debt and borrowing including:**

- A projection of external debt and use of internal borrowing to support capital expenditure
- Provision for the repayment of debt over the life of the underlying debt.
- Authorised limit and operational boundary for the following year.
- The authority's approach to treasury management including processes, due diligence and defining the authority's risk appetite.

- **Commercial activity**

The Councils' approach to commercial investment activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these, including proportionality in respect of overall resources. Requirements for independent and expert advice and scrutiny arrangements.

For Adur and Worthing Councils, this specifically refers to the Strategic Property Investment Fund. Investment is now confined to those projects which support the delivery of economic regeneration, housing or wellbeing objectives.

- **Other long-term liabilities**

An overview of the governance process for approval, monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.

However, Adur and Worthing Councils do not have any significant exposure to this type of liability and so this is not addressed within the capital strategy.

- **Knowledge and skills**

A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite.

3.3 In 2022/23 the following allocations were approved to fund key programmes of work in the development of the 2023/24 programme.

	Adur District Council £'000	Worthing Borough Council £'000	Total £'000
Annual ring fence from available resources to fund essential capitalised planned maintenance schemes.	90	175	265
Annual Set aside from available capital resources for any capital investment needs arising from the partnership strategy – to fund planned equipment and vehicle replacements	360	540	900
Recommended set-aside to facilitate the delivery of the digital strategy.	160	240	400
Essential replacement of ICT desktop equipment, minor software upgrades, and local network equipment in both Councils.	100	150	250
Total resources earmarked for specific purposes	710	1,105	1,815

3.3 The budget strategy considered elsewhere on this agenda that the resources to be made available to fund general schemes be:

- £1.5m for Worthing Borough Council which reflects the need to invest in important local facilities that play such an important role and that our communities expect us to look after and maintain. These include public toilets, playgrounds and the kit needed to keep our spaces clean and well presented. Emergent issues include the need to replace ageing plant and equipment in our main buildings with more sustainable options and to deal with asbestos.
- Adur District Council:
 - £1.0m for Adur District Council General Fund for 2023/24 onwards which reflects the need to invest in key local facilities; and

- £10.08m for the HRA Housing Investment Programme - General Investment Needs in 2023/24 and 2024/25 (excluding new developments which are considered separately)

The amounts recommended for the General Fund reflect concerns about affordability at a difficult financial time when interest rates are significantly higher than in previous years.

Within the HRA, there has been a significant review of the depreciation calculation which has released financial capacity to increase the amount allocated to the planned maintenance programme within the HRA Investment Programme, allowing the Council to address concerns of the Regulator of Social Housing about compliance, health and safety, and the ability to provide homes of a suitable standard.

4. Issues for consideration

- 4.1 Given the relatively low level of investment that the Councils can afford for 2024/25, it is proposed that the allocation of resources to key strategies be restricted to those items which affect the Councils' ability to provide services, namely vehicle and ICT infrastructure replacement needs.

	Adur District Council £'000	Worthing Borough Council £'000	Total £'000
Annual Set aside from available capital resources to fund planned equipment and vehicle replacements essential for the delivery of services	400	700	1,100
Essential replacement of ICT desktop equipment, minor software upgrades, and local network equipment in both Councils.	100	150	250
Total resources earmarked for specific purposes	500	850	1,350

- 4.2 For 2023/24 the capital prioritisation matrix has been refreshed giving greater prominence to the Councils' priorities. These are set out under the headings of 'Our Plan' which in turns reflects the strategic priorities of both Councils.
- 4.3 The proposed capital strategy is attached at Appendix 1. Appendix 2 gives details of the prioritisation model to be used in 2023/24 which has been

updated to reflect the priorities outlined in 'Our Plan' which in turn reflect the strategic priorities of both Councils

5. Engagement and Communication

- 5.1 The purpose of this report is to communicate with stakeholders on the approach to be taken to developing the Capital Investment Programmes of both Councils. The overall process for developing the new programme has been considered by the Capital Working Group

6. Financial Implications

- 6.1 The Strategy sets out recommendations for financing the future Capital Investment Programme.
- 6.2 At this time interest rates are rising rapidly. In 2021/22 the Councils were able to borrow at 2%. Typically £1m of borrowing would have cost £20,000 at this rate. Today rates are over 5% increasing the annual cost to at least £50,000 per £1m borrowed.

7. Legal Implications

- 7.1 Part 1 of the Local Government Act, 2003 (as amended) sets out the framework for capital finance and expenditure and section 16 sets out the definition of capital expenditure.
- 7.2 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2012 (SI 2012/265) provide more detailed requirements.
- 7.3 s1 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
- 7.3 Section 111 of the Local Government Act, 1972 allows the Council to do anything which is intended to facilitate or is conducive to or ancillary to any of its functions.
- 7.4 In 2016 the Secretary of State issued guidance and a direction under s15 (1)(a) of the Local Government Act 2003 (the Act) on the Flexible use of Capital Receipts, and subsequently issued a further direction under s16(2)(b) and s20 of the Act in March 2022. The current guidance and directions on the flexible use of capital receipts covers the period from 2016 up to financial year 2025/26.

- 7.5 The Government has published statutory guidance on local government investments issued under s15(1)(a) of the Local Government Act 2003. The new edition applies in England only and for accounting periods starting on or after 1st April 2018.
- 7.6 Section 123 Local Government Act 1972 places an obligation on local authorities to dispose of land for best consideration, which is not limited to the monetary purchase price, but may include other elements in the transaction, provided those have a quantifiable commercial or monetary value.

Joanne Lee

20/06/2023

Background Papers

Report to the Joint Strategic Committee on 11th October 2022: Investing for our future - Capital Strategy 2023/25

The Prudential Code for Capital Finance in Local Authorities (2021 edition) – Publication by the Chartered Institute of Public Finance and Accountancy

Report to the Joint Strategic Committee on 7th February 2023: Joint Treasury Management Strategy & Annual Investment Strategy 2023-24 to 2025-26

Report to the Joint Strategic Committee on 23rd March 2023: Annual Commercial Property Investment Strategy 2023/24

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Sustainability & Risk Assessment

1. ECONOMIC

- The capital programme prioritisation model awards points for capital project proposals that impact positively on the economic development of our places or the economic participation of our communities.

2. SOCIAL

2.1 Social Value

- The capital programme prioritisation model awards points for capital project proposals that impact positively on our communities.

2.2 Equality Issues

- The capital programme prioritisation model awards points for capital project proposals that address Equalities Act requirements and reduce inequalities.

3. Environmental

- The management, custodianship and protection of our natural resources are considered when capital schemes are assessed for inclusion in the Councils' Capital Investment Programme.

4. Governance

- The Councils' priorities, specific action plans, strategies or policies are considered when capital schemes are assessed for inclusion in the Councils' Capital Investment Programmes.
- The Councils' reputation or relationship with our partners or community is taken into account when capital schemes are assessed for inclusion in the Councils' Capital Investment Programmes.
- Resourcing, risk management (including health and safety) and the governance of either Council are fully considered during the preparation of the Councils' Capital Investment Programmes.



ADUR & WORTHING
COUNCILS

**INVESTING IN ADUR AND
WORTHING:
CAPITAL STRATEGY
2023-2026**

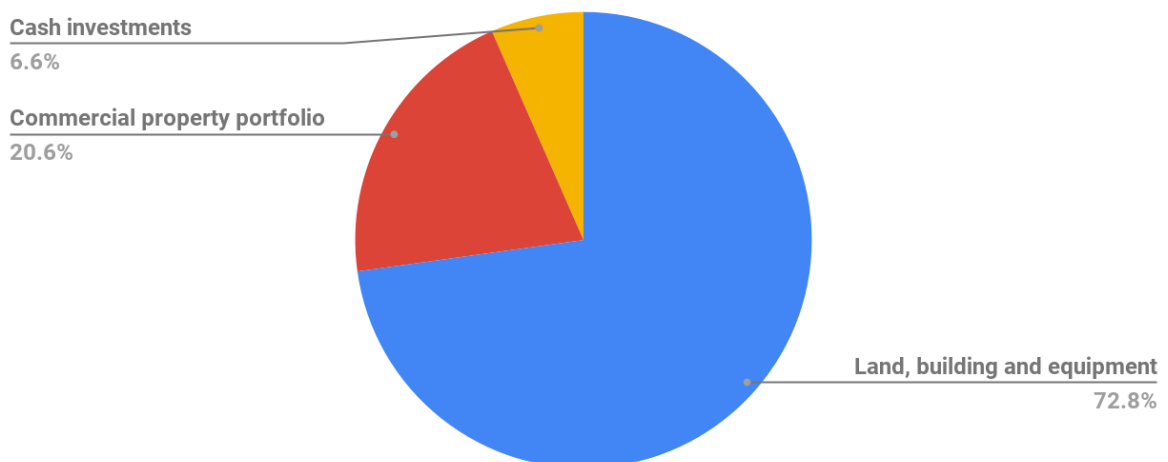
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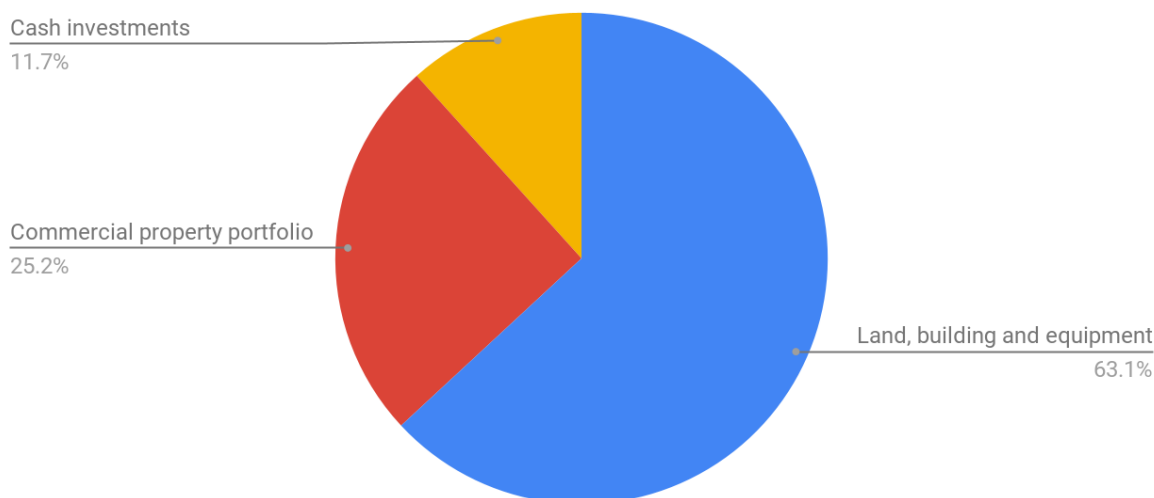
1.0 INTRODUCTION

1.1 Overall the Councils holds several different types of investment to support service delivery:

Adur District Council - Total investments of £353.4m



Worthing Borough Council - Total Investments of £256m



There are three interlinked strategies governing how the Council manages these investments and the associated risks:

- Capital strategy which outlines the Councils approach to investing in fixed assets such as land, buildings and equipment together with detailing how the proposed programme will be financed;
- Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy which details how the Council will manage the risks and opportunities associated with cash investments and borrowings. This was approved by both Councils in February 2022;
- Commercial Property Investment Strategy which deals with how the Council will manage the risks associated with the investment in and management of the Investment Property Portfolio. This strategy was last approved by both Councils in April 2023.

1.2 This document sets out the Councils' Capital Strategy, which outlines the approach to capital investment, how the Councils ensure that capital investment is directed to the Corporate Priorities and the implications of the financing strategy. It also shows how we work with partners to deliver schemes. The strategy outlines the basis for the prioritisation of all capital bids put forward for inclusion in the three-year programme, including Housing, and the monitoring and evaluation of the programme. The Capital Strategy is intrinsically linked to our Asset Management Plans as a substantial amount of capital expenditure is invested in the property assets held by the Councils.

1.3 The Council's Vision and Corporate Plan

The Corporate Plan (Our Plan) has recently been revised with a new set of missions beneath which there are a series of commitments. Our Plan is regularly reviewed in the light of the agreed councils' priorities. In addition, the Good Foundations objective ensures that our services have the tools needed to meet our objectives and deliver good services. Those which may have a direct impact on the capital strategy are summarised as follows:-

- **Thriving People:**
 - People are healthy, resilient and resourceful; they can access the right help when they need it
 - Everyone has a safe, secure and sustainable home
 - Everyone is able to enjoy a wide range of cultural, leisure and sporting opportunities.
- **Thriving Places:**
 - Places are designed for people and nature; they are clean, safe and feel looked after
 - People feel a sense of belonging to places and communities. They can influence how places change
 - Active travel is easy, with opportunities for walking, cycling and public transport
- **Thriving Environment:**
 - Action now achieves a fair transition to Net Zero Carbon by 2045
 - Resilience to climate change and increased biodiversity by restoring natural habitats
 - A circular economy is created, one that minimises waste and keeps materials in use
- **Thriving Economy**
 - An inclusive economy which provides people with skills and opportunities to secure good quality jobs
 - Ambitious, high-growth companies locate in Adur and Worthing and smaller independent businesses thrive
 - Economic growth regenerates places and high streets, helping communities to prosper
- **Good Foundations**
 - Investment in core and universal services.

1.4 Three Year Capital Investment Programme

The main purpose of the Councils' Capital Investment Programme is to support the delivery of the Councils' Priorities and to provide assets for the provision of services. It is prepared by considering resources available and then prioritising capital schemes in line with Corporate Objectives and other criteria.

A summary of the current Capital Investment Programmes 2022/23 – 2024/25, including funding, is shown in Appendices 3, 4 and 5. Full details can be found on the Intranet.

Examples of where capital expenditure will help to deliver the Council's strategic aims over the next three years are:

- i) **Delivery of the Digital and IT strategy (Total investment : £3,628,860 split as follows Adur: £1,677,870, Worthing: £1,960,990)**

In order to deliver the changes required by the new corporate strategy, Our Plan, further investment in digital technologies will be vital. Over the last period, investment has focused on renewing our core infrastructure, with a completely new network architecture now in the late stages of implementation, delivering new hardware in the local data centre, a modern secure "software defined" network architecture, and new WiFi 6 in our corporate buildings. Migration of systems to the cloud and away from the local data centre has also continued at a good pace, increasing the security and resilience of our IT operations overall.

Our small digital development team has continued to deliver excellent value, with a reputation for high quality work delivered at pace, not least during pandemic and post-pandemic periods, delivering many vital digital services to ensure residents and businesses were supported. These were not just online forms, but impressive back office systems supporting the processing and paying of the various grants and benefits. Other work has included a new "Business Hub" that is helping us provide joined up services to businesses, and a new Book Pay Notify system in use by the parks service, along with the development of "Citizen Hub" to drive more joined-up services to residents. However it is true that the development team has fairly limited capacity for "change work" given that they are also required to maintain, troubleshoot and constantly improve the wide range of existing systems.

Many opportunities remain for digitisation across our services, and a renewed focus and extra capacity has been released to

“super-charge” digital transformation given the budgetary challenges the organisation faces. Certain key parts of the organisation still rely on outdated “legacy” systems that were designed and built 15+ years ago. But there also remain many processes and systems around the edges of the large systems that need to be digitised - work that can be done quite quickly given additional capacity and with some additional technologies provided, such as Robotic Process Automation or AI.

A Rapid Improvement Programme is currently being delivered as part and will be reviewed as part of the upcoming service planning process. To support this work the Council has released additional funding via the capital programme using the capital flexibilities regime.

The service planning work will also identify the larger systems changes that are required, such as in housing and planning, and enable a 3 year change programme to be developed.

ii) **Affordable housing (Adur: £41,078,940, Worthing: £10,678,240)**

The Councils are committed to both enabling and directly developing affordable housing development for the residents of Adur and Worthing. The Housing Strategy agreed in 2020/21 outlined the challenges clearly for the Councils. The Councils are committed to working with social sector landlords to support the development of homes for rent that are safe, decent, and meet the needs of residents in Adur and Worthing.

Adur District Council can also develop new affordable homes via the Housing Revenue Account .

In Worthing the construction of new homes for those in need of temporary accommodation at Rowlands Road and Downview Pub have been completed with additional units identified for Victoria Road and Marine Place. Two new schemes are currently being investigated for Shelley Road and Heene Road.

In Adur District the redevelopment of Cecil Norris House has completed and the construction is nearly completed on the new homes at Albion Street which should be available in early summer 2023. The Ashcroft site has obtained planning permission for new homes and expects to be on site in 2024.

Adur District Council has also started a development programme on old garage sites, and approved new temporary and emergency dwellings at South Street Lancing.

A new Housing Strategy is being developed for adoption in 2024 and covering a three year period. As part of this we will be looking to develop new targets for the delivery of Affordable Housing and identify a small number of sites to kickstart a new programme across both councils.

iii) **Adur and Worthing Services (Total: £2,995,490 split as follows: Adur share: £1,118,020 Worthing share: £1,887,470)**

The two Councils provide shared services with a view to improving service standards and reducing the cost of services to residents. The Councils regularly invest in vehicles and equipment for the joint services replacing new vehicles with electric vehicles where possible to help deliver on the Councils' plan to be Carbon Neutral by 2030.

iv) **Maintaining Council Homes for residents of Adur Homes**

Adur District Council has committed to maintaining Council homes with planned investments ranging from fire safety improvements to new heating and energy efficiency schemes. The Council plans to invest £30m in the housing stock for the next three years (2023/24 - 2025/26) to ensure that the backlog in maintenance is addressed.

v) **Building a new medical centre in Worthing**

Worthing Borough Council is committed to delivering a 6,593 sq.m Integrated Health facility and 185 space multi-storey car park on the existing surface car park at Worthing Town Hall to improve health facilities for the residents. The new centre is due to complete in April 2024.

vi) **Investing in the Town Centres**

Worthing Borough Council has started a refurbishment programme of its main car parks to ensure that they are safe and pleasant to use for visitors to the Town Centre.

Both Councils continue to invest in the public realm within town centres. With significant projects planned at Southwick Square and in Worthing Town Centre in Montague Place. In order to facilitate Montague Place, £2.7m of Community Infrastructure Levy will be used to pay for the final works; these are due to begin in early 2024.

Both Councils also continue to undertake regular walkabouts of the town centres with key stakeholders, including West Sussex County Council, and address any outstanding capital issues, for example the introduction of new benches into Montague Street in Worthing.

2.0 RESOURCE ALLOCATION

2.1 Prudential Capital System

2.1.1 The Government introduced the current system for the management of capital finance in 2004/05 contained in The Local Authorities (Capital Finance and Accounting) Regulations (2003), which became operative from 1st April 2004. The act sets out the financial power for local authorities to use unsupported prudential borrowing for capital investment provided that the Council can afford the revenue consequences of any proposed borrowing.

2.1.2 The key objectives of the prudential system are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. Under the regulations local authorities have been given the freedom to determine the amount of external borrowing they are prepared to undertake when considering their own capital spending and financing decisions.

2.1.3 The most significant change under the prudential system has been the initial determination of the limits of affordability for providing capital investment, taking into account the opportunity costs of alternative financing decisions.

2.1.4 Following changed requirements in the Prudential Code, the capital strategy has been expanded to include consideration not only of capital expenditure; but also capital investments and liabilities; and the link to treasury management. The intention is to bring together not only the capital expenditure policy and plans, but to include financing considerations in one comprehensive document. Additional requirements include:

- **The impact of the capital programme on debt and borrowing including:**

- A projection of external debt and use of internal borrowing to support capital expenditure
- Provision for the repayment of debt over the life of the underlying debt.
- Authorised limit and operational boundary for the following year.
- The authority's approach to treasury management including processes, due diligence and defining the authority's risk appetite.

- **Commercial activity**

The Council's approach to commercial investment activities including processes ensuring effective due diligence and defining the authority's risk appetite in respect of these, including proportionality in respect of

overall resources. Requirements for independent and expert advice and scrutiny arrangements.

For Adur and Worthing councils, the key commercial investment activity is the Strategic Property Investment Fund which funds the development and acquisition of commercial property to support our local economies or meet housing need. The Property Investment Strategy details the Councils approach to risk management which will be added to this strategy as an appendix to the strategy once approved.

- **Other long-term liabilities**

An overview of the governance process for approval, monitoring and ongoing risk management of any other financial guarantees and other long-term liabilities.

- **Knowledge and skills**

A summary of the knowledge and skills available to the authority and confirmation that these are commensurate with the authority's risk appetite.

2.1.5 The Councils comply with all of the requirements of the Prudential Code (the Code) although this has not always been the case. The Councils have historically chosen to invest in Commercial Property with the long term strategic intention of generating a sustainable income for the Councils to replace that lost through the reductions to Government Funding to support service delivery. Since 2020/21 the focus of the acquisition and development programme has changed so that new proposals support the economic regeneration, sustainability plans, wellbeing or housing needs of our areas and so the Council now fully complies with the requirements of the code.

2.1.6 Under the Statutory Guidance on Investment, the Councils have been allowed to diverge from the Code provided that the Councils have an investment strategy for Commercial Property which details:

- Why the local authority has decided not to have regard to this Guidance or to the Prudential Code in this instance; and
- The local authority's policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing.

This requirement is fulfilled by the Commercial Property Investment Strategy which is approved by the Councils.

2.2 Resources

2.2.1 At the outset of each Capital Investment Programme planning cycle, the level of resources available to fund the programme is reassessed in light of the most recent information. The current programme is then reviewed to establish the level of resources needed to fund the committed programme. This information is then used to establish the resources available to fund new schemes.

2.2.2 The current capital financing strategy is based on a mix of funding including capital receipts, capital grants, revenue contributions, use of reserves, specific one-off external contributions and Prudential Borrowing. The Council will always opt to use capital receipts and grants ahead of any borrowing if possible. The Capital Investment Programme Strategy assumes:

For Adur District Council:

- A net overall addition to the general fund programme of £1.0m funded from a mix of Prudential Borrowing and capital receipts supplemented by S106 receipts and other grants and contributions. This will be reviewed annually within the context of the Council's overall revenue budget to ensure that investment remains affordable.
- An annual HRA programme of £10.08m for 2024/25 and 2025/26 for capital maintenance. This is expected to be funded from the Major Repairs Reserve, capital receipts, prudential borrowing, revenue contributions, and any grants. This is allocated across individual schemes using information from the HRA asset management plan including any condition survey information.

