



ADUR & WORTHING
COUNCILS

2 December 2024

Joint Strategic Committee	
Date:	10 December 2024
Time:	6.30 pm
Venue:	Gordon Room, Worthing Town Hall

<p>Committee Membership:</p> <p>Adur District Council: Councillors; Jeremy Gardner (Adur Chair), Lee Cowen (Adur Vice-Chair), Becky Allinson, Saffa Jan, Andrew Harvey and Sharon Sluman</p> <p>Worthing Borough Council: Councillors; Sophie Cox (Worthing Chair), Rita Garner (Worthing Vice-Chair), Ödül Bozkurt, Dom Ford, John Turley, Vicki Wells and Rosey Whorlow</p>
--

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 12 November 2024, 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 5 December 2024 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 5 December 2024 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. Mid Year Review of Treasury Management 2024-25 (Pages 5 - 26)

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

7. 2nd Quarter Revenue Monitoring Report (Pages 27 - 64)

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

8. Joint 2nd Quarter Capital Investment Programme & Projects Monitoring 2024/25 (Pages 65 - 86)

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

9. Financial Strategy and Budget Update 2025/2026 (Pages 87 - 112)

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

10. Adur Homes Whole Block Repairs - Phase 1 (Pages 113 - 126)

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

11. Adur Homes AH- Appointment of a Multi Disciplinary Consultant (Pages 127 - 138)

To consider a report by the Director for Housing and Communities, copy attached as item 11.

Part B - Not for Publication – Exempt Information Reports

None.

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.

This page is intentionally left blank



ADUR & WORTHING
COUNCILS

Joint Governance Committee
19 November, 2024

Joint Strategic Committee
10 December, 2024

Key Decision : No
Ward(s) Affected: All

Joint Mid Year Treasury Management Review 2024/25

Report by the Director for Sustainability & Resources

Officer Contact Details:-

Joel Goacher, Chief Accountant

01903 221236

joel.goacher@adur-worthing.gov.uk

Executive Summary

1. PURPOSE

- 1.1 The purpose of this and the other treasury management reports that are submitted during the year is to ensure that proper scrutiny is undertaken of the treasury and capital expenditure activities of the Councils and that the activities are conducted in a prudent manner in order to safeguard the financial position of the Councils.
- 1.2 Councils are required by regulations issued under the Local Government Act 2003 to produce a mid-year treasury management review of activities; and a review of performance against the prudential and treasury indicators for the year.
- 1.3 The key message arising from this report is that both Adur and Worthing Councils have complied with the approved policies and the indicators agreed prior to the start of the financial year.
- 1.4 This report asks Members to note the Treasury Management mid-year performance for Adur and Worthing Councils at the 30 September 2024, as required by regulations issued under the Local Government Act 2003.

2. RECOMMENDATIONS

- 2.1 The Joint Audit & Governance Committee is recommended to note this report, and refer any comments or suggestions to the Joint Strategic Committee meeting on the 10th December 2024.
- 2.2 The Joint Strategic Committee is recommended to note this report and forward the report to the Worthing Borough Council Meeting on 17th of December 2024 and Adur District Council 19th of December 2024
- 2.3 Worthing Borough Council is recommended to note this report at its meeting on 17th December 2024
- 2.4 Adur District Council is recommended to note this report at its meeting on 19th December 2024

3. CONTEXT

- 3.1 This report summarises the treasury management activities and portfolio for both Adur and Worthing Councils for the half year to 30th September 2024.
- 3.2 This is one of a suite of treasury management reports that are required to be presented during the financial year (see Para. 4.1.3).
- 3.3 **Capital Strategy**

In December 2021, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. All local authorities are required to prepare a Capital Strategy which is intended to provide the following: -

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

A report setting out our Capital Strategy applicable to the 2024-25 year was approved at the 11th July 2023 JSC meeting.

- 3.4 **Treasury Management**

The Councils operate balanced budgets, which broadly means cash raised during the year will meet their cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Councils' capital plans. These capital plans provide a guide to the borrowing needs of the Councils, essentially the longer term cash flow planning to ensure the Councils can meet their capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

“The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

- 3.5 The Councils' Treasury Management Strategy and Annual Investment Strategy place the security of investments as foremost in considering all treasury management dealing.

4. ISSUES FOR CONSIDERATION

- 4.1 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021).

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Councils' treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Councils will seek to achieve those policies and objectives.
3. Receipt by the full Councils of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
4. Delegation by the Councils of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Councils of the role of scrutiny of treasury management strategy and policies to a specific named body. For these

Councils the delegated bodies are the Joint Audit & Governance Committee and the Joint Strategic Committee.

4.2 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2024/25 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Councils' capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of the Councils' investment portfolios for 2024/25;
- A review of the Councils' borrowing strategy for 2024/25;
- A review of any debt rescheduling undertaken during 2024/25;
- A review of compliance with Treasury and Prudential Limits for 2024/25

4.3 **RECOMMENDED ADDITIONS/AMENDMENTS TO COUNTERPARTIES**

There are no recommended changes to the Treasury and Capital Strategies.