In addition, the Council will progress a new build programme funded by a mixture of grants, borrowing, retained capital receipts which have been set-aside for replacement affordable housing and other capital receipts. Each new development is to be the subject of a financial appraisal.

- The Strategic Property Investment Fund is to be continued but with a renewed focus on propositions that support the economic regeneration, sustainability or housing needs of our areas. The fund is capped at £125m and it is not proposed to amend this limit.

This is to be used to procure or develop commercial property which will both support our local economy or meet local housing need and generate an income stream for the Councils for the future with an emphasis on maintaining the balanced portfolio approach to risk

management set out in the adopted Commercial Property Investment Strategy

Each proposal will be the subject of a detailed appraisal and the net income must exceed the cost of borrowing by at least 2% over the life of the investment unless the councils approve a lower return on investment to ensure affordability to the Council Tax payer. The approach to managing risk, the governance arrangements and appraising individual acquisitions is set out in the Commercial Property Investment Strategy.

Furthermore, if an investment is of particular strategic merit and/or of high quality and offering a long term secure tenancy; it was agreed that a lower yield would be accepted, with the proviso that the return should always exceed the cost of borrowing by at least 1%.

Funding can only be released with the approval of the Leader and the Cabinet Member for Resources who also has the ability to approve bringing forward additional budget from future years if suitable investment proposals are identified. The expected investment programme is detailed below:

	Actual 2016/17 - 2022/23 £'000	Estimate 2023/24 £'000	Estimate Future years £'000	Total £'000
Adur	81,511	-	43,489	125,000

For Worthing Borough Council:

- A net overall addition to the general fund programme each year of £1.5m funded from a mix of Prudential Borrowing and capital receipts which is supplemented by S106 receipts and other grants and contributions. This will be reviewed annually within the context of the Council's overall revenue budget to ensure that investment remains affordable.
- The Strategic Property Investment Fund is to be continued but with a renewed focus on propositions that support the economic regeneration, sustainability or housing needs of our area. The fund is capped at £125m and it is not proposed to amend this limit.

This is to be used to procure or develop commercial property which will both support our local economy or meet housing need and to generate an income stream for the Councils for the future with an emphasis on maintaining the balanced portfolio approach to risk management set out in the adopted Commercial Property Investment Strategy and working to identify more investment opportunities that contribute to the economic wellbeing of the areas.

Each proposal will be the subject of a detailed appraisal and the net income must exceed the cost of borrowing by at least 2% over the life of the investment unless the councils approve a lower return on investment to ensure affordability to the Council Tax payer. The approach to managing risk, the governance arrangements and appraising individual acquisitions is set out in the Commercial Property Investment Strategy.

Furthermore, if an investment is of particular strategic merit and/or of high quality and offering a long term secure tenancy; it was agreed that a lower yield would be accepted, with the proviso that the return should always exceed the cost of borrowing by at least 1%. Funding can only be released with the approval of the Leader and the Cabinet for Resources who also has the ability to approve bringing forward additional budget from future years if suitable investment proposals are identified. The expected Investment programme is detailed below:

	Actual 2016/17 - 2022/23 £'000	Estimate 2023/24 £'000	Estimate Future years £'000	Total £'000
Worthing	107,497	7,433*	10,070	125,000

* Expenditure on the Worthing Integrated Care Centre site and the purchase of associated properties.

2.2.3 Capital flexibilities

The Councils have the ability to use capital receipts to fund revenue expenditure provided that :

- The proposed expenditure will generate on-going savings
- The Council produces a strategy detailing the projects to be funded by the capital flexibilities and the level of saving generated by the initiative. This can be updated at any time.

To take advantage of this flexibility, up to one third of new capital receipts generated will be set-aside to fund initiatives which will result in a reduction in the cost of delivering services. Such receipts can only be used to deliver savings proposals identified as part of the budget setting process. The Joint Strategic Committee or the Cabinet Member of Resources can approve the in-year use of the receipts which will be reported to Council together with an updated strategy as part of the budget process.

The use of the capital flexibilities will enable the Councils to protect its earmarked reserves and build capacity to take forward initiatives which generate budget savings.

2.2.4 The remaining capital receipts are used to repay debt or fund the prioritised capital programme unless ring-fenced for a specific purpose such as the delivery of affordable housing and Shoreham Renaissance in Adur.

2.3 Of the total resources available, the following will be earmarked to fund specific council objectives in 2024/25:

	Adur District Council £'000	Worthing Borough Council £'000	Total £'000
Annual Set aside from available capital resources for any capital investment needs arising from the partnership strategy – to fund planned equipment and vehicle replacements	400	700	1,100
Essential replacement of ICT desktop equipment, minor software upgrades, and local network equipment in both Councils.	100	150	250
Total resources earmarked for specific purposes	500	850	1,350

2.4 It is the both Councils' policy to maximise capital receipts through a review of existing property use. A rigorous approach has been adopted to the identification and disposal of surplus assets that are no longer required to meet the Corporate Priorities of the Councils and cannot be redeveloped to generate the Councils long term income streams. The Councils view this as the most cost effective way to finance the capital programme. However, both Councils have a diminishing asset base and the sites remaining are some of the most difficult to sell.

2.5 Although the Councils have been able to fund some of its capital programme from capital receipts in recent years, asset sales are unlikely to be sufficient to fund the entirety of the capital programme in the future. Therefore the Council will need to explore new sources of funding, particularly for major capital schemes. These could include extending the use of prudential borrowing, external funding from the various grant agencies including the national lottery distributors, S106 Agreements, Community Infrastructure Levy, Area Investment Framework funding and

Private Finance Initiatives and Partnerships, including Public Private Partnerships Schemes. Examples of partnership funding are shown in 6.4.

2.6 External Funding

External funding is now an important source of finance for the Councils. With this in mind, the Councils will research new funding streams to ensure that the Councils are aware of upcoming opportunities.

Overall, the aim of external funding is to ensure that the Councils can continue to improve or renew community facilities whilst alleviating the cost to the public purse.

2.7 Invest to Save Scheme

Both Councils have an 'invest to save' scheme. This provides capacity within the Councils to approve capital schemes or other projects which generate efficiency savings. The Councils will consider capital proposals which produce revenue savings that exceed the cost of borrowing or any interest income lost by at least 10% over the life of the investment.

The cost of these schemes can be funded from:

- prudential borrowing;
- capital receipts (either to support capital initiatives or using the capital flexibility permissions to fund revenue projects); or
- Earmarked reserves

The revenue costs of funding the initiative will be funded by the on-going revenue savings. These schemes can be approved at any time by the Joint Strategic Committee. Examples of projects include:

- Energy efficiency schemes whereby the reduction in energy costs may be sufficient to repay the borrowing costs.
- Investment in new temporary accommodation to reduce the cost of accommodating affected residents.
- Investment in renewable energy schemes to provide a carbon offset and to generate income for the Councils.

Any such scheme is to be the subject of a full option appraisal over the life of the asset, which should consider the whole life cost implications of the proposed investment and be considered by the Joint Strategic Committee as part of the approval to spend.

2.8 Value for Money

Getting value for money is a key priority for the Councils and the Capital Investment Programme should provide high quality, value for money public services. The Councils recognise that best value is based on whole life costs and therefore the on-going revenue implications of capital spend are identified when bids for capital resources are assessed and when schemes are approved; when a new capital project is proposed any impact on revenue expenditure is anticipated and costed. These revenue costs are used to inform the revenue budget planning process and are considered alongside other priorities in the revenue budget when the overall budget is set. Costs to be assessed include the opportunity cost of using the resources, the interest earnings foregone by utilising reserves and capital receipts, and any additional revenue costs or savings arising from the investment.

2.9 Overall funding of the programme:

Details of the overall capital expenditure budgets and planned financing as approved by Council are attached as Appendices 3 and 4. These will be the subject of revision throughout the year as updated information regarding the likely profile of the spend becomes known.

The latest forecasts of the overall borrowing required to fund the capital programmes are as follows:

	2023/24	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000
Adur District Council - General Fund				
Capital Financing Requirement as at 1st April	106,798	114,586	115,669	116,710
Current estimate of new borrowing:				
General Fund Programme	9,664	3,085	3,085	3,085
For new Commercial Activities	0	0	0	0
Less: Minimum Revenue Provision				
General Fund	-1,876	-2,002	-2,044	-2,145
Commercial Activities				
CFR as at 31st March	114,586	115,669	116,710	117,650
Actual General Fund Debt at start of year	101,531	111,195	114,280	116,710
Estimated Borrowing to be undertaken in year	9,664	3,085	2,430	940
Estimated borrowing as at 31st March	111,195	114,280	116,710	117,650
Estimated under borrowing (funded from internal resources)	3,391	1,389	0	0

	2023/24	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000
<u>Adur District Council - HRA</u>				
Capital Financing Requirement as at 1st April	66,653	91,861	93,161	94,461
Current estimate of new borrowing:	25,208	1,300	1,300	1,300
CFR as at 31st March	91,861	93,161	94,461	95,761
Actual HRA Debt at start of year	66,774	91,982	93,282	94,582
Estimated Borrowing to be undertaken in year	25,208	1,300	1,300	1,300
Estimated borrowing as at 31st March	91,982	93,282	94,582	95,882
Estimated under borrowing (funded from internal resources)	-121	-121	-121	-121
<u>Adur District Council - Summary at 31st March</u>				
Total CFR	206,447	208,830	211,171	213,411
Total debt	203,177	207,562	211,292	213,532
Under / (over) borrowing	3,270	1,268	-121	-121

	2023/24	2024/25	2025/26	2024/25
	£'000	£'000	£'000	£'000
<u>Worthing Borough Council - General Fund</u>				
Capital Financing Requirement as at 1st April	206,400	229,155	230,310	232,916
Current estimate of new borrowing:				
General Fund Programme	24,796	3,754	5,398	3,500
For new Commercial Activities				
Less: Minimum Revenue Provision	-2,041	-2,599	-2,792	-2,980
CFR as at 31st March	229,155	230,310	232,916	233,436
Actual General Fund Debt at start of year	203,948	228,703	229,858	232,464
Estimated net borrowing to be undertaken in year	24,755	1,155	2,606	520
Estimated borrowing as at 31st March	228,703	229,858	232,464	232,984
Estimated under borrowing (funded from internal resources)	452	452	452	452

The planned borrowing is within the borrowing limits approved by the Councils in February 2023. These limits are refreshed annually in the light of the new approved capital programme and progress against this programme.

ADUR DISTRICT COUNCIL

Operational boundary £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt	258.0	260.0	258.0
Other long term liabilities	1.0	1.0	1.0
Total	259.0	261.0	259.0

WORTHING BOROUGH COUNCIL

Operational boundary £m	2023/24 Estimate	2024/25 Estimate	2025/26 Estimate
Debt re Worthing Homes	10.0	10.0	10.0
Debt re GB Met	4.5	4.3	4.0
Other Debt	229.5	231.5	232.0
Other long term liabilities	1.0	1.0	1.0
Total	245.0	246.8	247.0

The revenue consequences of the planned borrowing are allowed for within the current General Fund revenue budget and the outline revenue budget forecast. The costs of borrowing are expected to increase over the next four years, however the borrowing either associated with the Strategic Property Investment Fund or any invest to save initiatives will be funded by increased income or reduced costs. This is illustrated in the table below:

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
Adur District Council*				
Total debt charges	4,935	4,995	5,151	5,244
Less:				
Income from Strategic Property Investment Fund	-4,261	-4,261	-4,261	-4,261
Net impact of capital programme	674	734	890	983

* This excludes the HRA borrowing which is factored into the 30-year business plan

<u>Worthing Borough Council</u>	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000
Total debt charges	5,419	6,779	7,362	7,582
Less:				
Income from Strategic Property Investment Fund	-5,785	-6,948	-6,948	-6,948
Net additional cost of capital programme	-366	-169	414	634

Full details of the Councils' borrowing strategy and associated prudential indicators can be found in the Councils' Treasury Management Strategy Statement which can be found on the Councils website.

3.0 SETTING THE CAPITAL PROGRAMME

3.1 The General Fund capital programme is set on an annual basis. Whilst scheme bids are submitted for each three year period, only the forthcoming year is approved with future years representing indicative programmes which are reviewed in the light of the resources available and any changes to the Council's priorities.

3.2 With respect to the programme for the HRA, this is developed using information from the condition surveys and (developing) asset management plan. To support the prioritisation of proposed schemes a matrix has been attached at appendix 3.

3.3 The development of the programme has four distinct phases:

Phase 1: Identification of potential schemes. (July)

Phase 2: Submission of bids for consideration (Early Autumn)

Phase 3: Assessment of the bids (September - November)

Phase 4: Proposal of the draft capital programme for member consideration (December)

3.4 Phase 1: Identification of potential schemes:

Potential schemes can be identified by a range of stakeholders in the capital programme: service planners, asset managers, or members. Where bids are identified by members, this should be communicated back to the associated service manager to ensure that the bidding documentation is completed.

3.5 **Phase 2: Submission of bids for consideration**

This is achieved by a 2 stage capital bidding process:

- Stage 1 will involve the submission of an outline business case for each scheme proposed. This will be the subject of an initial review to ensure that schemes have a realistic prospect of being included within the final programme and that proposals meet the strategic objectives of the Council. The initial bid list will be shared with the Corporate Leadership Team, Cabinet members and the Informal Cabinets for review.
- Stage 2 will include a full scored business case which will then be used to inform the draft programme for member consideration in December / January of each year. This is then subject to the Council's consideration and approval.

3.6 **Phase 3: Assessment of the bids (September - November)**

As described above, the assessment of the bids is a two stage process. Once a bid has been accepted for the second stage assessment, the bid is then scored using the Council's agreed prioritisation matrix. This is used to support the construction of a programme that both delivers the Councils priorities, but also targets spend at those schemes which provide the most benefit. The proposed prioritisation model is set out in Appendix 2.

3.7 Schemes which are considered for inclusion in the capital programme outside the annual bidding process should also be assessed to ensure that they support the delivery of the Council's priorities which would enable them to be considered for inclusion in the capital programme for the relevant year.

3.8 Each year after the 3 year capital investment programme has been agreed by the Councils, the Capital Working Group reviews the prioritisation process. If necessary, the capital bidding documents and process are updated to ensure that corporate priorities are delivered, and the benefits and impact of schemes are adequately reflected in the prioritisation approach.

3.9 **Option Appraisal**

Option Appraisal is an essential part of the prioritisation process and enables the Councils to make informed, transparent and consistent decisions about the capital projects to be taken forward.

The Council's current policy on Option Appraisals is as follows:

- (i) Individual projects costing under £250,000 – Officers are asked to consider other options (including capital and revenue implications) as part of the Capital Bid Submission.
- (ii) Individual projects costing between £250,000 and £500,000 – Option Appraisals are completed in house by the project team. These should consider the whole life cost implications of the proposed investment and must be considered by the Joint Strategic Committee or Executive Member as part of the approval to spend process.
- (iii) Individual projects costing in excess of £500,000 – Option Appraisals are completed either using the in-house team or by using external consultants where appropriate. These should include the whole life cost of the proposals and will need to be ratified by the Joint Strategic Committee or Executive before giving approval to spend.

Grant programmes such as affordable housing and disabled facilities grant are excluded from the requirement to undertake detailed option appraisals.

3.10 **Scheme Approval**

Every year a draft 3 Year Capital Investment Programme is submitted to the Joint Strategic Committee in December for consideration and recommended to the Councils in December for approval. The report identifies schemes where expenditure has been committed costing in excess of £250,000 necessitating approval as a Key Decision; schemes costing £250,000 or less where expenditure has been committed; and the future schemes for the three years under consideration. It also compares the revised outturn for the current year with the original estimate.

- 3.10.1 Schemes costing £250,000 or more require a report to be prepared for the Joint Strategic Committee or Cabinet Member outlining details of the scheme, the procurement strategy and the capital and revenue implications.
- 3.10.2 The Chief Financial Officer in consultation with the relevant Executive Member has delegated approval for schemes costing under £250,000. This is achieved by Officers responsible for capital projects completing a Project Initiation Document (P.I.D.) Form. The P.I.D. is sent to the Cabinet Member(s) for comment within 3 days and is then approved electronically by the Assistant Director for Finance (Chief Financial Officer) and the Assistant Director, Head of Service or Director who is responsible for the scheme. No scheme can proceed without either an approved P.I.D. or an Approval Report.
- 3.11 The programme is updated each year in July/September as a result of the financial outturns following the closure of the previous year's accounts, which are reported to Members in the early summer. Any slippage or works

completed ahead of schedule are quantified in budget terms, and approval is sought to make the necessary financial adjustments to the approved budget.

3.12 **Amendment to the capital programme**

The Council's financial regulations set out the delegations to individual officers and members for virement within the capital programme. Any changes to the capital programme must be reported to the Joint Strategic Committee at the earliest opportunity for noting or approval.

4.0 **FRAMEWORK FOR MANAGING, MONITORING AND EVALUATING THE CAPITAL PROGRAMME**

4.1 Detailed management, monitoring and review in terms of both the delivery of Service outcomes and Corporate Objectives and financial performance is the responsibility of the Capital Working Group, working in conjunction with Assistant Directors and the project managers.

4.2 Quarterly progress reports incorporating any recommended variations to the Programme, financial monitoring reports and completed project evaluations are submitted to the Council's Leadership Team, and the Joint Strategic Committee. Any 'learning' arising from the monitoring/review process is used to inform the strategy on an ongoing basis. The Financial Regulations stipulate how the financial aspects of the capital programme and each capital scheme should be managed and the Capital Working Group ensures compliance with these requirements.

5.0 **CONSULTATION**

5.1 Both Councils are committed to consulting with the community, its partners and service users on the key issues affecting the quality of life within the area. It has always been important to ensure that resources and services are designed, delivered and improved to meet the changing needs and expectations of our community, our partners and our service users.

To achieve this commitment the Councils consult and involve the community on any major or controversial capital schemes and will make its policies, decisions and services more accessible to comments from residents, businesses, agencies and major partners.

Examples of areas where recent consultation exercises have been completed include:

- Development of new or improved playgrounds
- Shoreham Harbour regeneration
- Proposals for the Lido

6.0 PARTNERSHIP WORKING

- 6.1 Both Councils recognise the importance of partnership working in delivering their own corporate priorities as well as those of many organisations, public and private. The Councils are aware that they do not work in isolation and that it must ensure that it looks outward to working with the community, its residents and partners, in order to identify and act on local priorities to improve the wellbeing of local communities. Tackling cross cutting issues, in particular, regeneration, community safety, social exclusion and sustainable development require a joined up approach across local authority service teams, other authorities and agencies, the private sector and also our voluntary sector partners.
- 6.2. The Councils have a history of working successfully together with other neighbouring Authorities on a range of activities including housing, coast protection and regeneration. The Councils continue to work closely with the Health bodies, Police and other organisations that can contribute to meeting its strategic objectives. In this regard, there has been a much closer working relationship forged with Health and Social Services to provide a more integrated service, especially in Housing.
- 6.3 Therefore, by working together in partnership with others the Councils seek to influence work to ensure that all opportunities are maximised to the full benefit of the residents of both areas, so that the Councils can be satisfied that they are maximising all funding opportunities and achieving efficiencies wherever possible.
- 6.4 The Councils have many partners with whom they currently work and the potential for many more. The following are some examples of the areas where work is currently being undertaken with other Councils and partners:

Registered Providers (Housing Associations), One Public Estate, Homes England and developers	Affordable Housing Programme and the provision of temporary accommodation
West Sussex County Council	Public realm improvements, Community Strategy, transport and highway matters.
West Sussex County Council and Brighton and Hove City Council	Shoreham Harbour Regeneration Project.
West Sussex County Council, Sussex Police Authority, Probation and Health Authorities	Safer Communities Partnership

Worthing Primary Care Group	Local Health Improvement Programme, Wellbeing Hub
Various maritime authorities from Selsey Bill to Beachy Head	Coast Protection – Coastal Monitoring Project for the South Downs Coastal Group
Various maritime authorities from New Forest to Thames Estuary (in conjunction with New Forest and Canterbury)	Coast Protection – Strategic Coastal Monitoring Project for the South East Region
Shoreham Port Authority	Coast Protection – Brighton Marina to River Adur Flood and Coastal Erosion risk Management Strategy
West Sussex County Council	Better Care Fund – Provision of Disabled Facilities Grants
West Sussex Local Authorities	Provision and Management Agreement of a gypsy and traveller transit site.

7.0 Links to other Strategies and Plans

7.1 The overall capital strategy stands above the more operational strategies that are needed for key services, such as Housing, Leisure, Environment, and other locally determined blocks of spending. The capital strategy does not sit in isolation but is informed by and informs other strategies. It provides a basis upon which other strategies can be developed and devised. The links between these strategies are extremely important.

7.2 The Councils have identified the following major Strategies and Plans which have been approved or developed which influence the development of the capital programme; 'Our Plan', Asset Management Plan, Accommodation Strategy, Community Safety Strategy, Cultural Strategy, Economic Development Strategy, Housing Strategy, Digital Strategy, Leisure Strategy, Local Transport Plan, Local Waste Management Strategy, Emergency Plan, Shoreline Management Plan, Surface Water Management Plan, Coast Defence Strategy, Public Realm, Fleet Strategy and the Seafront Strategy. The most critical strategies are listed below.

7.3 Link to the Housing Strategy

The joint Adur Worthing Housing Strategy was approved by the Joint Strategic Committee in March 2020. This detailed a new three year programme of action and was developed in the light of emerging housing policy.

7.4 Link to the Asset Management Plan

The capital strategy provides the policy framework for the investment needs arising from the operational work of asset management. Corporate asset management planning covers all the Councils' built assets. The current plan was approved in June 2020. The Asset Management Plan forms an important part of the Councils' Capital Strategy as it informs the investment requirement over the next 10 years.

7.5 Link to the ICT Strategy and Digital strategy

The developing ICT and Digital Strategies are critical links between the Council's Corporate Plans, Central Government Initiatives and Information Technology and are therefore an integral part of the Council's business planning process. However, future capital investment must take account of resources available for future funding and be seen to offer value for money, and is informed by the Capital Strategy.

7.6 Link to the Commercial Property Investment Strategy

The Property Investment Strategy outlines the approach that the Council takes to investing in Commercial Property. It details how the investment is governed, how the councils will manage risk, and how the fund will be structured in the future.

8.0 PERFORMANCE MANAGEMENT AND MEASUREMENT

- 8.1 The overall performance of the capital programme, including post-scheme evaluation of projects, is overseen by the Capital Working Group as detailed in Section 4.

Performance in delivering the capital programme programme will be reported to members four times a year.

9.0 REVISING THE CAPITAL STRATEGY

- 9.1 The Capital Strategy is reviewed annually, adapting to the review of the Councils' strategic objectives. It does not need to be overhauled annually so long as the existing documentation remains valid. However, the Councils review the allocation of its Capital Resources on an annual basis to ensure that its programme of investment is in line with the resources available to support its spending needs and priorities.

10.0 SKILLS AND KNOWLEDGE OF STAFF

- 10.1 All staff involved in treasury management and property investment activities are professionally qualified. Staff have access to regular professional training to ensure skills are regularly updated. In addition, external advice is commissioned from advisors as appropriate. The council's current advisors are Link Asset consulting.

11.0 SUMMARY

- 11.1 The Councils will continue to prioritise its capital spending in line with their corporate priorities and other criteria, recognising that a commitment to partnership working remains a significant part in the Councils' overall approach. The Councils will annually review their approach to capital expenditure having regard to outcomes of asset management reviews and any changes to the Corporate Plan.



ADUR & WORTHING
COUNCILS

CAPITAL PRIORITISATION MODEL FOR GENERAL FUND SCHEMES

Criteria for scoring points. A maximum of 85 points is available.

Bids that do not score any points under Category 1: ‘Fit with Council’s priorities’ cannot progress unless there is a statutory imperative to the scheme.

1. Fit with the Council’s priorities:

How does the scheme contribute to the achievement of the Councils’ priorities (Score 2 points for each sub-objective that the scheme contributes to with a maximum score of 30 points)

<p>Mission : Thriving Places</p> <ul style="list-style-type: none"> ● Places are designed for people and nature; they are clean, safe and feel looked after ● People feel a sense of belonging to places and communities; they can influence how places change ● Active travel is easy, with opportunities for walking, cycling and public transport. 	<p>Up to 6 points</p>
<p>Mission : Thriving People</p> <ul style="list-style-type: none"> ● People are healthy, resilient and resourceful; they can access the right help when they need it ● Everyone has a safe, secure and sustainable home ● Everyone is able to enjoy a wide range of cultural, leisure and sporting opportunities. 	<p>Up to 6 points</p>
<p>Mission : Thriving Environment</p> <ul style="list-style-type: none"> ● Action now achieves a fair transition to Net Zero Carbon by 2045 ● Resilience to climate change and increased biodiversity by restoring natural habitats ● A circular economy is created; one that minimises waste and keeps materials in use. 	<p>Up to 6 points</p>

<p>Mission : Thriving Economy</p> <ul style="list-style-type: none"> • An inclusive economy which provides people with skills and opportunities to secure good quality jobs • Ambitious, high growth companies locate in Adur and Worthing and smaller independent businesses thrive • Economic growth regenerates places and high streets, helping communities to prosper 	Up to 6 points
<p>Our Foundations</p> <ul style="list-style-type: none"> • Increase the range of modern digital services. • Grow our commercial and traded income. • Equipment and systems essential for the delivery of universal services. 	Up to 6 points

2. What is the reason for the bid (Maximum 20 points)

Ranking	Criteria	Points
1	Minimum works required to prevent the Council failing in its statutory duty (e.g. Equalities Act)	20
	<p>Or</p> <p>There is a mandatory legal requirement to provide the service, the proposed scheme enables the service to be provided and that obligation cannot be met in any other way (e.g Environment Act)</p>	20
2	Essential works are required to avoid serious long-term financial, operational or service consequences	15
	<p>Or</p> <p>There is a demonstrable, priority need to replace the asset/ service on an essentially like for like basis (save for improvements in technology) as the existing asset is at the end of its useful life.</p>	15

Ranking	Criteria	Points
3	Other schemes, which meet the Councils' priorities as laid out in the 'Our Plan', service plans, or other agreed plans of the Councils. Please specify which plan the scheme is supporting the delivering of.	10
4	There is an expectation by the Government that the Council should undertake a particular course although it may not be currently statutory and there is a likelihood of some form of sanction being applied against the Council if that expectation is not met.	5

3. Condition of the asset (maximum 5 points)

Asset condition:	Points
For built assets the information regarding the asset should come from the condition survey. This should be agreed with the Surveying or Engineering team.	
Good – Performing as intended and operating effectively.	0
Satisfactory – Performing as intended, but exhibiting minor deterioration	0
Poor – Exhibiting major defects and/or not operating as intended	1
Bad – Life expired and/or serious risk of imminent failure	5

4. Health and Safety

The project is considered necessary for the health and safety of the Council's employees or the general public and has been agreed with the Corporate Health & Safety Officer:

	Points
No Risk	0
Low Risk	1
Medium risk	3
High Risk	5

5. Financial considerations

5a. Revenue consequences arising from investment (up to 10 points)

Add Points – 1 point per £10,000 net annual benefit up to 10 additional points

- Additional annual average revenue income as measured over asset life, after payment of running costs **OR**
- Projects result in a reduction in the revenue budget from date of completion.
- Any project whose annual saving exceeds the costs of financing over the life of the acquisition by 10% or more will gain automatic approval under invest to save principles, subject to approval by the Chief Financial Officer and ratification by JSC.

Deduct Points – 1 point per £10,000 net annual cost up to 10 points.

- Additional annual operation costs **OR**
- The project results in increased net revenue costs.

5b. External funding attracted toward the scheme (up to 10 points)

The higher the percentage of funding expected from the an outside body, the more points awarded:

This has an individual ranking Matrix – please see below:

External Funding % received	Points to be added
0.1% - 24%	1
25% - 49%	2
50% - 65%	3
66% - 75%	5
76% - 89%	7
90% - 99%	10
100%	10 or Automatic Approval **

** Automatic approval is subject to the scheme contributing to the Council's aims, and future financial revenue implications being accommodated with the Council's overall revenue budget. All external funding must be confirmed by the funder before the scheme is included in the Adur or Worthing Capital Investment Programme.

6. Discretionary additional points (up to 5 points)

These points are to be determined by Members following a consultation exercise for projects that are important to the community.

CAPITAL PRIORITISATION MODEL FOR HRA MAJOR REPAIRS

Criteria for scoring points. A maximum of 40 points is available.

1. What is the reason for the proposal (Maximum 20 points)

Ranking	Criteria	Points
1	Minimum works required to prevent the Council failing in its statutory duty (e.g. Health and Safety regulations, compliance requirements)	20
	Or There is a mandatory legal requirement to improve the property, the proposed scheme enables the improvement to be made and that obligation cannot be met in any other way (e.g Fire Safety)	20
2	Essential works are required to avoid serious long-term financial, operational or service consequences	15
	Or There is a demonstrable, priority need to update the property on an essentially like for like basis (save for improvements in technology) as the existing asset is at the end of its useful life.	15
3	Other schemes, which support the delivery of the HRA business plan.	10
4	There is an expectation by the Government that the Council should undertake a particular course although it may not be currently statutory and there is a likelihood of some form of sanction being applied against the Council if that expectation is not met.	5

2. Condition of the asset (maximum 5 points)


Asset condition: For built assets the information regarding the asset should come from the condition survey.	Points
Good – Performing as intended and operating effectively.	0
Satisfactory – Performing as intended, but exhibiting minor deterioration	0
Poor – Exhibiting major defects and/or not operating as intended	5
Bad – Life expired and/or serious risk of imminent failure	10

3. Health and Safety


The project is considered necessary for the health and safety of the Residents, Council's employees or the general public and has been agreed with Adur Homes Health & Safety Officer and where appropriate and/or the Corporate Health & Safety Officer:

	Points
No Risk	0
Low Risk	1
Medium risk	5
High Risk	10

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SUMMARY							
ADUR DISTRICT COUNCIL CAPITAL INVESTMENT PROGRAMME 2022/23 - 2025/26							
 ADUR DISTRICT COUNCIL	Total Estimate £	CAPITAL ESTIMATES					
		Prior to 1.4.2022 £	2022/2023		2023/2024	2024/2025 Draft Estimate £	2025/2026 Future Estimate £
			Original £	Current £	Current £		
Column Reference (1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BUDGETS							
Executive Member for Adur Homes and Customer Services	73,556,320	6,194,880	36,344,670	16,523,100	34,706,340	8,046,000	8,086,000
Executive Member for Environment and Leisure	4,043,789	235,779	2,218,150	1,058,350	1,728,840	579,270	441,550
Executive Member for Communities and Wellbeing	927,510	-	522,600	138,460	607,050	61,000	121,000
Executive Member for Regeneration and Strategic Planning	7,235,200	4,068,990	2,568,250	691,590	2,241,270	96,270	137,080
Executive Member for Resources	132,635,620	84,146,760	45,992,350	1,304,360	45,822,790	664,710	697,000
	218,398,439	94,646,409	87,646,020	19,715,860	85,106,290	9,447,250	9,482,630
FINANCING							
Capital Grants and Contributions							
Communities and Local Government			989,650	695,710	682,280	375,000	375,000
Environment Agency			560,990	87,080	699,270	96,270	87,080
S106 Contributions from Planning Agreements			167,450	77,890	150,000	-	-
Other Contributions			65,000	127,500	825,000	201,500	50,000
Prudential Borrowing			81,632,510	12,415,040	78,360,320	4,385,060	4,581,130
Revenue Contributions and Reserves							
Revenue Contributions			130,420	88,420	68,420	85,420	89,420
Revenue Reserves			3,900,000	6,000,000	4,200,000	4,200,000	4,200,000
Usable Capital Receipts			200,000	224,220	121,000	104,000	100,000
			87,646,020	19,715,860	85,106,290	9,447,250	9,482,630

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SUMMARY							
2022/23 - 2025/26 CAPITAL INVESTMENT PROGRAMME							
 WORTHING BOROUGH COUNCIL	Total Estimate £	CAPITAL ESTIMATES					
		Prior to 1.4.2022 £	2022/2023		2023/2024 Current £	2024/2025 Draft Estimate £	2025/2026 Future Estimate £
			Original £	Current £			
Column Reference (1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
BUDGETS							
Executive Member for Citizen Service	14,852,800	-	6,631,320	2,099,560	7,113,240	2,800,000	2,840,000
Executive Member for Climate	5,644,470	2,450	1,520,000	950,000	570,000	3,722,020	400,000
Executive Member for Community Wellbeing	472,860	-	165,240	105,360	230,000	22,500	115,000
Executive Member for Culture and Leisure	2,081,880	415,960	1,395,710	422,110	1,143,810	100,000	-
Executive Member for the Environment	7,015,200	830,160	3,588,330	3,270,630	1,585,680	671,640	657,090
Executive Member for Regeneration	63,499,770	26,157,640	32,819,420	28,463,240	3,438,290	717,670	4,722,930
Executive Member for Resources	131,207,680	87,310,820	44,903,860	26,595,910	16,563,950	387,000	350,000
	224,774,660	114,717,030	91,023,880	61,906,810	30,644,970	8,420,830	9,085,020
FINANCING							
<i>Capital Grants and Contributions</i>							
Communities and Local Government			2,086,990	3,298,080	1,098,000	4,283,000	800,000
Environment Agency			106,430	106,430	117,670	117,670	106,430
S106 Contributions from Planning Agreements			2,084,120	479,200	2,816,840	150,000	100,000
Other Contributions			694,860	1,723,530	717,000	-	-
<i>Prudential Borrowing</i>			84,904,210	55,983,910	24,796,190	3,753,580	7,873,210
<i>Revenue Contributions and Reserves</i>							
Revenue Contributions			167,580	245,620	116,580	116,580	116,580
Revenue Reserves			61,690	20,000	41,690	-	-
<i>Usable Capital Receipts</i>							
General			918,000	50,040	941,000	-	88,800
			91,023,880	61,906,810	30,644,970	8,420,830	9,085,020

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ADUR & WORTHING
COUNCILS

ADUR AND WORTHING PARTNERSHIP SCHEMES C/F FROM 2022/23 AND PROPOSED ADUR AND WORTHING CAPITAL INVESTMENT PROGRAMMES 2023/24 - 2025/26

	Scheme	Requesting Officer	Split of Costs ADC / WBC	Budgets c/f from 2022/23 to 2023/24 £	BUDGETS PROPOSED			TOTAL BUDGET £	
					2023/24	2024/25	2025/26		
					£	£	£		
1	Bereavement Services	Bereavement Services - Cemeteries and Crematorium Software	Kate Greening	20 / 80	£ -	£ 102,560	£ -	£ -	£ 102,560
2	Bereavement Services	Bereavement Services - New operational vehicle; mini tractor and flail	Kate Greening	50 / 50	£ -	£ -	£ 65,970	£ -	£ 65,970
3	Dog Warden Service	Replacement of one operational vehicle	Mark Quartly	50 / 50	£ -	£ -	£ 45,000	£ -	£ 45,000
4	Information and Communications Technology	Replacement of Microphone System	Neil Terry	47 / 53	£ 30,000	£ -	£ -	£ -	£ 30,000
5	Information and Communications Technology	Corporate ICT hardware and infrastructure replacement programme	Jan Jonker	47 / 53	£ -	£ 165,000	£ 230,000	£ 230,000	£ 625,000
6	Information and Communications Technology	Digital Strategy - Identity and Access Management (Single Sign On)	Jan Jonker	47 / 53	£ 60,000	£ -	£ -		£ 60,000
7	Information and Communications Technology	Digital Strategy - Digital Cyber Security	Jan Jonker	47 / 53	£ -	£ 120,000	£ 120,000	£ 120,000	£ 360,000



ADUR & WORTHING
COUNCILS

ADUR AND WORTHING PARTNERSHIP SCHEMES C/F FROM 2022/23 AND PROPOSED ADUR AND WORTHING CAPITAL INVESTMENT PROGRAMMES 2023/24 - 2025/26

	Scheme	Requesting Officer	Split of Costs ADC / WBC	Budgets c/f from 2022/23 to 2023/24 £	BUDGETS PROPOSED			TOTAL BUDGET £	
					2023/24	2024/25	2025/26		
					£	£	£		
8	Information and Communications Technology	Gigabit Project / Extension of Ultrafast Fibre Network	Jan Jonker	47 / 53	£ 2,304,600	£ -	£ -	£ -	£2,304,600
9	Information and Communications	Network Refresh Project	Jan Jonker	47 / 53	£ 51,660	£ -	£ -	£ -	£ 51,660
10	Information and Communications Technology	Planning and Building Control Document Management Solution	Jan Jonker	47 / 53	£ 95,040	£ -	£ -	£ -	£ 95,040
11	Parks and Open Spaces	Street litter and dog bins replacement programme	Mark Quartly	38 / 62	£ -	£ 15,000	£ 15,000	£ 15,000	£ 45,000
12	Parks and Open Spaces	Replacements of equipment used in parks and open spaces	Steve McKenna	40 / 60	£ -	£ 50,000	£ 20,000	£ 20,000	£ 90,000
13	Parks and Open Spaces	Replacement of vehicles used in parks and open spaces	Steve McKenna	40 / 60		£ -	£ -	£ -	£ -
14	Public Conveniences	Replacement of 3 essential operational vehicles with electric or low emission vehicles where available	Mark Quartly	30 / 70	£ 63,200	£ 26,800	£ -	£ -	£ 90,000
15	Refuse / Recycling / Street Cleansing	Replacement of essential operational vehicles with electric or low emission vehicles where available	Mark Quartly	36.4 / 63.6 (Refuse/Recycling) 39.4 / 60.6 (Street Cleansing)	£ 858,610	£ -	£ 783,800	£ 500,000	£2,142,410

ADUR & WORTHING
COUNCILS

ADUR AND WORTHING PARTNERSHIP SCHEMES C/F FROM 2022/23 AND PROPOSED ADUR AND WORTHING CAPITAL INVESTMENT PROGRAMMES 2023/24 - 2025/26

	Scheme	Requesting Officer	Split of Costs ADC / WBC	Budgets c/f from 2022/23 to 2023/24 £	BUDGETS PROPOSED			TOTAL BUDGET £	
					2023/24	2024/25	2025/26		
					£	£	£		
16	Refuse and Recycling Service	Wheeled Bin Replacements	Mark Quartly	36.4 / 63.6	£ -	£ 96,000	£ 96,000	£ 96,000	£ 288,000
17	Trade Waste Service	Trade Waste Bins Replacements	Mark Quartly	30 / 70	£ -	£ 76,370	£ 76,370	£ 76,370	£ 229,110
BUDGET PROPOSED:					£ 3,463,110	£ 651,730	£ 1,452,140	£ 1,057,370	£6,624,350
FUNDING FROM ICT RING FENCED PROVISION:						£ 165,000	£ 230,000	£ 230,000	£ 625,000
FUNDING FROM DIGITAL STRATEGY PROVISION:						£ 120,000	£ 120,000	£ 120,000	£ 360,000
FUNDING FROM PARTNERSHIP RING FENCED PROVISION:						£ 366,730	£ 1,102,140	£ 707,370	£2,176,240

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ADUR & WORTHING
COUNCILS

Joint Strategic Committee

11 July 2023

Key Decision [Yes/No]

Ward(s) Affected:

Renewal of insurances contract - Use of urgency powers

Director for Sustainability and Resources

Executive Summary

1. Purpose

1.1 The purpose of this report is to notify members that the Chief Executive used her urgency powers to award the insurance contract for the period 1st June 2023 to 31st May 2026 with the option to extend for a further 2 years.

2. Recommendations

2.1 The Joint Strategic Committee notes that the Chief Executive used her urgency power to approve the renewal of the contracts as follows:

- i) Lot 1 - Zurich Municipal
- ii) Lot 2 - RMP (Risk Management Partners)
- iii) Lot 3 - Zurich Municipal
- iv) Lot 4 - RMP

2.2 The Joint Strategic Committee is asked to approve the use of the Capacity Issues Reserve to fund the additional costs as set out in section 6.0 of the report.

3. **Background**

- 3.1 The current long term insurance agreement was due to expire on the 31st May 2023 and we have therefore carried out a tender exercise for a new contract.
- 3.2 The Council needs to have insurance cover in place to protect it from financial losses as a result of, for example; property damage, injury to employees, third party injury or property damage.
- 3.3 Due to the current 'hard' insurance market, a decision was made to tender for a 3 year contract, with the option of 2 additional years, rather than the normal 5 +2 contract, in the hope that the market improves and we're not tied into the current more expensive contract for too long.
- 3.4 Following the appointment of an insurance broker in December, the insurance tender commenced. Since carrying our previous tenders a number of years back, the amount of information required by insurers has increased dramatically. Questionnaires had to be completed for both Adur and Worthing, running to over 100 pages, which meant liaising with dozens of Council officers in many different departments, which took a long time and was extremely time consuming. The tender was finally published on the 2nd March.
- 3.5 Subsequently, over 180 clarification questions were received, which again had to be investigated with officers across the Council, which again took a long time to obtain answers to and respond on. The insurance company tender responses came through in Mid April, following which the evaluation and moderation of the 11 responses across the 4 Lots was carried out alongside the broker, in the first week of May. The broker subsequently submitted their recommendation report.
- 3.6 Due to the extended nature of the procurement process, it was not possible to seek member approval and let the contract by the 31st May 2023 which was critical if the Council was to secure continuity of cover. Therefore the Chief Executive was asked to exercise her emergency powers and approve the new insurance contract.
- 3.6 An insurance broker was instructed to assist with the tender program, thereby opening up the 'broker only' insurance market to us, otherwise we would be limited to direct insurers, of which there is currently only one, Zurich Municipal.
- 3.7 Adur & Worthing's insurance portfolios were split into 4 Lots for the purpose of the tender;
 1. Property Cover
 2. Liability Cover
 3. Motor Fleet Cover

4. Personal Accident cover

3.8 All of the responses were evaluated on a 50% Price, 50% Quality basis, with the Quality element split down as; Assessment of Policy Cover – 25%, Claims Service – 10%, Added Value & Innovation – 5% and Social Value – 10%.

4.0 **Tender responses**

4.1 Having reviewed and evaluated all responses, the final outcome was as follows:

Adur:

Lot 1, Property – Zurich Municipal were the only respondents and therefore retained the Council's property insurance.

Lot 2, Liability – 3 insurers responded in relation to liability and following the evaluation process, RMP (Risk Management Partners) were the successful bidder. Whilst the 'quality' results were fairly similar, the differentiating factor was the price.

Lot 3. Motor – we had responses from 4 insurers to provide motor fleet cover. Following review, the successful bidder for this lot was Zurich Municipal. 2 of the bidders came in with very similar prices, but Zurich won the lot with a slightly better Quality score.

Lot 4. Personal Accident – There were 3 responses to the personal accident lot. This was won by RMP, the main factor again being price.

Worthing:

Lot 1, Property – Zurich Municipal were the only respondents and therefore retained the Council's property insurance.

Lot 2, Liability – 3 insurers responded in relation to liability and following the evaluation process, RMP (Risk Management Partners) were the successful bidder. Whilst the 'quality' results were fairly similar, the differentiating factor was the price.

Lot 3. Motor – we had responses from 4 insurers to provide motor fleet cover. Following review, the successful bidder for this lot was Zurich Municipal. 2 of the bidders came in with very similar prices, but Zurich won the lot with a slightly better Quality score.

Lot 4. Personal Accident – There were 3 responses to the personal accident lot. This was won by RMP, the main factor again being price.

The overall annual cost of the insurance program for each authority is;

Adur - £533,132.18

Worthing - £598,909.12

5.0 Engagement and Communication

5.1 Officers of the Council were consulted with to ensure compliance with the Council's contract Standing Orders

6.0 Financial Implications

6.1 The budget for insurances is as follows:

	Adur Actual £	Budget £	Difference £
Property	203,070	83,420	119,650
Motor	87,240	59,740	27,500
Employee	159,880	172,350	-12,470
Total			134,680

	Worthing Actual £	Budget £	Difference £
Property	462,230	275,590	186640
Motor	30,770	71,760	-40990
Employee	105,910	90,470	15440
Total			161090

	HRA Actual £	Budget £	Difference £
Property	82,940	73,960	8,980
Total			8,980

6.2 The outcome of the tender exercise will result in an additional cost of £304,750 which is expected in the current market and will need to be accommodated within the budget for next year. For 2023/24 any surplus costs will be funded from the capacity issues reserves as follows:

- Adur District Council £134,680
- Worthing Borough Council £161,090

Finance Officer: Sarah Gobey

Date: 12th June 2023

7.0 Legal Implications

7.1 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.