5. **THE ECONOMY AND INTEREST RATES**

A commentary supplied by *Link Treasury Services Ltd*, the professional consultants for the Councils' shared treasury management services, is included as an appendix to this report. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.

6. **TREASURY MANAGEMENT STRATEGY STATEMENT and ANNUAL INVESTMENT STRATEGY UPDATE**

6.1 The Treasury Management Strategy Statement (TMSS) for 2024/25 was noted by the Joint Audit & Governance Committee on the 18th January 2024 and approved by Adur Council on 20th February 2024 and by Worthing Council on 22nd February 2024.

6.2 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

7. **THE COUNCILS' CAPITAL POSITION (PRUDENTIAL INDICATORS)**

This part of the report is structured to update:

- The Councils' capital expenditure plans
- How these plans are being financed
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow
- Compliance with the limits in place for borrowing activity

7.1 Prudential Indicators for Capital Expenditure

These tables show the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Adur District Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
HRA	29.749	7.636	28.234
Non HRA	12.953	2.744	20.027
Strategic	43.488	0	0
Total capital expenditure	86.19	10.38	48.261

The change in the Adur capital expenditure estimate is due mainly to the removal of the strategic property fund budget which represented £43m of the expenditure. The revised estimate also includes the budgets brought forward from last year, which were not spent, this was approved in the capital outturn report and accounts for a £1.1m of increase.

Worthing Borough Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
Non HRA	27.065	11.302	39.852
Strategic	2.58	0	2.58
Total capital expenditure	29.645	11.302	42.432

The main change to the estimate is the budgets brought forward from last year, which were not spent, this was approved in the capital outturn report and represents a £13.2m increase. There are also three budgets which have been reprofiled as per the Quarter 1 Capital Monitoring Report.

7.2 Changes to the Financing of the Capital Programme

The tables below draw together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and the expected financing

arrangements of this capital expenditure. The borrowing element of the tables increases the underlying indebtedness of the Councils by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Adur District Council

	2024/25 Original Estimate	2024/25 Revised Estimate
	£m	£m
Total Capital Expenditure	86.190	48.261
Financed by:		
Capital receipts	2.771	0.921
Capital Grants & contributions	1.898	3.187
Reserves & revenue contributions	11.085	6.005
Total financing	15.754	10.113
Borrowing requirement	70.436	38.148

Worthing Borough Council

	2024/25 Original Estimate	2024/25 Revised Estimate
	£m	£m
Total Capital Expenditure	29.645	42.432
Financed by:		
Capital receipts	0.067	0.915
Capital grants & contributions	8.246	16.782
Reserves & revenue contributions	0.171	0.158
Total financing	8.484	17.855
Borrowing requirement	21.161	24.577

7.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The Capital Financing Requirement (CFR), is an indicator of the need of a Council to undertake external borrowing in order to fund the capital programme. The CFR increases as a result of unfinanced capital spend. The tables below detail each council's position with regard to the CFR, they also show the expected debt position over the period, which is termed the

Operational Boundary.

Prudential Indicator - Capital Financing Requirement

As explained above, the CFR forecasts change with the capital expenditure forecasts, to the extent that the expenditure is not funded. Due to the reprofiling of capital expenditure, for a number of reasons, capital expenditure is significantly lower than originally forecast.

7.3.1 Prudential Indicator - the Operational Boundary for external debt

Adur District Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
Prudential Indicator Capital Financing Requirement			
CFR - HRA	90.678	76.513	95.606
CFR - Strategic	119.279	76.685	75.791
CFR - Non HRA	34.705	27.2	40.977
Total CFR	244.662	180.398	212.374
Net movement in CFR	68.295	4.031	36.007
	Operational Boundary	Actual Debt	Operational Boundary
Borrowing	258.000	169.540	245.000
Other long term liabilities	1.000	0.000	1.000
Total debt	259.000	169.540	246.000

Worthing Borough Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
Prudential Indicator Capital Financing Requirement			
CFR - Non HRA	154.078	145.262	160.81
CFR - Strategic	73.105	68.01	69.789
Total CFR	227.183	213.272	230.599
Net movement in CFR	19.157	5.246	22.573
	Operational Boundary	Actual Debt	Operational Boundary
Borrowing	239.500	185.140	239.500
Borrowing re Worthing Homes	10.000	10.000	10.000
Borrowing re GB Met College	4.500	3.875	4.500

Other long term liabilities	1.000	0.000	1.000
Total debt	255.000	199.013	255.000

7.4 Limits to Borrowing Activity: CFR and debt

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital investment purpose. **Gross external borrowing** should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2024/25 and the next two financial years. This allows some flexibility for limited early borrowing for future years. The Councils have approved a policy for borrowing in advance of need which will be adhered to only where determined this proves prudent. The Chief Financial Officer reports that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

Adur District Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
Borrowing	245.886	169.540	205.000
Other long term liabilities	0.000	0.000	0.000
Total debt	245.886	169.540	205.000
CFR	255.371	180.398	212.374

Worthing Borough Council

	2024/25 Original Estimate	Actual at 30 Sep 2024	2024/25 Revised Estimate
	£m	£m	£m
Borrowing	235.669	199.013	220.000
Other long term liabilities	0.000	0.000	0.000
Total debt	235.669	199.013	225.000
CFR	238.148	213.272	230.599

7.5 Limits to Borrowing Activity: Authorised Limit and debt

A further prudential indicator controls the overall level of borrowing. This is the **Authorised Limit** which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory

limit determined under section 3 (1) of the Local Government Act 2003.

Adur District Council

	2024/25 Original Indicator	Actual debt at 30 Sep 2024	2024/25 Revised Indicator
Authorised Limit for external debt	£m	£m	£m
Borrowing	270.000	169.540	255.000
Other long term liabilities	1.000	0.000	1.000
Total	271.000	169.540	256.000

Worthing Borough Council

	2024/25 Original Indicator	Actual debt at 30 Sep 2024	2024/25 Revised Indicator
Authorised Limit for external debt	£m	£m	£m
Borrowing re Worthing Homes and GB Met	14.500	13.875	14.000
Other Borrowing	258.000	185.138	233.000
Other long term liabilities	1.000	0.000	1.000
Total	273.500	199.013	248.000

8 BORROWING

- 8.1 The Capital Financing Requirement (CFR) denotes the Councils' underlying need to borrow for capital purposes. If the CFR is positive the Councils may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. For both Adur and Worthing Councils capital expenditure in 2024/25 is funded from grants, capital receipts, contributions, reserves and revenue contributions as well as borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.
- 8.2 External borrowing serves the dual purpose of supporting the implementation of the capital programs for both Councils and refinancing existing loans as they are repaid through instalment payments or upon maturity.

The specifics of the newly approved loans for the six-month period up to September 2024 can be found in the tables provided in Appendix 2. It's worth noting that both Councils' current borrowing strategies in the current and prior

year, in response to prevailing market conditions, emphasises holding a higher proportion of short-term loans. Consequently, the tables in Appendix 2 illustrate a substantial uptick in the number of new loan agreements comparative to the same period in prior years, as an increasing number of short-term borrowings require refinancing on an ongoing basis.

8.2.1 The report titled *New Financial Strategy*, presented by the Director for Sustainability and Resources to the Joint Strategic Committee on 17 July 2024, recommended that the committee 'agree to the change in approach to developing the capital programme and the subsequent implications of this, resulting in a smaller capital programme in the short term.' The report also outlined officers' plans to adopt a more integrated approach to capital and revenue spending, aligned with ongoing prudent treasury planning for both councils. This strategy aims to ensure that each council's capital decisions are aligned with their long-term revenue capacity while reflecting their unique aspirations and priorities.

8.3 **PWLB maturity certainty rates to 30 September 2024**

Gilt yields and the linked PWLB rates were less volatile than at this time last year. Overall, the 10, 25, and 50-year part of the curve endured a little volatility but finished September very much as it started in April.

Where there was some movement down in rates, this was often at the shorter durations as markets positioned themselves for bank rate cuts expected across the end of 2024 and through 2025. Though some cuts are still expected, the stickiness of inflation and the prevailing tight labour market is a concern for those looking for more sizable falls ahead.

The current PWLB rates are set as margins over gilt yields as follows (100 basis points is equivalent to 1%):-

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB Local Infrastructure Rate** is gilt plus 60 basis points (G+60bps)
- **PWLB Certainty Rate (HRA)** is gilt plus 40bps (G+40bps)

The **UK infrastructure Bank** will lend to local authorities that meet its scheme criteria at a rate currently set at gilt plus 40bps (G+40bps).

9.0 **DEBT RESCHEDULING**

9.1 Debt rescheduling is a financial arrangement in which a borrower and a lender agree to modify the terms of an existing debt, typically by extending the repayment period, altering interest rates, restructuring or refinancing the debt to create financial benefit while maintaining the obligation to repay.

- 9.2 Debt repayment and rescheduling options have been limited for both councils over the last 6 months, largely due to the interest rate environment being elevated in relation to the average rate of both councils debt portfolios.
- 9.3 Adur District Council made an early repayment outside of standard loan terms after being notified by FMS Wertmanagement on 25/09/24 that the lender intended to raise the interest rate on its £4m LOBO loan from 4.035% to 7.35%. This new rate was unfavourable compared to the rates listed at 8.3 in this report. Council officers informed the bank that the new terms were unacceptable and repaid the loan in full without penalty within five days. The repayment was subsequently financed through borrowing from other local authorities.

10.0 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for each Council to determine and keep under review the affordable borrowing limits. During the half year ended 30th September 2024, the both Councils operated within the treasury and prudential indicators set out in their respective Treasury Management Strategy Statements for 2024/25.

The Chief Financial Officer reports that no difficulties are envisaged for either Council in the current or future years in complying with these indicators.