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 Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of the function by the local authority.

7.4 In awarding the Contract the Council is obliged to follow the urgency procedures set out in each Council's Constitution.

Legal Officer: Erutoma Sakpere

Date: 23 May 2023

Background Papers

- Invitation to tender

Officer Contact Details:- Name: Chris Mann

Role: Insurance Manager

Telephone: 01903 221286

Email: chris.mann@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

The proposal wouldn't have an effect on the economic development of our places or economic participation of our communities, apart from the fact that it will protect the Council in the event of large losses.

2. Social

2.1 Social Value

No major impact on our communities, apart from the fact that if someone were unfortunate enough to have suffer a loss / injury due to Council negligence, there would be insurance cover in place to deal with their claim, thus compensating them for their loss / injury

2.2 Equality Issues

There are no equality issues

2.3 Community Safety Issues (Section 17)

This proposal is not relevant to the reduction of crime and disorder

2.4 Human Rights Issues

This proposal does not impinge on anyone's human rights.

3. Environmental

There are no implications for the management, custodianship & protection of our natural resources.

4. Governance

There are no implications as far a the Council's priorities, action plans etc are concerned

There are no implications to the Council's reputation or relationship with partners, apart from possible positive ones.

The only implications from a risk management / health & safety perspective is positive, from the point of view that the Council will have insurance cover to

protect its position in the event of a claim. The insurers can also provide the Council with positive risk management guidance.



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11 July 2023

Key Decision [No]

Ward(s) Affected: All Adur and Worthing
Cabinet Portfolio: Worthing Member for
Citizen Services and Housing; Adur
Member for Adur Homes and Customer
Services

Proactive working with residents in Adur and Worthing: an update

Report by the Director for Housing and Communities

Officer Contact Details

Tina Favier, Director for Housing and Communities,
Tina.Favier@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. In February 2021 this Committee received the report, Covid Benefit Measures impact on vulnerable residents, detailing how the Councils would develop proactive interventions to address issues arising from the Covid-19 pandemic and the cost of living crisis. This report set out how the Councils would work with Policy in Practice and its Low Income Family Tracker (LIFT) platform to use data to identify and target interventions. This is the latest progress and update report.
- 1.2. Proactive has been developed to describe a way of working which uses data to target interventions aimed at reducing vulnerability and enhancing resilience. This work is core to the delivery of our mission to enable more people to thrive, focusing on enabling residents to be healthy, resilient and resourceful, to access the right help when they need it and to ensure that everyone has access to a home and the help they need to sustain their tenancy.
- 1.3. Proactive is about more than just the data. We will work to redesign front line services to respond to the evidence we are

seeing of the benefits of working in a more proactive way. It is focused on hardwiring a more proactive approach into how officers collect income and recover debt, ensuring that this is aligned to the new corporate debt policy, which is premised on being fair, consistent and sensitive to people's needs. We are also designing more capacity into our teams to enable us to become more proactive in our approach to residents that need help and support early, to enable them to manage and become more resilient. Working alongside our community partners, officers will continue to develop the cost of living working within our neighbourhoods and places, building strong community capacity to ensure that communities have what they need to help each other during difficult times.

- 1.4.** The report updates Members about the progress made, the cohorts that have been contacted and the impact to date. It shares information about TellJO - an online wellbeing assessment tool - and how officers have been using this with some early cohorts. Members are also updated on our broader work to implement our income recovery approaches.
- 1.5.** Members are asked to note that the next phase for Proactive will require the implementation of the new leadership structure to be in place. In the interim, the report sets out the use of the Shared Prosperity Fund and Homelessness Prevention Grant to support much needed capacity for this work.
- 1.6.** Finally, Members are asked to note that Proactive is connected to the work of the Councils through the respective Cost of Living road maps, working with communities and partners across Adur and Worthing and within local neighbourhoods.

2. Recommendation

Members of the Joint Committee are asked to:

- 2.1** Note the contents of the report and progress made by Proactive
- 2.2** Support the refocusing of this work as set out in relation to outcomes focused on alleviating housing front door pressures (Paragraph 5.12)

- 2.3** Approve the next steps for this work, including confirming the breakdown for the allocation of the Shared Prosperity Fund for Proactive during 2023/4 and 2024/25, as set out in paragraphs 5.10-5.14)
- 2.4** Note the governance for this work sits with the respective Adur Cabinet Member for Adur Homes and Customer Services and the Worthing Cabinet Member for Housing and Citizen Services
- 2.5** To approve a budget virement to create a programme of work for Proactive as set out in this report, funded from the UK Shared Prosperity Fund, as follows:
- i) £141,480 for 2023/24:
- Adur £59,480
 - Worthing £82,000
- ii) £658,250 for 2024/25 (noting this is the committed Proactive and Cost of Living allocation):
- Adur £340,520
 - Worthing £318,000

3. Context

Background context

- 3.1 The enduring impact of the Covid-19 pandemic and the cost of living continue to have a profound effect on many people within our communities, particularly people living on low incomes, and especially for some groups, including carers, families, single people, disabled people and minority ethnic groups.
- 3.2 The Joseph Rowntree Foundation's cost of living tracker (conducted in October 2022) found that the cost of living crisis is having a wide-ranging effect on poorer households, with around six in ten low-income households not being able to afford an unexpected expense, over half being in rent arrears and around a quarter using credit to pay essential bills. It also found that low-income families are struggling to afford essentials such as:

- half of the poorest fifth of families say they have reduced spending on food for adults
- around four in ten families with children are spending less on food for their children
- half are already reducing the number of showers they take
- around six in ten are heating their home less
- over seven in ten families are going without essentials.

3.3 The Institute for Fiscal Studies (June 2023) has recently identified the impact of interest rate rises on low income families, young people and families with large mortgage burdens and renters when landlords start to pass on rising costs.

3.4 Whilst overall levels of vulnerability in Adur and Worthing are generally lower overall than the national average, there are significant inequalities between wards (see 4.5). For Adur and Worthing the overall data shows:

- 4,477 / 12.2% (A) and 8,257 / 12.5% (W) are claiming Universal Credit (the replacement legacy benefit for new benefit claimants) (the national average is 14.8%)
- 2,511 / 6.8% (A) and 4,805 / 7.3% (W) people are claiming Working Age Workless Benefits (national average of 7.9% for both areas);
- 17% (A) and 16% (W) of children are living in relatively low income households (national average is 20% for both areas);
- 1,416 / 9.3% (A) and 2,326 / 9.3% (W) are claiming Pension Credit (national average 11.3% for both areas);
- 2,667 / 7.2% (A) and 4,606 / 7.0% (W) are claiming Personal Independence Payments (PIP) (national average of 7.7% for both areas).

(Numbers reference people, A = Adur, W= Worthing)

3.5 The Index of Multiple Deprivation (IMD) examines 7 domains of possible deprivation and identifies Adur and Worthing as generally having lower levels of deprivation. There are exceptions of course at a household and local level. Five wards in Worthing and three wards in Adur have been identified as having particular challenges and therefore are likely to be more vulnerable at this time. In Adur the wards are Churchill and to a lesser extent Peverel and Eastbrook and in Worthing the wards are Central, Heene, Northbrook, Broadwater and Castle. In terms of income levels, many households in these wards are amongst the 20% most deprived wards in the country.

3.6 With regard to Universal Credit, the Department for Work and Pensions has confirmed that for Adur and Worthing, the length of time on Universal Credit has a significant impact on the cost of living. In Adur and Worthing, of the 2,926 people claiming Universal Credit (UC) and seeking employment, over 900 have been on UC for over 3 years (this could correlate with those claiming Personal Independence Payments). We know that long-term unemployment is hugely problematic in terms of tackling inequalities.

3.7 Our most recent report from Citizens Advice for the 4th quarter of 2022-2023 presents a worrying picture when compared to the same period in the previous year:

In Worthing there has been a:

- 45% increase in the number of issues and clients presenting with benefit issues
- 25% increase in the number of Universal Credit issues
- 80% increase in the number of utilities and communications issues

In Adur:

- The number of benefit and Tax Credit issues has more than doubled
- There has been a 162% increase in the number of debt issues
- 17% more men are coming to us for financial services help

3.8 The impact of this on our communities and services is profound, particularly in relation to rising homelessness and insecurity around housing. This is evident in the increase in the number of households presenting to the Councils requiring assistance to sustain their current accommodation to prevent homelessness or assistance to find an alternative place to live when they have become homeless.

3.9 In 2022-23, 704 households presented to Adur & Worthing Councils when they were at risk of homelessness or already homeless and were owed a statutory duty to assess their housing needs with the aim of resolving their housing issues. A further 662 households approached both Councils for basic housing advice and signposting to other services for a range of support issues, such as benefits and welfare advice and referral to food banks.

3.10 Although the main causes of homelessness have remained consistent over the last three years - end of private sector tenancy and family/friends eviction

- these are a consequence of households struggling with the cost of living, either unable to keep up with rent payments and falling into arrears, or family and friends unable to sustain the additional costs of having extra people living with them, and due to increasing rents, then being unable to secure their own accommodation. The number of people homeless as a result of family/friends eviction provides an insight into the level of hidden homelessness in the area, adding further pressures to local services when these insecure arrangements break down. What we are not yet seeing in the homelessness data is the impact of rising mortgage rates which is very likely to result in an increase in repossessions as households continue to struggle to meet their mortgage payments.

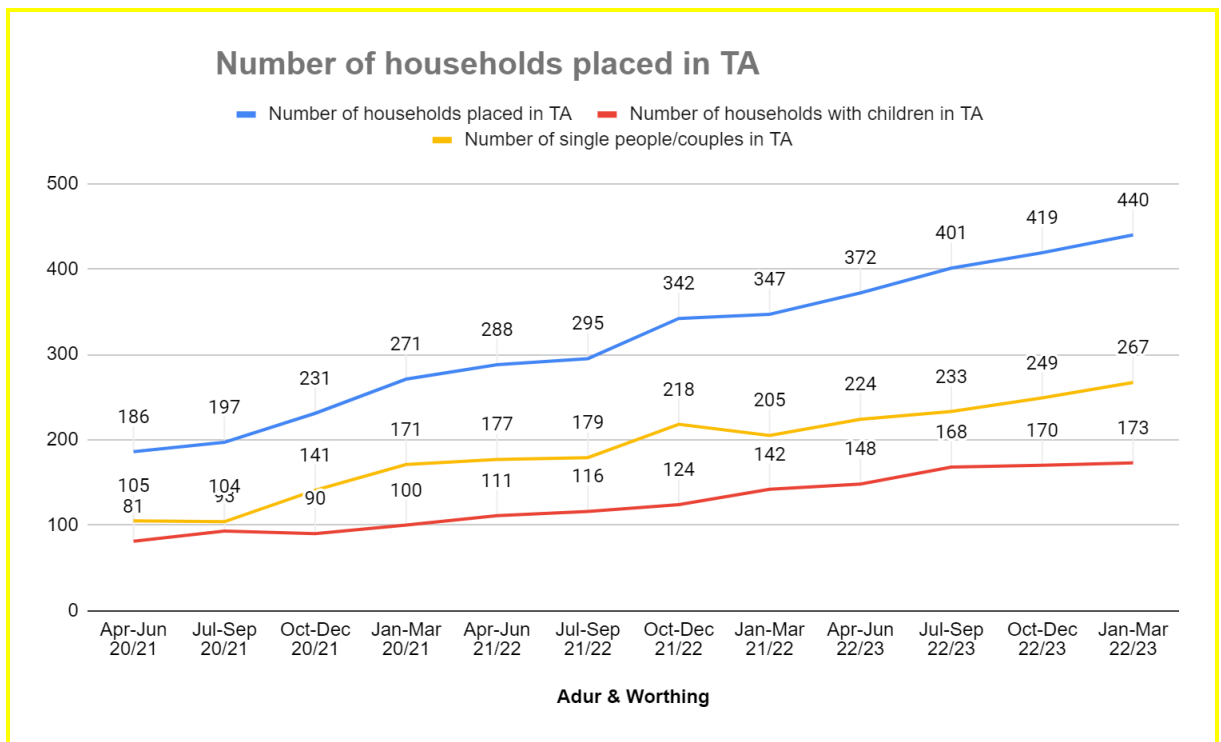
ADUR & WORTHING	2020/21	2021/22	2022/23
Family/friends will no longer accommodate	174	204	177
End of AST / private sector tenancy	121	218	218

3.11 The level of need for assistance with housing issues in the area is particularly evident in the rising number of households placed in temporary accommodation (TA) by both Councils. This need is at its most acute where we are seeing an increasing number of children placed in TA, sometimes in bed & breakfasts and out of the Adur and Worthing area due to the rising demand for temporary housing and the lack of supply locally. While every effort is made to place households with children in local temporary accommodation, or in adjacent boroughs, this is increasingly difficult to do, placing a further pressure on families who are having to move away from their employment, family and support network, and for children this can mean a change of school or a long journey each day to get to school.

3.12 As at 21st June 2023, for Adur and Worthing the following households are placed in temporary accommodation:

- 428 households (singles, couples and households with children) of which
- 152 are households with children
- 74 are households with children placed in TA out of area
- 13 of the households with children in out of area TA are placed outside of West Sussex.
- 276 single person or couples without children

3.13 The figures for the number of households placed in temporary accommodation over the last three years provide a stark indicator of the increasing need for housing assistance since 2020.



3.14 Another indicator of rising levels of housing-related issues is the number of people applying to the housing registers of both Adur and Worthing. In June 2022 there were 740 (Adur) and 1421 (Worthing) live housing register cases. These figures have increased to 939 (Adur) and 1790 (Worthing) live cases, an increase of 26% in one year in the number of households with an active housing register application.

Cost of Living programme

3.15 Members are reminded that the Cost of Living Roadmaps, as reported previously to this Committee, have been agreed by each Council, setting out how stakeholders in the district and borough can collectively assist and enable people in need. The role of the Councils is to facilitate action within communities, involving community partners, focusing on:

1. Coordinating an urgent response to the cost of living emergency through helping to meet short-term need
2. Developing a sustained and co-ordinated community response to ensure that residents who are vulnerable and most at risk of

experiencing financial exclusion are able to achieve better financial wellbeing and resilience

3. Considering the Councils' own organisational cultures, policies and practices to ensure they addresses the cost of living crisis
4. Ensuring partners in Adur & Worthing work collaboratively to better utilise resources to meet community needs and promote financial wellbeing and resilience.

- 3.16 This action is ultimately focused on developing a safety net for those households facing the most severe impacts, focusing on sustainable measures for addressing underlying issues, for example financial exclusion, debt management, a food plan, and reducing people's energy use.

Proactive - the model and approach

- 3.17 The Proactive work relates to the work that the Councils are doing internally to refocus some of our key front line services to address vulnerability. Proactive uses data to identify, target, support and enable residents on low incomes to mitigate the impacts of the cost of living pressures, helping people to maximise their incomes and to be signposted for help and support. Four teams: Customer Services, Community Capacity and Resilience (formally Communities and Wellbeing). Revenues and Benefits, and Housing, with the support of the Digital Team, work together on this programme, under the leadership of the Director for Housing and Communities. (Appendix 1 has a diagram that seeks to describe the Proactive model and its relationship with the cost of living work)
- 3.18 Officers have been working with the award-winning Policy in Practice team, using its Low Income Family Tracker "LIFT" to carry out predictive data analysis and modelling via the use of our datasets held within the Revenues and Benefits Team (see below). In addition, officers also secured other tools such as TellJO (an online wellbeing tool) and an online budgeting tool, which are both described in Appendix 2.
- 3.19 The objective is to use data, technology and officers to create and develop the capacity and approaches to proactively identify and reach out to those experiencing vulnerability. Using person-centred approaches (in person and digitally) the purpose is to inform, support and signpost residents to help and support, enabling people to sustainably (and where possible do this themselves) manage, be more resilient and improve their wellbeing.

3.20 The design principles at the heart of Proactive include:

- Being data and evidence driven to focus on people experiencing vulnerability (in all its forms)
- Focusing on prevention and early help
- Being person-centred, strength-based and trauma-informed.
- Ensuring inclusivity in the approach, with participation of users built into the approach
- Balancing digital tools and people-based support, recognising some people are digitally disadvantaged
- Integrating the approach across teams, focused on data sharing, collaboration and learning

3.21 A simple 5-step pathway (see graphic below) describes how officers identify and provide this support to residents that (our data tells us) are experiencing financial hardship:

Step One Identify ->	Step Two engage ->	Step Three support ->	Step Four direct ->	Step Five review ->
Extract the group from the data set	Proactively contact residents	Discuss options and support	Where needed, refer for further inhouse or external support	Measure the impact of these interventions

Proactive utilises a number of resources and tools and for ease these have been described and provided in Appendix 2

4. Development of Proactive

4.1 A short three-month pilot in April - June 2022 brought together a temporary Proactive team (as described in the July 2022 report to this Committee). Sponsored by our senior leadership team this included dedicated management, some additional front line resources (working alongside our existing teams) and created a team to review cases and develop policy changes. This work was additional to the 5-step pathway, focusing on driving a case review process for those on the Proactive case list and also on broader policy changes (see below).

4.2 This was concluded in June 2022 and lessons from this were collated and built into the overall programme. A number of key issues have been learned and used to inform Proactive, including the need for capacity and resources and the need for the development of a casework model and learning to

change and adapt the way each of the respective teams work together on this mission.

- 4.3 Since this pilot ended, the Customer Services team have been continuing Proactive as the 5-step model approach, identifying cohorts of residents through LIFT and making proactive calls as part of their core business (in between reactive work). The Community Capacity and Resilience Team have continued their work through OneStop (see below). Whilst the pathway model has remained in place throughout, it has been supported from within available resources (i.e. alongside day-to-day work) and the teams' ability to do this work has varied from month to month, depending on the level of reactive demand coming into the Councils.
- 4.4 It should also be noted that the ongoing effects of Covid-19 and the cost of living has resulted in an exponential rise in demand on our services along with a complexity of issues that our residents are experiencing. This has impacted the Customer Service team's ability to move away from reactive responses and into proactive work. It also means that the routes into support and help are already stretched and therefore signposting to help can often be challenging. This is against a backdrop of ongoing fiscal challenges and workforce recruitment issues, which have resulted in a reduction in team numbers and difficulties around recruitment and retainment of suitably qualified and experienced staff in all of these teams.
- 4.5 In terms of being able to scale up this work for people that are more digitally able, there has been a focus on how officers can begin to use technology to enable people to self help and be self directed to support. TellJO as an online digital wellbeing tool has been used with specific cohorts of residents, which include those who have registered for housing or homelessness advice, those suspended on the housing register for arrears, people served a notice for arrears and those on UC, the results of which are described below.

Household Support Fund

- 4.6 The Household Support Fund (HSF) has been allocated to county councils over the last few years (through four rounds) for the purposes of supporting vulnerable households in need, arising from the cost of living. For Round 4, data from the LIFT platform has been used to develop a proposal for the Adur & Worthing Councils' to secure funding from West Sussex County Council (WSCC) for our residents. WSCC has agreed to allocate £221,850 to distribute to 1,748 households who will miss out on the £900 Government cost of living support in 2023. This will additionally target 142 households who are

entitled to Pension Credit but not claiming this. By offering HSF in this way, residents can also be assisted in completing a Pension Credit application form, if support is needed.

- 4.7 In addition another proposal is being drawn up to apply to WSCC for HSF for the purposes of preventing homelessness and supporting people to sustain their tenancies.

Corporate Debt Policy Work

- 4.8 Finally, Proactive is about the approach taken to collect income and recover debt and Members will recall a report was taken to Adur and Worthing Joint Strategic Committee to approve a new Corporate Debt Recovery Policy. Officers have started to run workshops with teams to co-design new ways of working that are more aligned with the principles and actions set out within this policy. This is aimed at ensuring that our practice is fair, consistent and sensitive to reflect our Proactive ambitions.

Issues for consideration

- 4.9 This section details the results of the work that has been undertaken over the last year since the last report to Members.

Proactive call results

- 4.10 Since July 2022, the team has identified and attempted to contact by phone a further 265 residents. Contact was made in 60% of cases overall, and 105 were happy to work with the team, providing a “fully engaged” rate of 39.6%. The groups that the team has been working with in the last eleven months are provided in Appendix 3.
- 4.11 Customer Service Advisers continue to make all outbound calls and are able to resolve approximately three quarters of resident needs at first point of contact. Advisers continue to provide assistance by signposting residents to benefits, assisting them to complete application forms, and advising them of other financial and wellbeing help available e.g. Southern Water support schemes etc. Customer Services continues to refer residents to other teams when needed and the top four reasons for referrals remain unchanged:
- Referrals to OneStop for long-term financial advice and support
 - Referrals to Wellbeing for support with isolation and loneliness
 - Referrals to Council Tax Recovery for complex arrears arrangements
 - Referrals to Adur Homes to discuss rent arrears.

Financial Impacts on Work with Engaged Residents

- 4.12 It takes time for financial impacts to be seen and in the last report to this committee we had reported on those for cohorts 11-17. We include below our analysis of the impact on cohorts 18-24 (for cohorts 25-27, not enough time has elapsed between our speaking with a resident in order for them to apply for benefits or be referred to external agencies).

In all cases, officers measure the change in income at initial contact and 6 months after that initial contact.

See Appendix 3 for more details on cohorts.

(**Adur** in bold type, *Worthing* in Italics)

Cohort	Average change in monthly take home income	Average change in monthly income after ONS defined bills paid	Average change in total arrears (council tax and Adur Homes rent if applicable)
18	<i>Worthing</i> £0	-£52	£0
19	Closed before being actioned		
20	Adur +£363	+£202	+£77
21	Adur +£546 <i>Worthing +£290</i>	+£108 <i>+£168</i>	£0 <i>+£35</i>
22	Adur +£167 <i>Worthing +£37</i>	+£24 <i>+£95</i>	+£31 +£11
23	<i>Worthing +£701</i>	+£261	£0
24	Adur Homes TellJO cohort		

- 4.13 All of the cohorts have seen an average increase in both take home income and income after ONS defined bills have been paid apart from cohort 18 but this was a single case rather than a large cohort. This increase has not led to a reduction in arrears but with inflation having been at over 10% for much of the past year even with increases in income this is only helping to prevent arrears increasing even further.
- 4.14 As part of cohort 14 from above, the Customer Service team carried out a pension credit take up campaign, which resulted in the Councils bringing in £267,900 into 66 households (20 Adur and 46 Worthing) to increase their

income and help protect them during these uncertain times. This was for Pension Credit moving forward for the year, backdated amounts and their entitlement to the 2022 and 2023 Cost of Living payments. Looking at this over the likely lifetime of their claims, that's over £1.5m extra into these households' finances. Some broken down figures below:

- Pension Credit annual amount moving forward - £146,248
- Backdated Pension Credit - £33,002
- Cost of living 2022 and 2023 payments - £88,650

Broader impacts of Proactive

4.15 In terms of the impacts on wellbeing of working with Customer Services, this has been collated by officers holding more open conversation with residents to gather their feedback on their experience of receiving proactive contact. Residents are also asked about their views with regard to future contact and whether their perceptions of the Councils have changed as a result of being contacted. Some recent example of this type of feedback is below:

- 25-year-old Worthing Homes tenant: "I don't want to suggest any changes to your process. I did really appreciate the Council reaching out to me, and it has provided me with a much more positive experience. Getting Council Tax Support has reduced my council tax by £40 per month. Talking to you encouraged me to also tell the Council about a noise problem and gave me the confidence to go into mediation with my neighbour. The noise has reduced and we are getting on better."
- 40-year-old single male in Adur: "My wellbeing has improved as a result of being in touch with the Council on this proactive basis. What I have found helpful is the rapport/relationship with an individual adviser. Having helped me with my housing situation, it had a knock-on positive effect on a lot of other issues."
- Single private tenant claiming disability benefit and in the "struggling" financial category: "I appreciate the calls from you because I am able to offload what life throws at me, and it helps me cope."

TellJO results

4.16 Since the launch of TellJO at the end of 2022, officers have completed these cohorts with the results detailed in Appendix 4. TellJO is an important tool for Proactive, enabling the Councils to use data to target larger cohorts and enable people to self-assess their financial position and wellbeing and to be directed to help and support and back to the Councils for further assistance.

Members were provided with a briefing earlier this year to demonstrate how this technology works.

OneStop

- 4.17 OneStop supports households who are experiencing financial hardship, those who are struggling with the cost of living or those who face significant debt or long-term financial difficulties. The service also has a skills & employment strand working to support those who face barriers in accessing employment opportunities and who are furthest away from the labour market. We also commission a youth hub funded by the Department for Work and Pensions which is hosted in the voluntary and community sector. This work is highly specialised and requires an ability to handhold residents that often experience a high level of mistrust in statutory services.

Snapshot data over the past 2 years shows that we have worked with 1,424 of the most vulnerable and complex residents within our Money Support work strand across Adur and Worthing, supporting 434 residents furthest from the labour market through our Journey to Work programme and have worked with 186 on our Rough Sleeper Initiative, with 59 being supported into paid employment since the scheme began. Within our Money Support service, our residents have been supported to maximise their household income to a total value of more than £2 million.

Case Studies

Joe, a 50-year-old man who had been signed off from work due to mental and physical wellbeing, was in receipt of statutory sick pay at the point of being referred. He was unaware of what he was able to claim or how to progress and move forward. We worked with Joe intensively, supporting him with his welfare benefit applications to avoid further financial hardship.

Feedback from Customer: “Thanks for your help in this as I was struggling to find the help you gave me elsewhere. Many thanks, Joe”

At the point of being referred to our service, Samantha had stage 3 cancer and her partner was off of work as he had fractured his hip. They had applied for Universal Credit and Personal Independence Payments but had not heard anything in relation to their claim. Their situation had become dire due to having no income at all and were struggling to get support. Following our assessment we advised them that we would escalate the situation on their behalf and as such their applications were fast-tracked, which helped them reduce their deductions. In addition we applied for a Household Support

Fund payment, which was secured to the value of £700. We are still supporting Samatha and her partner.

Feedback from Customer: “Thank you for letting me know and for all your support at this difficult time. I really do appreciate your help. Kind regards Samantha.”

Next Steps: Proactive 2.0 - A focus on the Housing front door

- 4.18 The next phase for Proactive will be dependent on implementing the new leadership structure within the Communities Directorate, to provide the leadership and management capacity to further develop and operationalise this work. This is expected to be in place by Autumn 2023.
- 4.19 Proactive in the meantime continues to operate (as set out within this report) through a multidisciplinary team (including the aforementioned teams), chaired by the Director for Housing and Communities, focusing on two strands of (connected) work:
1. Policy and practice - Rewiring the way we collect income - aligned to our debt policy - helping those that can't or struggle to pay
 2. Proactive outreach - Interventions targeted at people who might or who are experiencing vulnerability.
- 4.20 There is a need for Proactive to be more focused in terms of its outcomes. Given the challenges around supporting our housing front doors and managing the demands of homelessness, it is proposed that Proactive is focused on housing and reducing debt and maximising income for the purposes of:
- a. Preventing homelessness
 - b. Enabling people to sustain their tenancies
 - c. Enabling people to move on and resettle into more stable housing.
- 4.21 Members agreed to prioritise a significant proportion of the Shared Prosperity Fund allocated to both Councils to support Proactive in 2023/24 and 2024/25. Alongside this, officers are also working on plans to utilise the Homelessness Prevention Grant to focus more on prevention work for housing. Both of these external funds will be critical to Proactive and the funding breakdown for this is set out below in section 7.0.
- 4.22 Work is now being shaped in two phases (recognising the points raised in paragraph 5.10 around leadership capacity):

1. Phase one will be used to fund the key technology and caseworker support for Proactive including (detailed below in section 7):
 - a. The annual licence for the LIFT platform for 2023/4 and 2024/25
 - b. The annual licence for the Tell Jo Platform for 2023/4 and 2024/25
 - c. 3 FTE Proactive Caseworkers (assuming these start in Autumn 23 until March 2025): 1 FTE for Adur and 2 FTEs for Worthing. Note the difference in capacity relates to the different levels of demand across Adur and Worthing around homelessness (around 70% / 30% for Worthing/Adur).

In addition to this, data capacity is also being secured to assist with this work in our Housing Teams, which is being funded through Homelessness Prevention Grants.

2. Phase two will be implemented from the Autumn 2023 following the instalment of the new leadership structure, which will develop the operational leadership and management required to develop and support the development of Proactive in the remainder of 2023/4 and 2024/25, aligned to the cost of living programme which is being developed in our communities and neighbourhoods.

Proactive Developments in the Interim Period.

- 4.23 The Customer Service team aims to have all advisers trained and comfortable to make proactive calls by the end of the current financial year. This will enable the team to flex more effectively between reactive and proactive work. A number of Council digitisation projects are starting that aim to reduce or remove some transactional demand by allowing residents to self-serve online. If that reduced reactive demand goal is realised, then customer service advisers will be able to switch to the more complex calls (incoming and outgoing) for residents who are experiencing vulnerability and for those who are unable or unwilling to use digital solutions.
- 4.24 It is however worth emphasising that whilst reactive demand for transactional and non-complex help may well decrease as self service options are implemented, the team has seen a steady increase in incoming calls from residents wanting help and advice with housing and/or benefits and/or arrears. We have also seen that the length of our calls in those areas has increased over each of the last 4 years. This is as expected given the impacts of the pandemic and then the cost of living challenge, which have impacted on residents across the local and national community.

Average call length (call + wrap) in minutes		
	Pre-pandemic April 2019	Current April 2023
Housing	6.4	11.1
Revenues	9.9	15
Benefits	11.9	13.8

- 4.25 A number of new cohorts will be programmed into Proactive, subject to approval, focusing on developing a set of outcome measures around our housing front door and the three outcomes.

Proactive working with external partners

- 4.26 Through the cost of living approaches, the Proactive and OneStop service was made aware by Southern Water that 7,760 residents were eligible to be moved onto a social tariff which would significantly reduce the cost of their water bills. Southern Water was unable to access the granular level data to identify those customers at a household level and approached the Councils for assistance. Utilising data through LIFT officers were able to identify the households and inform them about their eligibility for the tariff and that they could save money. The OneStop team used TellJO to enable residents facing other socio-economic difficulties to access a wider range of support.
- 4.27 WSCC is now also purchasing LIFT, and our Councils along with Chichester and Horsham (who also use LIFT) are working within a new Memorandum of Understanding to enable Policy in Practice to share the aggregated data between the Councils for the purposes of:
- Enabling greater partnership across the Councils and voluntary sector to determine geographical locations and certain demographics that are more vulnerable to hardship, exclusion and inequalities
 - Providing supporting information for collective strategic prioritisation
 - Providing supportive data from which to target internal resources to maximise benefits to residents
 - Supporting the central WSCC Intelligence and Performance Team who provide a corporate service across WSCC

(Note that WSCC will not hold any individual data)

- 4.28 The updated Debt Recovery Policy was agreed in November 2022 and officers are now working to put in place changes to our processes to make sure that the Councils are meeting the aims and ambitions of the policy. We want this work to be co-designed with input from front line staff in the different teams involved in debt recovery. The overall process is:
- Survey staff members involved in debt recovery for their views on what they would like to change
 - Hold a series of workshops with relevant teams, including representatives from the service, customer services and OneStop
 - Develop recommendations and decisions to be shared with Directors
 - Implement changes and monitor impact

The teams are focusing on Council Tax and Housing Benefit overpayments initially, followed by Housing and Parking teams.

Data and LIFT

- 4.29 Members are reminded that the households in LIFT are those receiving Housing Benefit, Council Tax Reduction (CTR) and those in receipt of Universal Credit and CTR. Those households on Universal Credit and not getting any Council Tax Reduction are not in these data sets. Discussions continue between local authorities (LAs) and the Department for Work and Pensions with an aim to make these households available in the future. A letter is being sent to the Department for Work and Pensions (DWP), countersigned by LAs in the summer of 2023 and the DWP appears open to discussion and working with LAs around making these households data available in the future.
- 4.30 It should also be noted that there are currently discussions with the DWP about data sharing and the Memorandum of Understanding (MoU) that is in place. As it currently stands, local councils are working directly with the DWP to ensure full compliance. DWP has confirmed in writing that the sharing of data which enables Policy in Practice to create the Low Income Family Tracker dashboard for LAs to use around benefit take-up, wrap-around support and prevention work streams is compliant with the MoU, as long as a DWP re-use form has been sent off, which Adur & Worthing Councils have completed and emailed to DWP.

5.0 Engagement and Communication

- 5.1 The Proactive team has engaged internally and with partners including Age UK, Arun District Council, Boom Credit Union, CAP UK, Citizens Advice (Arun & Chichester and West Sussex), Community Works, DWP, Southern Water, West Sussex County Council and Worthing Homes.
- 5.2 The team continues to engage and meet with other authorities who work in a proactive way and has benefited from meetings to share ideas and lessons learned with Sussex and Kent-based authorities. The team is also part of a network group facilitated by Policy in Practice that allows it access to UK-wide authorities.
- 5.3 Proactive also ensures - as set out in the paper - that resident feedback is used to continue to improve and shape the service.

6.0 Financial Implications

- 6.1 The Councils have been allocated £234,620 for 2023/24 from the UK Shared Prosperity Fund (Adur £96,990, Worthing £137,630). For 2024/25 there is a further allocation of £1,648,080 (Adur £854,520, Worthing £793,560).
- 6.2 Funding from the UK Shared Prosperity Fund (UKSPF) of £141,480 has been allocated to Proactive for 2023/24 (Adur = £59,480; Worthing = £82,000) which will be used as follows:

Year 2 - 2023/24			
Descriptor	Adur	Worthing	Total
TellJO	£21,100	£25,410	£46,510
Benefits Calculator	£1,470	£1,470	£2,940
LIFT	£16,380	£16,380	£32,760
Proactive Caseworkers: 1 FTE Adur 2 X FTE Worthing (6 months, inc on costs)	£19,340	£38,670	£58,010
Total committed	£58,290	£81,930	£140,220
Budget Remaining*	£1,190	£70	£1,260

- 6.3 A budget from the 2024/25 UKSPF of £658,520 has been allocated to the Cost of Living and Proactive work. (Adur = £340,520, Worthing = £318,000). Of this total, £203,450 will be allocated to fund the work as set out in the table below for year 3. A proposal will be developed for the remainder of this

budget, with the new Head of Resident Services and the Head of Community Capacity and Resilience, in consultation with the appropriate Members.

Year 3			
Descriptor	Adur	Worthing	Total
TelJO	£21,100	£25,410	£46,510
Benefits Calculator	£1,470	£1,470	£2,940
LIFT	£16,380	£16,380	£32,760
Proactive Caseworkers: 1 FTE Adur 2 X FTE Worthing (inc on costs and factoring in a 4.5% pay award)	£40,410	£80,830	£121,240
Total committed	£79,360	£124,090	£203,450
Budget Remaining	£261,160	£193,910	£445,070

Finance Officer: Sarah Gobey

Date:29/6/2023

7.0 Legal Implications

- 7.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.
- 7.2 s1 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
- 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 The grant funding must be spent in accordance with the terms and conditions upon which it is granted, and all expenditure from that funding is to be spent in accordance with the respective Council's Contract Standing Orders and must not create any unlawful state subsidy in respect of any commercial undertaking.

Background Papers

- [Covid Benefit Measures impact on vulnerable residents, February 2021](#)
- Corporate Debt Policy and Supporting the Most Vulnerable - [Adur](#)
- Corporate Debt Policy and Supporting the Most Vulnerable - [Worthing](#)
- [Household Support Fund proposal](#)

Sustainability & Risk Assessment

1. Economic

The aim of the Proactive Team's work is to increase household income and/or reduce household debt via targeted support to low income residents. Achieving those aims will enable the economic participation of a wider proportion of our communities and will help sustain the local area's recovery post the pandemic.

2. Social

2.1 Social Value

The work potentially reduces financial exclusion and improves financial inclusion. National analysis of the impacts of the pandemic shows that certain groups have been disproportionately impacted e.g. over 50s, younger people, and women and this work will allow us to offer support to a range of groups.

2.2 Equality Issues

The Proactive team completed its first full equality impact assessment in July 2021, and proposes to review that regularly. Due to the potential scale, breadth and scope of interventions, the project team is likely to encounter a range of impacts on access and participation and will need to respond in the light of resident feedback encountered. For example, the team is keen to use digital tools to scale up, but is aware that it will need to use non-digital contact methods for those residents who are unable or willing to use digital tools.

2.3 Community Safety Issues (Section 17)

This work will have a positive impact on community safety issues by tackling some of the root causes that can lead to distress and anti-social behaviour in some instances.

2.4 Human Rights Issues

Matter considered and will support human rights through access to financial resources

3. Environmental

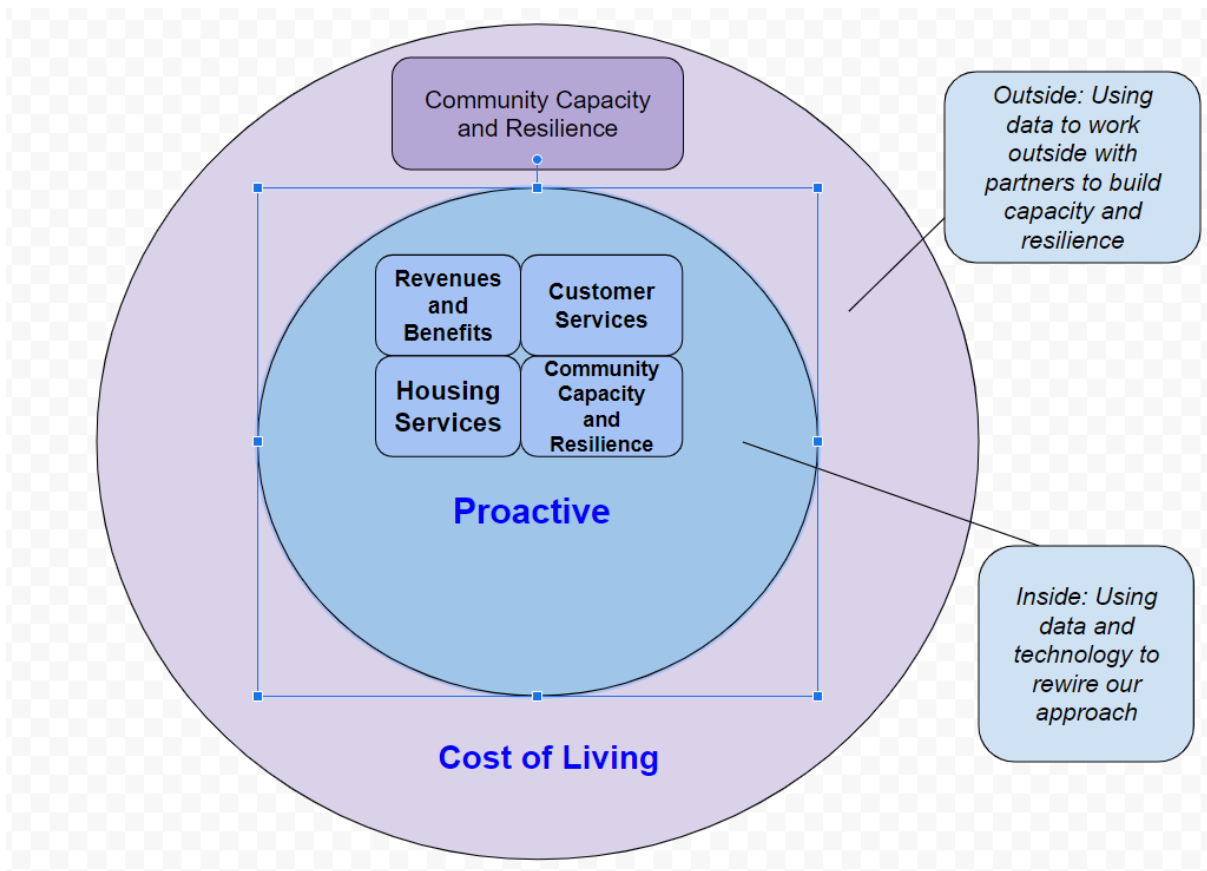
Matter considered and no issues identified

4. Governance

The work is overseen as part of the Councils' Thrive Board and aligns to our Good Services Framework to ensure we deliver a good customer experience and one which makes it as easy as possible for our residents to get what they need.

The work offers the opportunity to work closely with third sector stakeholders, enhancing our reputation as a good partner

Appendix 1: Proactive and the Cost of Living Emergency Work



Appendix 2: Proactive resources and tools

Proactive utilises a number of resources and tools and for ease these are described below:

Tool/Team	How it works
Low-Income Family Tracker (LIFT)	<p>This utilises existing datasets (Revenues and Benefits) to provide a financial risk score for each resident in the dashboard. This is used to review known household income and anticipated household costs (using Office for National Statistics data about typical household spend for particular household types and sizes) to create one of four financial risk scores:</p> <ul style="list-style-type: none"> ○ Coping: household income exceeds expected costs by £100+ pcm. ○ Struggling: household income exceeds costs by £0-100 pcm ○ At risk: household income is less than expected costs. ○ In crisis: household income insufficient for housing. <p>Groups of individuals can then be targeted for support.</p> <p>Those households on Universal Credit and not getting any Council Tax Reduction are not in these datasets, but discussions continue between LAs and the DWP with an aim to make these households available in the future.</p>
TellJO online wellbeing tool	<p>This is a digital wellbeing assessment, empowering people to engage and find support using a mobile phone. This is used to reach out to identified cohorts and directs people to help and support.</p> <p>TellJO works through a text message enabling residents to complete an online assessment (which takes around 7 minutes). It provides 63 indicators of vulnerability to help understand their situation and then it can signpost to relevant advice and support - such as debt advice, water and energy social tariffs and priority registers or support for mental health issues. This is then followed up with a triage call from TellJO, to provide additional support.</p> <p>We can then see a dashboard with the information the resident has consented to share with us, to help us understand more about their situation and complete any follow on work that is needed.</p>
Customer Service Advisors	<p>This team uses LIFT to identify cohorts or people and then provides proactive calls, using a person-centred approach around listening and</p>

	<p>providing advice, support and signposting to other services. The team follows the 5-step pathway shown under paragraph 3 above. Advisers are trained to recognise and respond to residents in person-centred, asset based ways, building relationships often over the course of several conversations whilst people are supported to apply for additional benefits. Approximately 75% of residents are directly supported through advisors with the remaining 25% signposted to inhouse/external teams for additional support.</p>
OneStop	<p>This team provides money advice and support for people, including those identified through Proactive. This team provides:</p> <ul style="list-style-type: none"> • Crisis support to help resolve the problem that requires urgent attention. • Early intervention to prevent emerging issues from becoming more serious. <p>This uses a relational and solution-focused approach to build trust and engagement from our residents focused on maximising their income before offering debt advice.</p>
Going Local	<p>This team provides 1-to-1 support for people that might be referred through Proactive to signpost and connect people to a range of social support services and activities in local places to improve wellbeing.</p>
Housing Teams	<p>Housing Needs provides:</p> <ul style="list-style-type: none"> • Person-centred 1-to-1 support for people needing housing advice, threatened with or experiencing homelessness as well as those in living in temporary accommodation • Uses TellJO to support income collection as well as providing vital information on health, wellbeing, debt and finances to connect those needing housing advice or experiencing homelessness to the support they need as well as informing the needs of household for their Personalised Housing Plan • Refers vulnerable households to our joint-funded with WSCC Pathways Homes service for allocation of a support worker • Works in a multi-disciplinary way with key partners which includes Children's Services, Young Persons and Careleavers team, Adult Services and Criminal Justice, Sussex Partnership NHS Foundation Trust and commissioned services as well as co-located workers - Mental Health Housing Advisor, Independent Domestic Abuse Advisor and Adults Social Worker. <p>Adur Homes provides:</p> <ul style="list-style-type: none"> • Tenancy management for general needs and sheltered housing tenants, providing person-centred 1-to-1 support as well as referral to appropriate services for tenants who are vulnerable and needing support