All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

11.0 ANNUAL INVESTMENT STRATEGY

- 11.1 The Treasury Management Strategy Statement (TMSS) for 2024/25, which includes the Annual Investment Strategy, was approved by Adur Council on 22 February 2024 and by Worthing Council on 20 February 2024. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Councils' investment priorities as being:

- Security of capital
- Liquidity
- Yield

The Councils will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity and with the respective Councils' risk appetite. The shared Treasury Service uses information supplied by the Treasury advisers, Link Asset Services, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.

- 11.2 As shown by the interest rate forecasts in the Appendix, investment rates have continued to rise. There have been 4 meetings of the MPC in the 6 months to 30th September 2024, the details of each meeting and subsequent rate decision are below:

- **9th May 2024** - The MPC votes 7:2 to hold the base rate at 5.25%

- **20th June 2024** - The MPC votes 7:2 to hold the base rate at 5.25%
- **1st August 2024** - The MPC votes 5:4 to decrease the base rate 25bps to 5.00%
- **19th September 2024** - The MPC votes 8:1 to maintain the base rate at 5.00%

In the first half of the year, inflationary pressures in the UK economy began to ease. Labour market supply shortages also showed signs of improvement, with Q1 unemployment at 4.2%, slightly below estimates, while the economic inactivity rate remained stable. These factors have been significant drivers of domestic inflation, as private sector wage inflation in previous years was driven by employers increasing pay to retain staff in a challenging labour market.

The factors above and their market implications have a significant impact on the Treasury function of both councils, offering great opportunity in some areas and significant risk in others. In addressing the significant risk posed by current market conditions the treasury strategy has remained adaptive over the 6-months to September 2024, however the key objective remained unchanged; to borrow only when absolutely required and for an appropriate period to allow refinancing of the debt when rates are anticipated to fall. This strategy also relies on allowing a number of investments to mature without being reinvested, so that the cash can be used to furnish the borrowing needs of each council, avoiding external borrowing. As such, it is anticipated that investment returns for each council will be lower comparative to 2023/24.

11.2 Creditworthiness

Fitch placed the UK sovereign debt rating on Stable Outlook on 20th September 2024 having previously issued a Negative Outlook in 2022, reflecting reduced policy uncertainty, improved sentiment around budget deficits and predicted stabilisation of debt levels anticipated in 2025. Though the outlook was changed, no ratings adjustments have yet been made.

Investment Counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirements of the treasury management function for both councils. However, there is one notable update:

Both councils currently list Close Brothers Ltd as an approved counterparty. The bank recently received a long-term rating downgrade to BBB+ and was placed on a negative ratings watch following the FCA's announcement of investigations into the mis-selling of car finance products, which comprise over 20% of Close Brothers' loan portfolio. The ratings downgrade reflects concerns over the bank's future profitability and financial performance. As of 30 September 2024, Worthing Borough Council has £1m invested with Close Brothers, maturing on 5 January 2025. While officers currently have no

concerns about the bank's ability to repay this investment, a rating of BBB+ does not align with either council's risk appetite. As a result, no further investments will be made until the bank's rating improves to at least A-.

Credit Default Swap prices

Credit Default Swaps (CDS) are financial instruments that allow investors to exchange credit risk with another party concerning a specific company, operating akin to insurance policies to shield against losses in the event of a borrower's debt default. The trading prices of CDS contracts serve as indicators of credit risk. While CDS prices for UK banks experienced a notable increase at the start of the 2020 pandemic, they later reverted to levels resembling those before the pandemic. Nevertheless, it is crucial for officers to remain vigilant and they continually assess all aspects of risk and return given the potential for sentiment to rapidly change in the present environment.

11.3 Investment balances

The average level of funds available for investment purposes, excluding the Local Authorities' Property Fund, during the half year for Adur was £6.557m and for Worthing was £12.282m, excluding long term loans to Worthing Homes and GB Met College. These funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt and payment of grants and progress on the capital programme.

11.4 Investment performance – Adur District Council

- The term deposit and liquidity portfolio yield for the first six months of the year is 4.67% p.a. (2023 4.23% p.a.). The other investment held by the council is a £3m investment in the Local Authorities' Property Fund, for which we project a return of 4.26% p.a. In the period ended September 2024.

Detailed portfolio holdings are given in Appendix 1.

11.4.1 Adur District Council's budgeted investment return for 2024/25 is £363k for the General Fund and HRA combined and the current forecast outturn position implies income of £356k an under achievement of £7k against the budget. Though interest rates remain high in markets available to the Council, the current borrowing strategy of delaying borrowing as long as possible has reduced the residual cash balances available to invest below what was anticipated in the initial budget process. Accordingly, the combined interest payable budget is estimated to overspend by £158k demonstrating the challenging interest rate environment where elevated rates have extended beyond the forecast dates which shaped the budget applicable to this year.

11.5 Investment performance – Worthing Borough Council

The investment portfolio yield for the first 6 months of the year is 5.044% p.a. The portfolio yield excludes the £1.5m investment in the Local Authorities' Property Fund, for which we project a return of 4.26% p.a. over the 6 months.