	<ul style="list-style-type: none"> ● Uses TellJO for those in arrears and those on Universal Credit to support income collection, increase income and connect to support when needed ● Works with Housing Needs for those threatened with eviction, and making referrals for Pathways Homes support when needed
Revenues and Benefits Team	<p>The Revenues & Benefits Team receive referrals from Proactive cohorts via Customer Service and OneStop Money Advice. The team liaise with them to make affordable arrangements for Council Tax arrears, Housing Benefit overpayments, apply for Council Tax Support and Discretionary Housing Payments. The Revenues team negotiates with the OneStop Money Advisors with regard to making reasonable and affordable arrangements for those that have Council Tax arrears.</p>

Appendix 3

a) Description for cohorts 20 - 27 selected for proactive contact June 2022 - May 2023

Adur in bold type, *Worthing* in Italics

		Number in cohort	Number in cohort less incorrect details or change of circumstances	Number contacted	Number engaging	% engaging
20	Adur Homes Residents who are struggling or at risk	28 (Adur 28) <i>Worthing 0)</i>	27 (Adur 27) <i>Worthing 0)</i>	14 (Adur 14) <i>Worthing 0)</i>	12 (Adur 12) <i>Worthing 0)</i>	44.4%
21	Private tenants in both Adur and Worthing who are either a couple, lone parent or couple with children who are struggling or at risk	41 (Adur 14) <i>Worthing 27)</i>	41 (Adur 14) <i>Worthing 27)</i>	22 (Adur 8) <i>Worthing 14)</i>	18 (Adur 6) <i>Worthing 12)</i>	43.9%
22	Private tenants in both Adur and Worthing who are single, claiming a disability and are either struggling or at risk	97 (Adur 31) <i>Worthing 66)</i>	89 (Adur 30) <i>Worthing 59)</i>	52 (Adur 17) <i>Worthing 35)</i>	29 (Adur 11) <i>Worthing 18)</i>	32.6%
23	Ad hoc referral	1 (Adur 0) <i>Worthing 1)</i>	1 (Adur 0) <i>Worthing 1)</i>	1 (Adur 0) <i>Worthing 1)</i>	1 (Adur 0) <i>Worthing 1)</i>	100%
24	Adur Homes tenants in all 4 poverty categories	Adur Homes contacted this cohort				

25	Private tenants in Adur and Worthing who are carers and are struggling or at risk	4 (Adur 3) <i>Worthing 1)</i>	4 (Adur 3) <i>Worthing 1)</i>	2 (Adur 1) <i>Worthing 1)</i>	1 (Adur 0) <i>Worthing 1)</i>	25%
26	Private tenants in Adur who are single and not claiming a disability benefit or carers' discount who are struggling or at risk	60 (Adur 60) <i>Worthing 0)</i>	57 (Adur 57) <i>Worthing 0)</i>	36 (Adur 36) <i>Worthing 0)</i>	26 (Adur 26) <i>Worthing 0)</i>	45.6%
27	Private tenants in Worthing who are single and not claiming a disability benefit or carers discount who are struggling or at risk	205 (Adur 0) <i>Worthing 205)</i>	205 (Adur 0) <i>Worthing 205)</i>	33 (Adur 0) <i>Worthing 33)</i>	23 (Adur 0) <i>Worthing 23)</i>	11.2%*

*Cohort 27 is still actively being contacted so the percentage engaging is not reflective of the final figure that will be engaging

b) Demographic segmentation for residents who engaged with the Proactive team

Adur in bold type, *Worthing* in Italics

Gender	Male: Adur 26 <i>Worthing 26</i> ; Female: Adur 28 <i>Worthing 30</i>
Household type	Couple with children: Adur 4 <i>Worthing 1</i> Couple without children: Adur 1 <i>Worthing 6</i> Lone parent: Adur 4 <i>Worthing 6</i> Single: Adur 45 <i>Worthing 43</i>
Economic status	Not in work: Adur 46 <i>Worthing 47</i> In work: Adur 8 <i>Worthing 9</i>
Ward	Buckingham:1 Churchill:5 Cokeham:7 Eastbrook:1 Hillside:9 Manor:2 Marine:2 Mash Barn:4 Peverel:5 Southlands:5 Southwick Green:3 St Mary's:5 St Nicholas:1 Widewater:4 Broadwater:2 Castle:5 Central:12 Durrington:2 Gaisford:4 Goring:3 Heene:8 Marine:5 Northbrook:4 Salvington:1 Selden:5 Tarring:5
Disability	Disability: Adur 23 <i>Worthing 23</i> Carer: Adur 1 <i>Worthing 1</i>

Financial risk status	Coping: Adur 0 <i>Worthing 6</i> Struggling: Adur 19 <i>Worthing 14</i> At Risk: Adur 35 <i>Worthing 36</i>
Age	18-21: Adur 0 <i>Worthing 1</i> 20-29: Adur 1 <i>Worthing 3</i> 30-39: Adur 6 <i>Worthing 10</i> 40-49: Adur 10 <i>Worthing 12</i> 50-59: Adur 26 <i>Worthing 12</i> 60-69: Adur 9 <i>Worthing 18</i> 70+ Adur 2 <i>Worthing 0</i>

Appendix 4

TellJO results

Cohort one: All people that have completed a housing advice form (completed by those who are either homeless or at risk of homelessness)
Objective: To help officers provide initial support and prioritise the most critical cases
<p>Results Tranche 1: 304 cases were referred to Telljo 98 responded</p> <p>The process enabled cases to be triaged to take account of support needs as well as housing situations e.g. applicants who indicated they were experiencing domestic abuse</p> <p>It also gave insights into some of the underlying causes to homelessness which will inform future prevention work as well as the level of need in officers casework.</p> <p>Of those who responded(*results for x1 cohort out of x3 cohorts, results are typical across the x3 cohorts):</p> <ul style="list-style-type: none">94.87% had debt61.54% choosing heating or food41.03% unhappy with their landlord47.44% experiencing suicidal thoughts35.9% had a change in circumstances leading to a reduced income25.64% had an addiction16.67% were experiencing Domestic Abuse20.51% were bereaved <p>The process supported the Personalised Housing Plan process by connecting applicants to services they needed:</p> <ul style="list-style-type: none">37.18% referred to water provider44.87% referred to energy supplier37.18% consented for a Money Advice Referral <p>Whilst others after follow up calls were given advice on maximising income e.g. to claim PIP. Having support needs identified in advance of contact enabled the Homeless Officer to tailor conversations supporting a person centred approach and having some immediate needs met via signposting and referrals enabled officers to focus on other areas as well as be aware of support needs.</p>
Cohort two: Everyone who is currently in Band D on the housing register with housing debts
Objective: To better understand the root causes of the debt

Results:

77 accounts with arrears sent to TellJO
13 completed the questionnaire whilst 15 started but did not finish.,

92.31% had debt
76% choosing heating or food
69.23% have addictions
69.23% experiencing suicidal thoughts
53.85% were unhappy with their landlord
53.5% had reduced income
46.15% were bereaved
30.77% were experiencing domestic abuse

61.54% referred to Money Advice and Utility network referrals
46.15% referred to a water supplier for reduced tariff

3 households had their housing benefit reinstated after contact with the team with 9 making payment arrangements, 3 of which were maintained.

Mental health, addiction, domestic abuse and bereavement are higher than average for homeless households giving insights into causes and contributory factors to debts accruing. Dissatisfaction with the landlord is not unexpected given all are in temporary accommodation with no choice or control..

Cohort three: Everyone at the NOSP stage of arrears (Notice of seeking possession - the first legal stage for arrears recover) at Adur Homes

Objective: To understand the root causes of the debt

Results: The exercise didn't directly help us understand the root cause in many cases but it did enable a connection with residents who would have otherwise not contacted us and gave insight into their support needs prior to making contact to inform conversations.

- 1) Around **1/5** completed a TellJO. With better data quality (more mobile numbers) we would expect to see that at 1/3
- 2) **15%** are unhappy with their landlord vs **15%** average. Adur Homes matches the TellJO average.
- 3) **3** said they are unhappy with the landlord and expressed issues with mould, damp and repairs.
- 4) **1 in 3** Adur Homes residents who completed a TellJO self-helped through digital signposting
- 5) There is a higher rate of suicidal thoughts for Adur Homes residents (**50%**) vs the TellJO (**40%**) average.
- 6) There is a higher rate of Home Access Concern (**11%**) vs the TellJO average (**6%**)

7) **9 out of 10** have used TellJO to request a payment arrangement on their rent arrears. With an additional resident who on receipt of the TellJO invite, went to Housing to make an arrangement directly.

8) **2/3** have been referred into Debt Advice

9) Food bank use is above the TellJO average (**61% vs 28%**)

10) **2/3** of Adur Homes respondents have a diagnosed mental health condition.

Cohort four: All Adur Homes tenants on UC to remind them to update their journal with their new rent amount

Objective: To provide additional support and signposting

Results:

Neighbourhood Services has been working with TellJO to contact our residents whom we know are claiming Universal Credit (UC) and whose rent and service charges have increased.

Out of the 539 residents contacted:

All **539** were asked to complete their UC journal in the message to facilitate the rent increase:

- **80** Completed a TellJO wellbeing assessment
- **45** Completed a Wellbeing Triage call with TellJO
- **42** confirmed they had updated their UC journal with the details of the housing costs increase
- **12** referrals made into housing maintenance and/or advice
- **84** were referred for support with their utility costs
- **23** Referred to the Worthing Prevention Team for additional support, creating payment plans for rent arrears, benefit checks, and income maximisation
- **49** were sent to UKPN for an Energy PSR entry and **37** were sent to Southern Water to apply for a Social Tariff and add to the PSR

This work with TellJO enables us to reach out to residents in large numbers and provide them with the support they need. It is an opportunity to develop relationships with residents that we may not have contacted before.



ADUR & WORTHING
C O U N C I L S

Joint Strategic Committee
Date July 2023

Key Decision No

Ward(s) Affected: All

Regulating wisely: Updated Adur and Worthing Public Health & Regulation Enforcement Policy

Report by the Director for Sustainability & Resources

Officer Contact Details

Ed Hele
Public Health & Regulation Manager
01273 263330
ed.hele@adur-worthing.gov.uk

Executive Summary

1. Purpose

- The report introduces the updated Public Health and Regulation Enforcement Policy. The Policy provides a regulatory framework to improve the health, safety and wellbeing of our businesses, communities and places.

2. Recommendations

- This report asks the Joint Strategic Committee to consider and approve the Public Health & Regulation Team Enforcement Policy for a further period of three years, until July 2026.

3. Context

- 3.1 The Adur and Worthing Councils' Public Health and Regulation (PH&R) Enforcement Policy was first approved by this Committee on 8th November 2016 and was subsequently published in January 2017. The Policy was first reviewed and brought back to this Committee in 2020.
- 3.2 Wise regulation is central to the health, safety and wellbeing of our businesses, residents and communities. Informed regulatory activity provides clarity and balance for protecting and reassuring local communities and businesses with advice, education and enforcement to help ensure communities, economies and places can thrive. It is therefore a core part of being Resilient, Adaptable and Participative delivering Our Plan in Adur and Worthing.
- 3.3 When regulation is used well, it provides a proportionate, transparent and pragmatic approach that supports and informs businesses to comply with legislation without necessarily the need for formal action. It supports a 'level playing field' and gives consumers confidence that they can safely interact with businesses and places.
- 3.4 This Policy sets out the regulatory framework for the PH&R Team, which includes Environmental Health (Food, Health & Safety and Environmental Protection), Licensing (Alcohol/Taxis) and Dog Wardens, who work with local businesses, local places (air quality, water quality, land remediation) and communities. It details the process Public Health and Regulation officers will use when deciding what action to take when carrying out their statutory duties on behalf of the PH&R team, setting out the:
- Scope and responsibilities of officers;
 - Guiding principles of regulation and this policy
 - training and competencies needed of officers, to ensure the delivery of a professional service with a strong reputation,
 - guides for officers around regulation and options
 - Need for feedback and learning
- 3.5 This policy is now due for a further review and has been brought back to the Joint Strategic Committee following a consultation exercise. The new Public Health and Regulation Enforcement Policy 2023 can be found as Appendix 1.

4. Issues for consideration

- 4.1 The current Enforcement Policy has served the team well over the last three years and provided a clear framework and reference for officers in carrying out their duties for securing public safety.
- 4.2 Underpinning this policy are clear principles of proportionality, which have enabled officers to use enforcement wisely and where necessary and to use the range of tools - information, guidance, advice - in order to improve and change practices. This has proved to be a robust and fair approach with the teams. It should be noted that the approach taken and professional skills of the officers has resulted in the vast majority of issues being resolved through robust advice, guidance and negotiation.
- 4.3 Over the last year (January to December 2022) our data shows that most of our service requests were related to Noise Nuisance (675), animal welfare (701), and Food & Safety (466). In relation to these issues the vast majority are dealt with through a variety of tools, with formal enforcement measures being used in cases where it was appropriate and proportionate to do so:
- Environmental Protection (1760 service requests): 3 Nuisance Abatement Notices served (Noise + other nuisances),
 - Animal Welfare inc dog control (701 service requests): 1 Fixed Penalty Notices,
 - Food safety and hygiene (466 service requests): 1 Food Safety Notices. 6 voluntary closures, 6 detention/seizure/surrender of food, 2 improvement notices and 446 written warnings,
 - Health and safety (119 service requests): 1 Health and Safety Notice was served which related to exposed wires in the cubicle to men's toilets,
 - General Licensing (514 service requests) 1 revoked, 14 Surrendered - (1 review) which lead into the revoked licence and 0 suspensions.
 - Hackney carriage and private hire (366 service requests) 7 suspensions
- 4.4 The scope of the revisions to the Policy included expanding references of dog control to animal welfare, a legislative framework update, principles of enforcement, criminal investigation procedure and inclusion of diversity and equality.
- 4.5 The Enforcement Policy has and will continue to promote efficient and effective approaches to regulatory inspection and enforcement, which improve

regulatory outcomes without imposing unnecessary burdens, in accordance with the Regulators' Code.

- 4.7 This report asks the Joint Strategic Committee to consider and approve the draft Public Health & Regulation Team Enforcement Policy for a period of another three years, until July 2026.

5. Engagement and Communication

5.1 Internal Consultation

5.1.1 This revised policy has been shared and received comments from a number of internal colleagues, including legal services and the wider PH&R Team and the leadership of the Councils and it has been shared with the Executive Members for Wellbeing, Environment and Licensing Chairs for comments.

5.1.2 The Policy has been considered by the Customer Services Team to ensure consistency with our 'Good Services' approach. The service now has a public register available online which can be viewed by the public.

5.1.3 The comments from this have been integrated into the new draft policy. In general it was agreed that it is fit for purpose, useful and relevant to the Teams using the regulatory continuum to ensure a level playing field for businesses and residents.

5.2 External Communication

5.2.1 The revised draft Enforcement Policy was placed on the website with a short questionnaire for 4 weeks from 15th May to 12th June 2023. This was aimed at both businesses and residents.

5.2.2 Alongside the general consultation with the public, officers invited targeted feedback from a sample of businesses which had been subject to recent regulatory action, both formal and informal, and also individuals who use these businesses or who may have sought assurance or made complaints to the PH&R Team. These individuals were written to directly and invited to make their comments on the Enforcement Policy on the website which was accompanied by the following four questions;

1. Were our interactions with you open and honest??
2. Did we provide a courteous and helpful service??
3. Are there any areas where the policy could be improved?

4. In your opinion, was the enforcement action proportionate to the risk?

5.2.3 This approach of inviting residents and businesses by posting a general invitation on the website and directing a small sample of recent cases randomly chosen within the last 6 months resulted in 4 responses. It is acknowledged that an enforcement policy may not attract interest or comments from the general public or indeed businesses or individuals subject to enforcement action, whether formal or informal.

5.2.4 This has highlighted general satisfaction with the approach taken by officers with comments (see Appendix 2).

6. Financial Implications

6.1 There are no unbudgeted financial implications arising from this report.

Finance Officer: Sarah Gobey

Date: 28th June 2023

7. Legal Implications

7.1 The Councils undertake a wide variety of enforcement activity under a number of statutory regimes. The Councils must apply the relevant statutory provisions in all cases but there are common factors that should be applied to all enforcement matters. By having an up to date enforcement policy, the Councils ensure that there is clear guidance to officers, businesses, residents and other stakeholders as to how the Councils will undertake enforcement action. This will enable consistent and transparent decision making and enforcement to be undertaken.

7.2 s1 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

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.

Legal Officer: Andrew Mathias

Date: 28th June 2023.....

Appendices

Appendix 1 - Draft Public Health and Regulation Enforcement Policy 2023

Appendix 2 - Consultation Responses

Background Papers

- PH&R Enforcement Policy 2020
- JSC Report 8th November 2016
- Consultation with targeted questions

Sustainability & Risk Assessment

1. Economic

- The policy ensures transparency and a level playing field for businesses in complying with legislation.

2. Social

2.1 Social Value

- The Policy ensures a pragmatic and proportionate approach to regulation which keeps the public safe and allows businesses to thrive.

2.2 Equality Issues

- The Policy ensures that each case is assessed on its own merits using the general enforcement principles of proportionality and fairness.

2.3 Community Safety Issues (Section 17)

- Matter considered and not relevant.

2.4 Human Rights Issues

- The Policy ensures that each case is assessed on its own merits using the general enforcement principles of proportionality and fairness.
- The Policy includes a mechanism for appeal.

3. Environmental

- The Policy covers the enforcement approach supporting noise/air/water and land quality.

4. Governance

- The Policy aligns is a core part of being Resilient, Adaptable and Participative delivering Our Plan in Adur and Worthing which includes the Organisational Improvement Frameworks', Good Services Principles.

- There are implications to the Councils' reputation or relationship with our partners or community if our enforcement activities were not fair and transparent.
- The Policy has resourcing implications in that the Statutory duties undertaken by the PH&R Team require appropriately trained Officers with the appropriate delegated Authority.

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ADUR & WORTHING
COUNCILS

Joint Strategic Committee
11 July 2023

Key Decision [Yes/No]

Ward(s) Affected: All
Cabinet Portfolio:

Review of Joint Strategic Committee Pilot Scheme

Report by the Director for Sustainability and Resources

Officer Contact Details - paul.brewer@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1 On 7 June 2022 the Joint Strategic Committee introduced a pilot scheme to make use of Joint Strategic Committee Sub-Committees for a period of one year on the terms set out in a report which is attached in your background papers.
- 1.2 The purpose of this Report is to; update Members on the use of the pilot scheme; how it has worked in the last year and to provide Members with data and observations on the use of Sub-Committees, with a view to extending the pilot scheme to enable a wider review of the constitution and decision making between our two Councils, to ensure it is effective, streamlined and reflects our annual planning process.

2. Recommendations

Members are asked to:-

- Note the contents of this Report and authorise an extension to the Pilot scheme subject to the proposed amendments to the scheme as set out at paragraph 4 of this report.
- At paragraph 5 below, to agree to the proposal to reconvene the

Constitution Working Group set up by the Joint Audit & Governance Committee on 31st May 2022 to consider further Constitutional amendments to both Councils' Constitutions as proposed at paragraph 5 below.

3. Context

Our Constitutional Arrangements

3.1 Adur and Worthing Councils entered into a Joint Committee Agreement (JCA) on 27th July 2007 (as amended). This means that all services of each Council are regarded as Joint Services, other than those listed below which remain within the remit of each Council's Cabinet Committee (the Reserved Matters). The items in the remit of the Cabinet (sitting as a Committee) are:

- the Local Plans
- the annual budget and council tax setting report
- rent, fees and charges, connected to the provision and maintenance of Adur Council housing stock, garages and leasehold property.

3.2 As a result of the JCA, all reports which require executive decision making by Cabinet Members, other than those listed above (even if they only appear to affect one authority) are constitutionally required to be submitted to the Joint Strategic Committee (JSC).

3.3 The other exceptions are:

- decisions relevant only to a single authority where the majority of those present at JSC does not include the majority of the relevant Council, in which case it is referred to the relevant Executive (clause 6); and
- decisions assigned to Sub-Committees established by the JSC consisting of the Members of one Council to consider matters solely relating to that Council (clause 4.1(l)).

3.4 There are also the options for making greater use of:

- Officer decisions taken under delegated authority

- Individual Cabinet Member decisions (subject to the relevant individual Cabinet Members from each council reaching agreement on a joint decision - clause 4.2)
- 3.5 Under the JCA (clause 4.1(f)), the JSC is required to meet on at least four occasions in any municipal year. According to clause 4.1(g), the venues for JSC meetings are as follows:

The JSC shall meet during May to October of each municipal year at Worthing Town Hall and in November to April of each municipal year at the Shoreham Centre, or such other location [...] as the Chairman of the Committee shall agree.

- 3.6 In practice, there has historically been a split in the JSC agenda whereby joint matters are considered first by all Members, followed by those matters which substantially affect a single-authority where only the Members of the authority concerned remain in the room (with one Member from the other authority, as required by the JCA to remain quorate). This practice arises from an unwritten agreement between Members that where a matter arises on the agenda which solely relates to one Council and has not been reserved under the JCA to the Cabinet of each Council, the 'other' Council agrees to abstain.
- 3.7 This has had the benefit of enabling all business to be conducted on one occasion, saving both time and money in terms of officer resources and Member presence.

The Pilot Scheme (approved in July 2022)

- 3.8 Rather than rely solely on the informal arrangement at paragraph 3.6 above, in July 2022, there was Cabinet Member desire to devolve those JSC decisions which solely relate to one council to a decision-making forum comprising only those Cabinet members of the authority concerned, and to be capable of holding such meetings in their own area throughout the year.
- 3.9 In the July 2022 report, two options were considered by the Committee:-
- To amend the JCA, to broaden the list of Reserved Matters (or exceptions) to what are considered 'joint services' to include any matter relevant only to a single authority, so that it can then be dealt with by that authority's executive; and/or

- Establish two Sub-Committees of JSC, each consisting of the Members of one Council, to consider matters which solely relate to that authority.

3.10 As amendments to the JCA would first require consideration and discussion by the Joint Audit & Governance Committee prior to approval by both Full Councils. It was considered that the most expedient and pragmatic solution would be for JSC to establish two Sub-Committees, with the terms of reference set out below:

- 1) The Joint Strategic Committee shall establish two Sub-Committees under clause 4.1(l) of the Joint Committees Agreement, entitled the Adur Executive Sub-Committee and the Worthing Executive Sub-Committee.
- 2) The Adur Executive Sub-Committee shall consist of the Executive Members of Adur District Council, to consider Executive functions solely relating to that Council.
- 3) The Worthing Executive Sub-Committee shall consist of the Executive Members of Worthing Borough Council, to consider Executive functions solely relating to that Council.
- 4) The Chair of each Sub-Committees shall be the Executive Leader of the relevant Council. In the Chair's absence, the Sub-Committee may appoint the Deputy Leader or other Member to Chair from among its members.
- 5) The Sub-Committees shall meet at such times, dates and venues as are determined by the Chair of the Sub-Committee.
- 6) For a Sub-Committee meeting to be quorate there must be at least three members present.
- 7) In the event of a Member being unable to attend a meeting of a Sub-Committee, there is no ability to appoint a substitute Member.
- 8) Each Sub-Committee Member shall have one vote in its proceedings. The Chair may exercise a second or casting vote.
- 9) Each Sub-Committee may arrange for the discharge of its functions by an Officer and in doing so will set out clearly any limits upon such delegation.
- 10) Each Sub-Committee may establish working groups to assist it in its work and in doing so will set clear terms of reference for them. Such working groups will not be decision-making bodies.
- 11) All reports to each of the Sub-Committees shall contain risk impact assessments for the other council.

4. Issues for consideration

- 4.1 It was anticipated that the formation of Sub-Committees would result in fewer JSC meetings being required, so that they could be held quarterly rather than 11 times per year, be officer-led (ie officers presenting papers), and at which fewer Cabinet Members from each council would be required to be present (and be limited to equal numbers from Adur and Worthing to include the Leader, Deputy Leader and relevant Resources portfolio holders). During the pilot scheme this has worked well with attendance by an equal number of Members from the Worthing and Adur Cabinets and a good cadence of agenda items for the committee to consider.
- 4.2 As to the annual programme of meetings this was updated in 2022/2023 to reflect the pilot scheme and the annual programme of meetings for 2023/2024 has now incorporated from the start of the municipal year, reduced use of the Joint Strategic Committees and greater use of JSC SC's. Members are therefore recommended to approve the pilot scheme for a further year, with a further report back to the Committee in July 2024 subject to the considerations set out in this report.
- 4.3 Although the Councils approved an additional democratic services officer as part of the development of the 2022/23 budgets to assist with the increased number of meetings, the pilot scheme has been resource heavy and (in addition the the additional officer time referred to 4.4 below) has extended beyond the additional democratic officer resource. The table below provides comparative data in relation to JSC meetings held in 2021/22 with JSC and Adur and Worthing JSC Sub-Committee meetings held in 2022/23.

	2021/22	2022/23
No. JSC Meetings	9	5
No. Adur JSC Sub-Committee Meetings	0	6
No. Worthing JSC Sub-Committee Meetings	0	8
Frequency (<i>Total Number of meetings</i>)	9	19
Business (<i>Total number of items considered</i>)	66	84
Duration (<i>Total length of time of</i>	12.5	19.5

<i>meetings (hours)</i>		
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- 4.4 The impact of the pilot scheme has been that the number of Executive meetings in 2022/23 has increased by 111%, with the number of business items considered at those meetings increasing by 27.3% in comparison with 2021/22. This has resulted in a significant increase in officer time across the Council with additional writing & checking of reports as well as preparing for and supporting meetings also with increased cost. The estimated time for preparation of a meeting is considerable and very difficult to estimate as each meeting will vary, but a senior officer may spend the equivalent of one day's work preparing for and attending a meeting, with the additional time for writing reports taking from half a day to several days, depending on complexity.
- 4.5 Some of the increase in the number of reports can be attributed to the duplication of reports i.e. reports that would have been presented to the Joint Strategic Committee being separated into two reports to be considered by both the Adur and Worthing Sub-Committees. A good example of this are our financial reports. In 2021/22 all financial monitoring and most of the budget process was dealt with in one report for each topic to the Joint Strategic Committee. The only exception was the final budget report of the year which dealt with Council Tax setting and is reserved to the individual Cabinets. However, in 2022/23 the number of reports increased substantially as the finance team were asked to split out the financial information into two; and sometimes three; tailored reports - one for each Council and one for the Joint Strategic Committee. Much of the information was duplicated across the reports as so much activity is delivered through our Joint Services.
- 4.6 It is therefore proposed that all reports relating to financial matters (with the exception of the report which deals with the Council Tax for the forthcoming year), and those matters that require joint decisions on the same subject matter, are written as joint reports rather than as separate reports and taken to the Joint Strategic Committee, with matters that are decisions which solely relate to either of Adur or Worthing Councils, are taken to the Sub-Committees.

For this to work effectively, officers will have refreshed report writing training emphasising the need to provide insight on the effect of these shared decisions on each council and demonstrate the connection to the two administrations separate priorities.

- 4.7 For reasons of efficiency and continuity of Council business it is also recommended that when reasonably required or practicable, Adur or Worthing only matters may still be considered at the Joint Strategic Committee as required.

5. Constitutional Review and Reconvening of Working Group

- 5.1 After a year of the pilot scheme using JSC Sub Committees and, after working with our updated constitutions (finalised by the former Interim Monitoring Officer in October 2022), the Councils' current Monitoring Officer has kept a record of proposed constitutional amendments (which are more than minor and inconsequential).
- 5.2 The Chief Executive Officer is also keen for there to be a consideration and potential redesign of our annual planning process, to make it easier for both Officers and Members to ensure that we report, write, and route decisions to the right Cabinet, the Joint Strategic Committee or its Sub-Committees whilst retaining sovereignty for both Councils, but ensuring joint decisions are taken in the joint arena.
- 5.2 It is proposed that the Joint Audit & Governance Committee Working Group, established by that committee in May 2022 is reconvened to consider these further amendments as well as any proposed amendments that may be required to the JCA. Further amendments required by either Adur District or Worthing Borough Council do need to be considered, as part of a wider constitutional review against the backdrop of our JCA, as well as the shared service review which is referred to in paragraph 6 below.

6. Engagement, Communication and Forward Thinking

The Councils' Chief Executive Officer (CEO) is intending to carry out, as part of our annual planning work, an internal and operational officer review of the shared service, to underpin some strategic thinking in terms of what we do as Councils and how we do it. In relation to our governance arrangements, the CEO is very keen to work with Members and Officers to review what's working for us whether individually or collectively, what's not working, where we may find additional efficiencies, and where scale and increased partnering may help us more. Engaging in prior consultation with Members the CEO is keen to carry out this shared service review during an extended year of the pilot scheme.

7. Financial Implications

7.1 There were substantial hidden costs in increasing the number of meetings to be held. For each meeting, officer time is used to:

- Write reports
- Support the production and publication of the agenda
- Attend individual meetings
- Compile and publish minutes

With the exception of financial matters and one or two other reports, duplication of report writing was less than expected. However the cost of supporting and attending a committee meeting (based on a meeting lasting an average of 2 hours) is estimated to be around £2,500 per meeting.

7.2 The July 2022 report noted additional costs arising from the pilot scheme which were to be reviewed over the period of the scheme.

7.3 Within Worthing there was also a desire to hold roving meetings to better engage with the local community in decision making. The cost of each roving meeting held was an average of £250 which was absorbed into the democratic services budget.

Finance Officer: Sarah Gobey

Date: 3rd July 2023

8. Legal Implications

8.1 Under section 111 of the Local Government Act 1972, the Councils have the power to do anything that is calculated to facilitate, or which is conducive or incidental to, the discharge of any of their functions.

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

8.3 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.

8.4 Section 1 of the Local Government (Contracts) Act 1997 confers power on the Council to enter into a contract for the provision of making available assets or

services for the purposes of, or in connection with, the discharge of the function by the Council.

- 8.5 As identified at paragraph 3 of this Report use of JSC Sub-Committees is permissible under the existing JCA. This report does, however, identify proposed changes to the Constitution which still require further development and ongoing consultation with the Councils' Monitoring Officer and Members so as to ensure any changes are constitutionally and legislatively compliant.

Legal Officer: Joanne Lee

Date: 03/07/2023

Background Papers

- [Joint Strategic Committee Report dated 7th June 2022](https://drive.google.com/file/d/1TDnuiyGfpK9LaBo8wwOjHKDtsU3vNtv2/view)
<https://drive.google.com/file/d/1TDnuiyGfpK9LaBo8wwOjHKDtsU3vNtv2/view>
- Previous Reports - particularly where related decisions were made.
- Strategy / Policy Documents
- Guidance Documents

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

The Councils are subject to the general Equality Duty set out in section 149 of the Equality Act 2010. The proposed changes could advance the Councils' legal duties by supporting further engagement with communities; helping to ensure services are designed and delivered in ways that better meet specific needs and address areas of historic disadvantage and inequality.

As part of these arrangements, should Council meetings be located out of the Town Hall and in community settings, an Equality Impact Assessment will be completed to help ensure equality of access by the community, Members and Officers. For example, the assessment process will help ensure any new venue has appropriate access for those with impairments and that meetings are held in safe locations, with appropriate transport links and disabled parking.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified.

2.4 Human Rights Issues

The proposed plans should help the Councils in their work to advance and protect Human Rights. For example, it is hoped that through ongoing improvements to our governance processes the Councils will be able to accelerate and improve their work in enabling our residents, communities and places to thrive.

Matter considered and no issues identified.

3. Environmental

Matter considered and no issues identified.

4. Governance

The creation of individual Council Executive Sub-Committees provides the opportunity for decision-making affecting each resident population to be clearer and more focused, potentially increasing engagement in the democratic process.

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WORTHING BOROUGH
COUNCIL

Joint Strategic Committee
11th July 2023

Key Decision Yes

Ward(s) Affected: Central Ward, Worthing

Union Place - Joint Venture Partnership with Roffey Homes

Report by the Director for Place

Officer Contact Details

Martin Randall

Director for Place

martin.randall@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. The Union Place redevelopment proposal provides a major opportunity to deliver new high quality, energy efficient, modern and affordable homes for the community in Worthing. Working with an experienced local private sector partner, the development will also deliver new commercial space, high quality green spaces, return Union Place to being a tree lined avenue and maximise opportunities for social connections to reduce isolation and promote inclusion. The development will have an architectural approach rooted in local vernacular architecture, and also seeks to design out crime, improve health outcomes, and use an environmentally sustainable approach to development.
- 1.2. The purpose of this report is to advise members of the Committee on the progress with negotiations with the Council's preferred Joint Venture Partner on the redevelopment of the Union Place site, and to

seek the Committee's approval to the Joint Venture Agreement and to progress towards development of the site.

- 1.3. The Exempt Appendices to this Report set out the detailed nature of the proposed Joint Venture Agreement which it is intended will be conducted through the formation of an Limited Liability Partnership (LLP) between the Council and Roffey Homes, and the proposal for the Council to invest land into the LLP company at the outset, with a further parcel of land being invested following grant of planning permission. The report sets out how the value of the Council's investment is then matched by Roffey Homes equity and sets out how the development will be funded. The Council's governance structures and appointment to the LLP are set out in section 5.0.
- 1.4. The Exempt Appendix updates members on key issues following the most recent report on the project in March 2023 surrounding procurement, state aid/subsidy control, risk, and tax implications of the proposed joint venture.
- 1.5. The report summarises the work undertaken to date to design the scheme, and agree land valuations.
- 1.6. The report sets out the various steps that will be undertaken to enter into the Joint Venture Agreement and seeks various delegations to officers to enable the project to proceed.

2. Recommendations

- 2.1. **That the Joint Strategic Committee delegates authority to Director for Place to:-**
- 2.2. Progress the negotiations and drafting of the Members Agreement and all contractual documentation required to establish the Joint Venture Limited Liability Partnership (LLP) between the Council and Roffey Homes for the purpose of developing the Union Place site on the terms set out in the Structure Note and the Exempt Appendices 1-5.
- 2.3 To take further legal, procurement, subsidy and financial due

diligence on the final terms of the Members Agreement and contract documents and to produce a detailed business plan supporting the proposal to enter into the LLP.

2.4 To authorise the Director for Place to enter into the LLP by executing the Members Agreement and all necessary contract documents subject to the following procedure for completion-

- That the Director for Place shall consult with the Leader of Worthing Borough Council by delivering a Report detailing the final terms of the Members Agreement and contract documents; and
- The Report shall advise on the on the outcome of the due diligence required at paragraph 2.3, produce the supporting business plan and shall seek authority from the Leader of Worthing Borough Council for the Director for Place to enter into The Members Agreement and all necessary contractual documentation to form the LLP; including authority to continue with the land transfers which are envisaged in the Structure Note at Exempt Appendix 1 and further referred to in Exempt Appendix 5.

2.5 To delegate to the Director for Place in consultation with the Leader , the authority to appoint officer representatives to the LLP Board; and review and approve LLP Business Plans (including costs incurred and forecast) in consultation with the Leader and to require the project board to report back to the JSC (SC) on a regular basis with progression updates and financial reporting.

2.6 Prior to entering into the LLP to authorise the Director for Place to fund half of the planning costs (estimated in total at £600,000 with BC to fund £300,000) payable in the event that satisfactory planning consent for the development is not satisfied or for any reason the development does not proceed;

2.7 Prior to entering into the LLP to delegate to the Director for Place authority to negotiate the final terms of the agreement with LCR to terminate the Landpool and Promotion Agreement with LCR and to consult with the Leader and Cabinet Member for Resources on the terms of the termination agreement and resource implications.

- 2.8 To approve the release of £300,000 from the capacity issues reserve to fund the revenue consequences of the unwinding of the LCR agreement as set out in confidential Appendix 5A.
- 2.9 Delegate to the Cabinet Member for Resources the authority to vire £570,000 from the strategic property investment fund in the event that the new LLP is not in a position to buy back the land associated with the LCR land pooling agreement as set out in confidential appendix 5b.
- 2.10 To recommend to Worthing Borough Council to amend the Annual Investment Strategy to allow for the acquisition of shares in the new Joint Venture.
- 2.11 To recommend to Worthing Borough Council that it amends the Capital Programme Investment Strategy to approve the capital investment for the purchase of a 50% share in the ownership of the LLP in the sum of £6m funded through the transfer of land and approves the appointment of Worthing Borough Council as a Member to the LLP (through a Members Agreement) and to note that the strategic and operational decisions will be made by the Executive with the project board reporting back regularly to that Committee on progression with finance reports.

3. Background to Union Place

- 3.1. The Worthing Local Plan sets out a number of sites that will be brought forward to deliver market and affordable housing in Worthing over the 2020 - 2036 plan period. Of the fifteen sites identified, seven of these are to be delivered by Worthing Borough Council either directly (such as the Worthing Integrated Care Centre on the Civic Centre site), or in conjunction with partners including the Fulbeck Avenue Site, Teville Gate, Union Place and in due course the Grafton site.
- 3.2. The Council's key purpose in working with the joint venture partner is to:
 - Maximise the number of homes delivered, in particular, genuinely affordable homes;

- Maintain a focused approach to support the viability of the scheme and potentially, attract central government funding to support new homes;
 - Bring forward other uses that will enhance the town's centre and promote economic recovery;
 - Deliver high quality design, environmentally friendly, architecture; and
 - Deliver capital receipts that can be used to support the delivery and maintenance of new infrastructure.
- 3.3. This previously developed site lies east of the Connaught Theatre and west of the High Street. It comprises a surface car park adjacent to the theatre acquired by the Council in 2017; a cleared site of unmade ground and footings to the former Police Station acquired by the Council in 2018; and an adjoining small area of car park along the High Street. It is close to Chapel Road (secondary shopping area) and links to the central shopping area via the Guildbourne Centre. A plan showing all of the land included is available at Appendix 1.
- 3.4. To help accelerate the comprehensive redevelopment of the site, and to de-risk the development, Worthing Borough Council undertook the land assembly before entering into a Land-Pooling and Promotion Agreement with government owned regeneration specialist London and Continental Railways (LCR) in 2018.
- 3.5. LCR brought considerable knowledge and experience to the Union Place exercise to help deliver and attract a delivery partner to build out a successful scheme. The partnership with LCR was framed around a land pooling arrangement and is a model that LCR are now using in other places.
- 3.6. A Development Strategy was prepared with LCR to deliver a mixed use scheme. Outline planning permission was secured in November 2020. Securing this permission has helped to de-risk the development strategy and brought clarity in terms of land use, density, scale and height.
- 3.7. At the February 2022 meeting of the Councils' Joint Strategic Committee (JSC) members considered an update on marketing the site

following the successful enabling exercise with LCR Property. The report identified Roffey Homes as the preferred bidder for the site, and delegated authority to officers to negotiate a Joint Venture Agreement to support land transactions.

- 3.8. In March 2023 members of the Worthing Joint Strategic Sub-Committee meeting considered an update on progress with the Joint Venture Agreement and noted the issues that remained to be resolved.

4. Proposed Joint Venture

- 4.1. The detailed structure of the proposed joint venture is contained in the structure note which is attached as an Exempt Appendix to this report. The paragraphs below outline how the joint venture would work, its governance and decision making arrangements.

4.2. Rationale

- 4.2.1. The Council is proposing to deliver the regeneration of Union Place through a joint venture structure. A Joint Venture is where two parties come together to undertake a property development. Decision making, risk, and rewards are shared. Local Authority property joint ventures with private sector partners might typically entail the Council investing land and capital as equity, with a partner bringing matched investment. Both parties are responsible for delivering the development, which would be managed through a Board structure, and profits are distributed in proportion to investment stake. Joint Ventures are a common way for a public landowner to bring finance and expertise to a development, and are popular with developers as it provides access to land and a way of sharing risk.
- 4.2.2. Following a detailed analysis of the options for working with the preferred partner against the key objectives of the Council, and detailed discussions with the preferred partner, the joint venture approach was considered the most beneficial. For the Council it provides the following key benefits:

- An experienced Joint Venture partner will bring skills, expertise, capacity and funding to deliver what is a major regeneration project with a gross development value of £70m.
- Risk and reward will be shared on a 50:50 basis.
- The right level of control will be exercised by the Council to ensure that its objectives for the site are achieved.
- The long-term opportunity jointly incentivises both partners to work closely throughout the pre-development and delivery phase to achieve their objectives.

4.3. Limited Liability Partnership (LLP)

4.3.1. A Limited Liability Partnership (LLP) with the preferred joint venture partner will be established to bring forward the development of Union Place. The LLP Members Agreement is the formal contract setting out the relationship between the Council and Roffey Homes. In that document the objectives of the LLP joint venture will be set out and are likely to contain the following:

- A comprehensive regeneration of the Union Place site that responds to the needs of the local community and town centre.
- A transformed neighbourhood with a public realm led, high-quality living environment and high quality architecture and urban design.
- A guaranteed minimum of 20% of the development to be affordable housing assuming full delivery of the scheme, with an ability to achieve more affordable homes to directly support local people in need should the Council choose to use the return on its initial investments.
- Appropriate returns to the LLP members as set out in the Business Plan once this is finalised and agreed.

4.4. **LLP Contract Documents**

4.4.1. There are a number of key contract documents that are required to govern the working of the LLP:

- LLP Members' Joint Venture Agreement – the main agreement between the Council and the preferred Joint Venture Partner setting

out the objectives of the LLP, how the business of the joint venture will be managed and arrangements for profit distribution, settling disputes, default events and termination of the joint venture.

- Loan Notes – these are the financial instruments that set out the arrangements for equity and debt investment into the joint venture to be made by both parties. Subject to the terms of the LLP Members Agreement they also provide for the timing of the repayment of the investment at commercial rates.
- Business Plan – the suite of documents that contain the financial model, funding strategy and key delivery strategies.

4.5. Other key project issues will be agreed between the parties as part of the business plan:

- Project Management – the delivery of the development requires close and careful management of each stage of the process from design and planning through to construction and handover of the completed homes; this is a core function of commercial developers and a key reason for entering into a partnership. The project management function has already commenced and will run to the end of the project, with continuous monitoring during the development period.
- Construction Management – it is proposed that Roffey Homes will procure all of the individual works packages required to deliver the construction of the new development; the management of this process and the fees are captured in this project plan. Roffey Homes have already engaged with contractors and designers to review the most cost effective construction processes. If planning permission were gained, the main contractor would be appointed if the LLP Project Board decided all conditions precedent were met.
- Corporate Services – an agreement will be reached on company secretary, business support and accountancy and audit services. This would occur immediately upon setting up of the LLP.
- Sales and Marketing - the preferred partner will provide services to the LLP relating to the marketing and disposal of private for sale

properties within the new development. The advice of local agents has already been sought on the project. If planning permission were gained, selling agents would be appointed, forming a strategy on phasing and capturing off plan sales.

4.6. Business Plan

- 4.6.1. After the production of the initial business plan to Members prior to entering into the LLP. The LLP Board will thereafter prepare a Main Business Plan for each annual accounting period. Prior to adopting the Main Business Plan, the LLP Board will report to the Joint Strategic Committee (Sub-Committee) for authority to approve of the Main Business Plan and thereafter the Plan shall be adopted by the Members of the LLP. This shall continue each year throughout the lifetime of the development.
- 4.6.2. The development may be developed out using a phased approach in line with a positive approach to managing risk. In these circumstances, for each phase of the development the LLP Board will also procure the preparation of a Phase Business Plan. The approval of these phase Business Plans follows the same format as for the main Business Plan.
- 4.6.3. The Main Business Plan and Phase Business Plans, will be subject to Joint Strategic Sub Committee approval at the appropriate time throughout the lifetime of the development.
- 4.6.4. An outline LLP Business Plan template has been prepared with Roffey Homes as part of the preferred bidder stage. The template business plan covers the following:
 - 1) Financial model
 - 2) Funding strategy
 - 3) Governance & management
 - 4) Outline development proposals
 - 5) Site assembly strategy
 - 6) Planning strategy
 - 7) Participation & Engagement strategy
 - 8) Sales & marketing strategy
 - 9) Construction procurement

- 10) Programme
- 11) Risk register (Project)
- 12) Risk register (legal, finance and procurement)

5. Governance

5.1. LLP Board

- 5.1.1. In the event of the proposed Joint Venture being approved, all contractual and contract documents entered into the LLP being established as an entity, the LLP Board / Steering Committee would start to operate formally as set out in the LLP Members Agreement. The Board is constituted for the purpose of delivering the agreed Business Plan. Board members are responsible for monitoring the project, agreeing strategy and making decisions within the parameters of the LLP Members Agreement. It is assumed that the LLP Board will meet quarterly but with extra meetings as the LLP Board agree are necessary.
- 5.1.2. In terms of representation on the Board, the proposal is for there to be one Council Officer representative being the Director for Place and one representative from the joint venture partner. Each organisation has one vote. Each party may appoint observers to the Board. The Joint Venture agreement will contain mechanisms for dispute resolution in the event of a deadlock in agreement.
- 5.1.3. It is proposed that the role of Chairperson will alternate annually between the Council and Roffey Homes representatives.
- 5.1.4. The LLP Board will routinely receive reports on a range of project matters with a standing agenda to include key performance indicators around aspects such as resident engagement; design progress and social value as well as any statutory matters raised by the Company Secretary.
- 5.1.5. The LLP Board will approve the initial Business Plan and periodic updates, the overall masterplan, and proposals for each phase of development including the scope, design and viability of each phase.