In the previous years the Council has made two loans which are treated as capital expenditure rather than treasury investments:

- £10m to Worthing Homes at 0.7% above the rate at which the funds were borrowed, generating £70k p.a. for the Council
- £5m repayment loan to GB Met College at 2% above the rate at which funds were borrowed.

11.5.1 Worthing Borough Council's budgeted investment return for 2024/25 is £667k and the current forecast outturn position implies income of £602k an underachievement of £65k against the budget. This is in part because interest rates remain high in markets available to the Council, offsetting the lower cash balances held. The interest payable budget is estimated to underspend by £74k demonstrating the benefit of adopting the current borrowing strategy and further impacted by reprofiled capital expenditure.

Investment Performance – Approved Limits

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2024.

11.6 Counterparty commitment to sustainability

The Councils are committed to ethical investments and the use of counterparties which have appropriate sustainability, carbon reduction or ethical plans.

12. ENGAGEMENT AND COMMUNICATION

12.1 The Adur and Worthing Councils' treasury management team provides treasury services to Mid Sussex District Council through a shared services arrangement (SSA). The SSA is provided under a Service Level Agreement that was renewed from 18th October 2022, and which defines the respective roles of the client and provider authorities for a period of three years.

12.2 The Adur and Worthing Councils' treasury management team has also provided treasury services to Arun District Council through a shared services arrangement (SSA) since 1st March 2021 under a Service Level Agreement which defines the respective roles of the client and provider authorities. Arun District Council has agreed to continuing this agreement for another 3 years commencing 1st April 2024.

12.3 Information and advice is supplied throughout the year by Link Treasury Services Ltd, the professional consultants for the Councils' shared treasury

management service. This contract is due to be re-procured for 1st April 2024.

13. FINANCIAL IMPLICATIONS

- 13.1 This report has no quantifiable additional financial implications to those outlined above. Interest payable and interest receivable arising from treasury management operations, and annual revenue provisions for repayment of debt, form part of the revenue budget.

14. LEGAL IMPLICATIONS

- 14.1 The presentation of the Half Year Report is required by regulations issued under the Local Government Act 2003 to review the treasury management activities, the actual prudential indicators and the treasury related indicators for 2024/25.

Background Papers

Joint Treasury Management Strategy Statement and Annual Investment Strategy Report 2024/25 to 2026/27 (Adur Council 22nd February 2024 and Worthing Council 20th February 2024)

Annual Treasury Management Report 2023/24 for Adur District Council and Worthing Borough Council 1 April 2023 – 31 March 2024 (JAGC 26 September 2024 JSC 12 November 2024)

Link Group Treasury Services Ltd Half Year Report Template 2024/25

Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (CIPFA)

The Prudential Code for Capital Finance in Local Authorities (CIPFA)

SUSTAINABILITY & RISK ASSESSMENT

1. ECONOMIC

The treasury management function ensures that the Councils have sufficient liquidity to finance their day to day operations. Borrowing is arranged as required to fund the capital programmes. Available funds are invested according to the specified criteria to ensure security of the funds, liquidity and, after these considerations, to maximise the rate of return.

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

4.1 The Councils' Treasury Management Strategy and Annual Investment Strategy places the security of investments as foremost in considering all treasury management dealing. By so doing it contributes towards the Council priorities.

4.2 The operation of the treasury management function is as approved by the Councils' Treasury Management Strategy and Annual Investment Strategy 2024/25 - 2026/27, submitted and approved before the commencement of the 2024/25 financial year.

4.3 In the current economic climate the security of investments is paramount, the management of which includes regular monitoring of the credit ratings and other incidental information relating to credit worthiness of the Councils' investment counterparties.

APPENDIX 1
Investment Portfolios at 30 September 2024
Adur District Council:

Counterparty	Issue Date	Maturity Date	Principal	Interest Rate	Long Term Rating
CCLA MMF	n/a	n/a	£10,000	var	AAAmmf
Black Rock MMF	n/a	n/a	£10,000	var	AAAmmf
Federated Investments MMF	n/a	n/a	£2,370,000	var	AAAmmf
Invesco Liquidity Funds MMF	n/a	n/a	£370,000	var	AAAmmf
Lloyds Call Account	n/a	n/a	£95,000	4.88%	A+
Local Authority Property Fund	25.04.17	n/a	£3,000,000	var	n/a
Boom Credit Union	06.03.15	n/a	£25,000	n/a	n/a
TOTAL			£5,880,000		

Worthing Borough Council:

Counterparty	Issue Date	Maturity Date	Principal	Interest Rate	Long Term Rating
CCLA MMF	n/a	n/a	£10,000	var	AAAmmf
Black Rock MMF	n/a	n/a	£10,000	var	AAAmmf
Federated Investors MMF	n/a	n/a	£1,680,000	var	AAAmmf
Invesco Liquidity Funds MMF	n/a	n/a	£920,000	var	AAAmmf
Close Brothers Limited	05.01.23	05.01.25	£1,000,000	4.70%	BBB+
Lloyds Call Account	n/a	n/a	£1,150,000	4.88%	A+
Worthing ESCO Ltd	11.06.24	11.06.49	£1,275,000	0.01%	n/a
Local Authority Property Fund	27.04.17	n/a	£1,500,000	var	n/a
Boom Credit Union	Various	n/a	£50,000	n/a	n/a
TOTAL			£7,595,000		

Appendix 2
New loans taken out by the Councils

Adur District Council – new loans

Lender	Principal	Type	Interest Rate	Maturity
Police and Crime Commissioner for South Wales	£5.0m	Fixed interest rate	5.00%	11/12/24
London Borough of Newham	£4.0m	Fixed interest rate	5.00%	29/11/24

Worthing Borough Council – new loans

Lender	Principal	Type	Interest Rate	Maturity
PWLB	£5.0m	Fixed interest rate	4.83%	28/04/27
North Northamptonshire Council	£5.0m	Fixed interest rate	5.35%	22/10/24
West Yorkshire Combined Authority	£5.0m	Fixed interest rate	5.10%	22/05/25
South Yorkshire Mayoral Combined Authority	£5.0m	Fixed interest rate	4.70%	05/07/25
South Derbyshire District Council	£5.0m	Fixed interest rate	4.70%	29/09/25

APPENDIX 3

*This commentary has been supplied by **Link Treasury Services Ltd**, the professional consultants for the Councils' shared treasury management services. The context is significant as it describes the backdrop against which treasury management activity has been undertaken during the year.*

Economics Update

- The third quarter of 2024 (July to September) saw:
 - GDP growth stagnating in July following downwardly revised Q2 figures (0.5% q/q)
 - A further easing in wage growth as the headline 3myy rate (including bonuses) fell from 4.6% in June to 4.0% in July;
 - CPI inflation hitting its target in June before edging above it to 2.2% in July and August;
 - Core CPI inflation increasing from 3.3% in July to 3.6% in August;
 - The Bank of England initiating its easing cycle by lowering interest rates from 5.25% to 5.0% in August and holding them steady in its September meeting;
 - 10-year gilt yields falling to 4.0% in September.
- The economy's stagnation in June and July points more to a mild slowdown in GDP growth than a sudden drop back into a recession. Moreover, the drop in September's composite activity Purchasing Managers Index, from 53.8 in August to 52.9, was still consistent with GDP growth of 0.3%-0.4% for the summer months. This is in line with the Bank of England's view, and it was encouraging that an improvement in manufacturing output growth could be detected, whilst the services PMI balance suggests non-retail services output grew by 0.5% q/q in Q3. Additionally, the services PMI future activity balance showed an uptick in September, although readings after the Chancellor's announcements at the Budget on 30th October will be more meaningful.
- The 1.0% m/m jump in retail sales in August was stronger than the consensus forecast for a 0.4% m/m increase. The rise was reasonably broad based, with six of the seven main sub sectors recording monthly increases, though the biggest gains came from clothing stores and supermarkets, which the ONS reported was driven by the warmer-than-usual weather and end of season sales. As a result, some of that strength is probably temporary.
- The government's plans to raise public spending by around £16bn a year (0.6% GDP) have caused concerns that a big rise in taxes will be [announced in the Budget](#), which could weaken GDP growth in the medium-term. However, if taxes are raised in line with spending (i.e., by £16bn) that would mean the overall stance of fiscal policy would be similar to the previous government's plan to reduce the budget deficit. Additionally, rises in public spending tend to boost GDP by more than increases in taxes reduce it. Our

colleagues at Capital Economics suggest GDP growth will hit 1.2% in 2024 before reaching 1.5% for both 2025 and 2026.

- The further easing in wage growth will be welcomed by the Bank of England as a sign that labour market conditions are continuing to cool. The 3myy growth rate of average earnings fell from 4.6% in June to 4.0% in July. On a three-month annualised basis, average earnings growth eased from 3.0% to 1.8%, its lowest rate since December 2023. Excluding bonuses, the 3myy rate fell from 5.4% to 5.1%.

- Other labour market indicators also point to a further loosening in the labour market. The 59,000 fall in the alternative PAYE measure of the number of employees in August marked the fourth fall in the past five months. And the 77,000 decline in the three months to August was the biggest drop since November 2020. Moreover, the number of workforce jobs fell by 28,000 in Q2. The downward trend in job vacancies continued too. The number of job vacancies fell from 872,000 in the three months to July to 857,000 in the three months to August. That leaves it 34% below its peak in May 2022, and just 5% above its pre-pandemic level. Nonetheless, the Bank of England is still more concerned about the inflationary influence of the labour market rather than the risk of a major slowdown in labour market activity.

- CPI inflation stayed at 2.2% in August, but services inflation rose from a two-year low of 5.2% in July to 5.6%, significantly above its long-run average of 3.5%. Food and fuel price inflation exerted some downward pressure on CPI inflation, but these were offset by the upward effects from rising furniture/household equipment inflation, recreation/culture inflation and a surprisingly large rise in airfares inflation from -10.4% in July to +11.9% in August. As a result, core inflation crept back up from 3.3% to 3.6%. CPI inflation is also expected to rise in the coming months, potentially reaching 2.9% in November, before declining to around 2.0% by mid-2025.