5.2. Steering Group

- 5.2.1. An Executive Group consisting of Council officers and Roffey Homes staff with day to day responsibility for the project, and will report to the LLP Board. The Group will meet regularly (most likely monthly) to coordinate all of the workstreams, monitor progress and agree reporting to the LLP Board.
- 5.2.2. The Executive Group will consist of representatives from the development project management team, regeneration, housing and sales and marketing teams. The group will prepare reports for submission to Members for comment and thereafter decision or review by the LLP Board.
- 5.3. Assurances
- 5.3.1. In addition to the the recommendations Officers will report back to the Joint Strategic Committee and/or relevant Cabinet Member (as appropriate) on the following matters:-
- To approve the final design work prior to submission for planning.
 - To approve throughout the project the Business Plan and any phase business plans.
 - To receive regular reports on the performance of the LLP reported back to the Joint Strategic Sub-Committee at regular and appropriate intervals as required throughout the development.
- 5.4. LLP Funding
- 5.4.1. The project will be funded and approved phase by phase on a 50:50 basis between the Council and Roffey Homes. At the establishment of the LLP:
- The Council will transfer Sites as set out in Exempt Appendix 1 and Exempt Appendix 5. The value of the land will be matched by Roffey Homes with an equivalent cash facility which will be drawn down by the LLP as required.
 - The Council's land and Roffey's matched funding is termed the 'equity' investment into the LLP.
 - The LLP will then establish how much funding is needed to build out the development phase in total, which includes planning and architects fees, construction, interest on loans during the development period,

sales and marketing costs and project management and development profit and Report back to Member on

- The 'equity' investment will not cover the total cost of developing the site. The LLP will then need to secure debt financing to fund the balance. This debt financing or borrowing can come from either the Council, Roffey or a third party e.g. a bank, to be decided subject to financial and legal advice.

5.4.2. Upon the successful delivery of a phase of the development the LLP Agreement sets out the following distribution of receipts held by the LLP. Receipts will be paid out in the following priority order:

- Debt financing will be repaid to the provider.
- Any additional equity investment required from the Council and Roffey Homes will be paid back.
- Payment to Council for land value and payment to Roffey Homes for matched cash investment.
- Profit paid to both parties.
- If WBC elects to retain residential or commercial properties or the car park, the agreed value of these units will be 'off-set' against WBC share of distributions.

5.5. Should any profit be likely, the Council will have the option to use this profit to reinvest into delivery of service or purchase additional homes for affordable housing in lieu of profit.

6. Proposed Scheme

6.1. The proposed development is a housing led mixed use development including parking, and commercial space. The proposal incorporates a ground floor car park with residential housing blocks which face inwards to create residential courtyards, and outwards to form an attractive street frontage facing Union Place and the High Street. Taller elements would lie towards the centre of the site. The proposals currently include:

- A further 5,000 sq ft of commercial space is to be integrated at ground floor level. The LLP team will actively seek occupiers for this space who will benefit from proximity to the town centre and a number of enquiries have already been received;

- The current proposal will generate a proposed 217 housing units with an undercroft car park to provide parking for residents. 48 units will be a mix of social, affordable and intermediate housing, 10 units will be live work units.
- The proposal is for the scheme to be policy compliant in terms of affordable housing delivering 48 affordable homes (22%). Nominations would be reserved to those on the Worthing Borough Council housing register.
- The development has been designed to connect to the Worthing Heat Network.

7. Procurement and Subsidy Advice

- 7.1. The Director for Place instructed specialist advice on Procurement and Subsidy issues which is set out by Bevan Brittan Solicitors' summary of advice on public procurement is set out in Exempt Appendix 2. Members are referred to this Appendix.

8. Unwinding the LCR Property Landpool and Promotion Agreement Arrangements

- 8.1. In 2018 at the November meeting of the Joint Strategic Sub-Committee the Council agreed to enter into a Landpool and Promotion Agreement with LCR Property. The agreement set out how the Council and LCR would work together to promote land at Union Place. LCR Property would fund the costs of planning and design costs for the site with the aim of adding to the value of the land by achieving a planning consent. The intention being that they would share in the uplift in value of the land following the disposal of the site. Following the marketing of the site, it was identified that a joint venture between Worthing Borough Council and Roffey Homes and was the preferred way forward rather than a straight disposal. LCR Property felt it was inappropriate for them to continue to participate in promoting the site, and as such the Landpool and Promotion Agreement needs to be dissolved. There are two key items that need to be addressed to resolve this.
- 8.2. Firstly, as part of the agreement the Council sold the freehold of the surface car park fronting high street to LCR Property. Independent valuations have been procured to ensure requirements to meet

S123(2)(A) are met, and a purchase cost of £542,500 agreed and supported by an independent RICS Red Book Valuation. As part of the joint venture the new LLP company would purchase this land directly using equity injected by the LLP partners as it is more efficient, and to minimise transaction costs. This will take place as soon as possible following the formation of the company.

- 8.3. Secondly, the agreement formed a mechanism for the Council and LCR to share the costs of enabling and promoting the site. Essentially it allowed for the Council to pay either the costs of promoting the site, or for LCR to capture a percentage of the increase in land value as a result of the grant of planning permission. Officers have negotiated with LCR over these costs, and following a joint review have concluded that a figure in the region of £842,000 is required to settle the promotion costs. Following the confirmation of this meeting, the Council will meet these costs as soon as possible to allow the joint venture to proceed.

9. Proposed Milestones

- 9.1. Should the recommendations be proposed the following actions will be undertaken:

Stage (*)	Commence in	Complete by
Publish VEAT Notice (6 month period)	July 2023	July 2023
Finalise draft terms of the LLP Contract Documents and Due Diligence	July 2023	October/November 2023
Referral to Full Council	18 July 2023	18 July 2023
Prepare Commercial Market Operator Assessment/ Best Consideration Assessment /carry out legal financial and	October 2023	October/November 2023

subsidy due diligence		
Report back to Leader of Worthing Borough Council on Final terms and outcome of due diligence checks	October/ November 2023	November 2023
LLP Set up	December 2023	December 2023
Preparation of planning application	July 2023	September 2023
LLP Board Commencement	December 2023	On-going

9.2. Initial public consultation to identify issues and options for the proposed designs took place between November 16th and December 7th 2022 and a public display took place in the Guidlbourne Centre. A further round of consultation is planned to take place in Summer 2023.

9.3. Following final approval of the agreement, and dependent on the feedback from consultation and local community participation, it is anticipated that a planning application would be submitted in September 2023, with an aim for it to be approved by end December 2023 / January 2024.

9.4. Subject to the recommendations outlined in this report, a start on site would follow in Spring 2024, with the first completions and keys handed over to new homeowners in Summer 2025.

10. Financial Implications (Please also see Exempt Appendix 4 & 5)

10.1. The proposed agreement will require the Council to transfer two substantial assets into the Joint Venture with a combined balance sheet value of £6.0m as at 31st March 2023. These values are based on the current use of the car park site and, in the case of the land at Union Place, on the potential use for affordable housing. These values will need to be reviewed and updated as part of the process of setting

up the joint venture to ensure that they reflect any updated information regarding use. The Council has outstanding debt of £5.4m associated with the purchase of the car park.

10.2. The proposed development is split into two phases. As part of phase 1, the High Street Surface Car Park will be purchased by the Joint Venture Company from LCR. Consequently, the Council will lose this site as a surface car park. Currently the Council achieves net income of £52,000 from this site. The Council will need to adjust the budget to reflect this loss of income as part of the 2024/25 budget development and as part of this, consider how additional commercial income might be realised to compensate.

10.3. **Implications of acquiring shares within the joint venture**

10.3.1. The investment into a share of the proposed Joint Venture will require amendment of the Council's Annual Investment Strategy to allow the agreement to proceed. The council will need to approve the addition of the Joint Venture to the list of non-specified investments.

10.3.2. In addition, any acquisition of shares is classed as capital expenditure under 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Consequently the Council will need to amend the Council's capital programme to allow for the acquisition. The acquisition of the share will be financed by the value of the land transfer..

10.4. **Union Place Car Park Considerations: Please see Exempt Appendix 1 & 5(a)**

10.5. **Financial benefit of the proposed Joint Venture:**

10.5.1. The overall financial benefit of this proposal will depend on the final costs of development. Preliminary viability modelling indicates that the Council should receive a receipt to the value of £6m which will enable the Council to repay any debt associated with the purchase of the Union Place car park with a small surplus. Although the option remains to take assets to the value of the receipt in the form of the car park

(retaining the rental income) or commercial property. Nevertheless the Council will be faced with an overall loss associated with the proposal

10.5.2. In addition to the capital receipt, the Council will also benefit from any Council Tax and 20% of any potential business rate income. As the site should generate 217 new flats when fully built out, this will generate additional Council Tax for the Council of approximately £58,000. In addition, the Council will benefit from 20% of any additional business rate income generated from the development.

10.5.3. Nevertheless the Council will need to fund a small overall annual loss associated with the proposal

	£
Repayment of debt associated with Union Place car park	216,610
Additional council tax income from new developments	58,000
Benefit of surplus capital receipt (£0.6m)	84,000
	<hr/>
Overall identified savings	358,610
Less: Loss of car parking income	-52,000
Less: Rental income from Union Place	-334,780
	<hr/>
Net potential loss to the Council arising from the redevelopment	-28,170
	<hr/>

However these losses will be offset by any share of the business rate income that the Council is entitled to and are marginal in the context of improving housing provision in the town.

10.6. **Financial risks associated with the proposed Joint Venture (Please also see Exempt Appendix 4)**

10.6.1. Under the terms of the proposed LLP, the Council will be liable for 50% of the costs associated with the planning process if the planning approval is not granted or the development does not proceed. Consequently if the development cannot be progressed, the Council

would be responsible for funding these costs which may well exceed £300k and would need to be funded from reserves if they occur..

- 10.6.2. In addition, the Council will need to consolidate the value of its share of the LLP into its own accounts. Consequently, if in any year, the LLP makes a loss, then 50% of these losses would need to be accommodated within the Council's own accounts and funded from its resources. Whilst the development progresses, the company will need to incur annual costs in management and administration. These are expected to be around £30,000 per year for a period of 4 years with 50% of these costs being funded by the Council. The major projects budget would be available to fund these losses (£225,750).
- 10.6.3. Whilst overall it is expected that the development will make a profit, the Council will need to manage any potential losses during the lifecycle of the project which could be challenging given the current financial situation. To mitigate this risk, a full business plan for the duration of the project is proposed as a requirement to understand the potential liability that might fall on the Council. The development risk is also mitigated by the additional certainty at each key development stage through to completion.
- 10.6.4. In addition, Members are referred to Bevan Brittan's procurement and subsidy advice set out in Exempt Appendix 2 as well as the summary of procurement and subsidy risks set out in Exempt Appendix 4.

10.7. ***Taxation risk***

- 10.7.1. There are two potential taxation risks:

- i) VAT

It may be possible to transfer the former police station site without charging VAT on the transfer. Thereby minimising the cost to the new LLP. This should be possible provided that:

- a) The land is transferred at nil consideration by the council to the LLP;
- b) No input VAT has been recovered in relation to the site whilst owned by the council; and

c) The land is not an asset for the delivery of any business.

The Council can demonstrate the first two points. However, as the site was used during the Covid pandemic as a vaccination site, this might compromise the argument that it is not an asset for the delivery of business. In the event that VAT is payable on the land value, this would need to be paid by the Joint Venture. Consequently an indemnity would need to be provided by the proposed Joint Venture that they will fund any VAT due.

The LLP will be responsible for paying VAT on the value of the other sites transferred to it as all of these sites have been opted into the VAT regime. This point will need to be made clear within the legal documentation.

In the event that this point is not agreed, the Council would become liable for the taxation if and when the land is transferred. The VAT could be substantial depending on the final valuation of the land to be transferred.

ii) Stamp Duty Land Tax (SDLT):

SDLT would be payable on the acquisition of any land from the Council by the LLP.

Schedule 15 Finance Act 2003 provides for the application of SDLT to partnerships such as the LLP. The acquisition of a chargeable interest by a partnership is charged under paragraph 10 of the legislation. This provides that, in the proposed situation, and assuming Roffey and the Council are not connected within the meaning of section 1122 of the Corporation Tax Act 2010, SDLT will be chargeable on 50% of the market value of the property that is transferred to the partnership (as this is the percentage of the partnership which is not part of the Council's group). The Venture will be responsible for paying the tax. Effectively the partners, Roffey and the Council, will be jointly and severally liable for the payment of the tax.

The amount of tax due may change with time. There is a clawback provision that can charge more SDLT if the partnership shares change

within three years, or if the partners withdraw capital from the LLP . This could be relevant if the timeline for the LLP involves winding it up or extracting profits in a shorter period, or on termination if Roffey were to buy out the Council. The maximum SDLT that could be charged under this provision is based on the remaining 50% of the market value that is not taxed on the initial transfer.

SDLT will be charged at the commercial rates, as the property is not used nor suitable for use as a dwelling at the time of the transfer.

10.7.2. Paragraph 12.9 below, highlights the need for the proposed transaction to be classed as a land transaction. Further consideration (and information for Members) is given on this point in the Exempt Appendices.

10.8. ***Cost of setting up the joint venture:***

10.8.1. Members were originally informed that the cost of setting up the Joint Venture was likely to be £100,000 which was to be funded from within the existing Major Projects budget.

10.8.2. The Council has sought legal advice on the proposed arrangements. It is likely that during the development of this phase of the project the Council will incur approximately £62,000 in legal advice and other specialist surveying and valuation advice. It is intended to fund these costs from within the Major Projects consultancy budget of £225,750. Any costs incurred to date (circa £45,000) have also been funded by this budget.

10.9. **Accounting requirement for Joint Ventures:**

10.9.1. The Council will have a 50% interest in the new Joint Venture. Consequently the Council will need to recognise the value of its share of the Joint Venture within its own statement of accounts. As the parties have equal shares in the Joint Venture, the Council will need to recognise the asset within its accounts as an investment in accordance with the accounting treatment set out in the CIPFA Local Authority Code of Practice.

10.9.2. To meet these requirements, the Council will need to seek technical advice on setting up the new arrangements and then on the valuation on an

annual basis. It is intended that the Council externalise the valuation of the LLP at a potential cost of £5k per year.

- 10.9.3. To minimise any accounting complexity, it would be useful if the new vehicle has a financial year that was the same as the Councils. This point should be discussed with our partner.
- 10.9.4. It is assumed that the Council will have no direct responsibility for the accounting arrangements associated with the Joint Venture which will be the responsibility of our partner. Given the public money involved, the Council will have the ability to scrutinise the finances of the joint venture using its own auditors if necessary.

11. Legal Considerations

- 11.1. s1 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
- 11.2. 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.
- 11.3. Section 1 of the Local Government (Contracts) Act 1997 confers power on the local authority to enter into a contract for the provision of making available of assets or services for the purposes of, or in connection with, the discharge of a function by the local authority.
- 11.4. Section 123 Local Government Act 1972 provides the Council with the power to dispose of land with the caveat that the Council must not do so for a consideration less than the best that can be reasonably obtained.
- 11.5. Circular 06/03 Local Government Act 1972 General Disposal Consent (England) 2003 provides criteria and guidance for circumstances when a local authority considers it appropriate to dispose of land at an undervalue.
- 11.6. The Local Authorities (Executive Arrangements)(Meetings and Access to Information)(England) Regulations 2012 governs the decision making processes relating to Cabinet decisions and these are encompassed in the Council's Cabinet Procedure Rules within the Constitution.

- 11.7. The LLP arrangement with Roffey Homes is to be treated as a series of land transactions that do not create any direct or contingent liability on the parties capable of creating a public works or service contract as defined by the Public Contract Regulations 2015. Further advice taken from Bevan Brittan Solicitors is set out in Exempt Appendix 2 together with a summary of any associated risks in Exempt Appendix 4.
- 11.8. The Council will need to be compliant with the Subsidy Control Act 2022 and advice has been provided by external solicitors Bevan Brittan which is at Exempt Appendix 2, together with a summary of the associated risks at Exempt Appendix 4.
- 11.9. The Council has the power to amend its Capital Investment Strategy pursuant to the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, and the CIPFA Prudential Code.
- 11.10. At Appendices 1, 2, 3, 4 & 5 there are Exempt Appendices which contain further detail. This information must be given due consideration by Members to ensure they read and understood the matters raised prior to reaching a decision on this Report.

Background Papers

- Report to Joint Strategic Committee 06/11/2018 - Union Place Update
- Report to Joint Strategic Committee 10/04/2018 - Union Place Redevelopment
- Report to Joint Strategic Committee 08/02/2022 - Union Place - selection of preferred developer
- Report to Joint Strategic Committee 16/03/2022 - Union Place Joint Venture with Roffey Homes Update

Sustainability & Risk Assessment

1. Economic

The development delivers new homes and space for businesses to expand. The scheme is strategically important for the town centre and will benefit local shops and services.

2. Social

2.1 Social Value: the development provides an important opportunity to secure the delivery of genuinely affordable homes; to demonstrate local employment and offer opportunities for young people to secure training and develop skills.

2.2 Equality Issues: the project offers an important opportunity to address diversity and inclusion matters through the recruitment and selection of those people working on the project and in the provision of training and skills.

2.3 Community Safety Issues: the development will take a positive approach to designing out crime and addressing matters such as safe pedestrian routes and areas for play. Design aspects such as lighting will take into account the importance of people feeling safe at night.

2.4 Human Rights Issues: the project will ensure that aspects such as people trafficking are considered through the construction process and in the selection of contractors and sub-contractors.

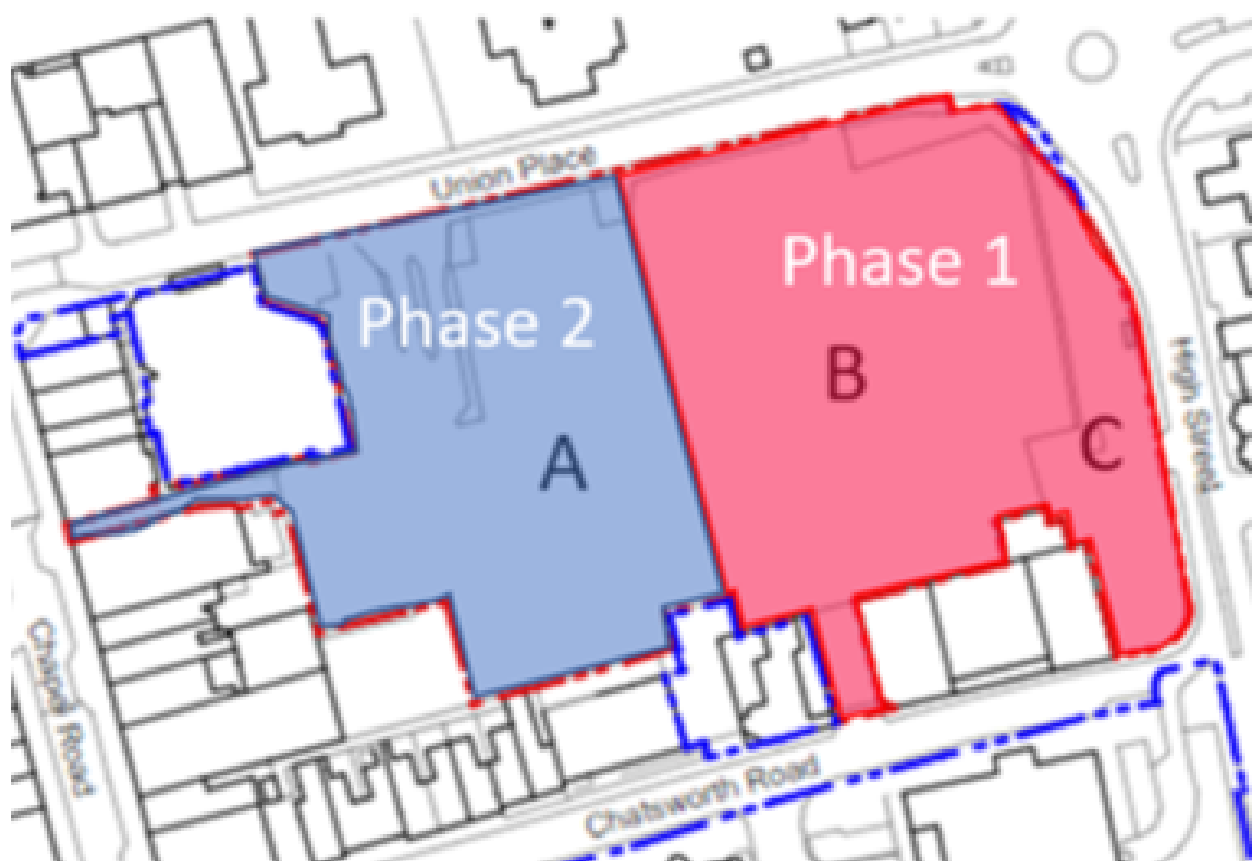
3. Environmental

Sensitive redevelopment of the site offers a significant opportunity to enhance biodiversity and to improve the local environment through planting and the provision of open spaces.

4. Governance

An internal officer board consisting of representatives from key departments essential to successful delivery has met and reviewed the programme at key stages of the marketing exercise. The governance associated with the delivery of the project is set out in the body of the report and formal updates will be provided to members of the Worthing Joint Strategic Committee Sub-Committee.

Appendix 1 Land to be Included invested in the LLP



By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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