- The Bank initiated its loosening cycle in August with a 25bps rate cut, lowering rates from 5.25% to 5.0%. In its September meeting, the Bank, resembling the ECB more than the Fed, opted to hold rates steady at 5.0%, signalling a preference for a more gradual approach to rate cuts. Notably, one Monetary Policy Committee (MPC) member (Swati Dhingra) voted for a consecutive 25bps cut, while four members swung back to voting to leave rates unchanged. That meant the slim 5-4 vote in favour of a cut in August shifted to a solid 8-1 vote in favour of no change.

- Looking ahead, CPI inflation will likely rise in the coming months before it falls back to its target of 2.0% in mid-2025. The increasing uncertainties of the Middle East may also exert an upward pressure on inflation, with oil prices rising in the aftermath of Iran's missile attack on Israel on 1 October. China's recent outpouring of new fiscal support measures in the latter stages of September has also added to the upshift in broader commodity prices, which, in turn, may impact on global inflation levels and thus monetary policy decisions. Despite these recent developments, our central forecast is still for rates to fall to 4.5% by the end of 2024 with further cuts likely throughout 2025. This is in line with market expectations, however, although a November rate cut still looks likely, December may be more problematic for the Bank if CPI inflation spikes towards 3%. In the second half of 2025, though, we think a more marked easing in inflation will prompt the Bank to speed up, resulting in rates eventually reaching 3.0%, rather than the 3.25-3.50% currently priced in by financial markets.

- Our forecast is next due to be updated around mid-November following the 30 October Budget, 5 November US presidential election and the 7 November MPC meeting and the release of the Bank of England Quarterly Monetary Policy Report.

- Looking at gilt movements in the first half of 2024/25, and you will note the 10-year gilt yield declined from 4.32% in May to 4.02% in August as the Bank's August rate cut signalled the start of its loosening cycle. Following the decision to hold the Bank Rate at 5.0% in September, the market response was muted, with the 10-year yield rising by only 5bps after the announcement. This likely reflected the fact that money markets had priced in a 25% chance of a rate cut prior to the meeting. The yield had already increased by about 10bps in the days leading up to the meeting, driven in part by the Fed's "hawkish cut" on 18 September. There is a possibility that gilt yields will rise near-term as UK policymakers remain cautious due to persistent inflation concerns, before declining in the longer term as rates fall to 3.0%.

- The FTSE 100 reached a peak of 8,380 in the third quarter of 2024, but its performance is firmly in the shade of the US S&P500, which has breached the 5,700 threshold on several occasions recently. Its progress, however, may pause for the time being whilst investors wait to see who is elected the next US President, and how events in the Middle East (and Ukraine) unfold. The catalyst for any further rally (or not) is likely to be the degree of investors' faith in AI.

MPC meetings: 9 May, 20 June, 1 August, 19 September 2024

- On 9 May, the Bank of England's Monetary Policy Committee (MPC) voted 7-2 to keep Bank Rate at 5.25%. This outcome was repeated on 20th June.
- However, by the time of the August meeting, there was a 5-4 vote in place for rates to be cut by 25bps to 5%. However, subsequent speeches from MPC members have supported Governor Bailey's tone with its emphasis on "gradual" reductions over time.
- Markets thought there may be an outside chance of a further Bank Rate reduction in September, following the 50bps cut by the FOMC, but this came to nothing.
- Nonetheless, November still looks most likely to be the next month to see a rate cut to 4.75% but, thereafter, inflation and employment data releases, as well as geo-political events, are likely to be the determinant for what happens in the remainder of 2024/25 and into 2025/26.

This page is intentionally left blank



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10th December 2024

Key Decision [Yes/No]
Ward(s) Affected:All

2nd Quarter Revenue Monitoring Report 2024/25

Report by the Director for Sustainability and Resources

Executive Summary

1. Purpose

- 1.1. This report updates the Joint Strategic Committee with the latest expenditure and income projections for both Adur District Council and Worthing Borough Council for the current financial year 2024/25, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 30th September 2024, the forecast outturn position will reflect the latest information available to ensure an up-to-date forecast is presented.

The current outturn projection for the 2024/25 financial year for the Worthing Borough Council General Fund is a net overspend of £511k and for Adur District Council General Fund is a net underspend of £333k. These projections reflect the assumption that the budgeted contributions to rebuild reserves within the councils budgets will not be possible unless there are underspend outturn positions and surplus funds to transfer. A breakdown is set out in section 4.4 of the report.

The report shows that the councils are absorbing most of the considerable pressure of housing needs which has risen beyond the budget allocation which had in term been increased for 23/24, but the overspend in Worthing reflects the challenges that this causes.

- 1.2. The following appendices have been attached to this report:

1.3.

- (i) **Appendix 1** Briefing Note on Service Performance
- (ii) **Appendix 2**
 - (a) Worthing Summary
 - (b) Worthing Use of Earmarked Reserves
- iii) **Appendix 3**
 - (a) Adur Summary
 - (b) Adur Use of Earmarked Reserves

- (iii) **Appendix 4** (a) HRA Summary
(b) HRA Major variances
(c) HRA Briefing note
- (iv) **Appendix 5** Table of Variations over £20,000

2. Recommendations

- 2.1. The Joint Strategic Committee is asked to note the report and projected outturn position for the Joint Committee, Adur District Council and Worthing Borough Council against the approved revenue budgets and proposed use of reserves (Appendix 2b and 3b).

3.0 Context

- 3.1 The Joint Strategic Committee last considered the 5-year forecast for 2024/25 to 2028/29 on 11th July 2023.
- 3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on previous strategies whose aim was to ensure that the Councils would become community funded, reliant only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The delivery of this 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. In terms of the strategy the organisation is working strenuously to ensure successful delivery, however there are other factors that are outside of the councils control that are putting pressure on the overall finances and these are covered in the report.

4.0 Issues for consideration - Revenue 2024/25 Forecast

- 4.1 As part of the 2024/25 budget the Councils committed to savings of £1.087m for Adur District Council and £2.285m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support.

- 4.2 These savings include £2.2 million in anticipated budget reductions from the organisational design programme. This programme has two core objectives: implementing a design aligned with the principles and framework of Our Plan, and repositioning the council financially to achieve a more resilient and sustainable budget position.

The challenges outlined in this report underscore the importance of the programme's long-term goals, highlighting the need for structural and financial resilience. It is also of note that many of these same challenges are associated with statutory duties and risk eroding the progress of spend controls and the design programme in addressing the financial challenge faced by the councils. Though a significant amount of effort is generating financial transformation, these risks continue to work against this process.

The *Organisational Design Programme* report delivered to this committee at the 12th of November 2024 meeting provides a detailed programme update and should be reviewed for further detail on the programme's progression. Current projections are that the programme is on track in terms of the overall delivery of savings but there are some delays in the timeline which will see lower than anticipated savings in 2024/25, In response we are accelerating the 2025/26 organisation design programme work into the current year to deliver the savings earlier where possible and ensure full year savings will be made in 2025/26.

- 4.3 Increased cost pressures, particularly within the Housing Needs and Benefits services alongside shortfalls against some income budgets mean that there are material future risks to this forecast. The main factors influencing the level of spend are discussed in detail in section 4.11 of the report. Additionally, 4.13 details the future risks currently identified in relation to this forecast.
- 4.4 The current year-end forecast is comprised of a number of elements as set out in the table below:

2024/25	£000's	
	Adur	Worthing
Over/(under)spend in operational services	(257)	1,207
Net Interest (increase)/decrease	157	196
Commercial property additional income shortfall / cost pressure	620	(122)
Property void allowance	(850)	(750)
Net over/(under) spend before Transfer to/(from) Reserves	(330)	530
Transfers from Earmarked reserves	(3)	(20)
Net over/(under) spend after reserve transfers	(333)	511

4.5 The key factors underpinning the current financial position will be given throughout this report.

Once these items are taken into account, the operational position is a net overspend by services of £1,207k in Worthing and an underspend of £257k in Adur. This projection demonstrates the pressure on the Councils finances as a result increased homelessness caseloads, costs pressures associated with Housing Benefit and income levels in some areas still below pre pandemic levels.

4.6 In summary the overall revenue outturn projections reported for Q2 are as follows:

Projected Outturn Summary	£000's		
	Joint	Adur	Worthing
Current Budget 2024/25	27,579	10,902	15,225
Forecast Outturn	26,930	10,572	15,755
Projected Forecast over/ (underspend) before Government support packages or transfers to or from reserves	(649)	(330)	530
Reserves Funding		(3)	(20)
Projected Forecast over/ (underspend) after Government funding and proposed transfer to or from reserves	(649)	(333)	511
Projected over/(underspend)	-2.35%	-3.05%	3.36%

The Adur and Worthing projected forecasts in the table above include the respective share of the estimated Joint Services underspend.

Comparison to the Q1 forecast:	Joint £000s	Adur £000s	Worthing £000s
Forecast Outturn Over/(under)spend	(649)	(333)	511
Forecast Over/(under)spend Q1	177	(80)	379
Change from Q1 to Q2 (improvement)/deterioration	(826)	(253)	132

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

Joint	£000's		
	Expenditure	Income	Net Total
Budget	33,966	(6,387)	27,579
Forecast (after transfer to reserves)	33,100	(6,170)	26,930
Projected Forecast (Under)/ Overspend	(865)	216	(649)
Forecast variance % before Government funding	-2.55%	3.38%	-2.35%
Adur			
Budget	35,907	(25,005)	10,902
Forecast (after transfer to reserves)	35,294	(24,725)	10,569
Authority Projected Forecast (Under)/ Overspend	(614)	281	(333)
Forecast variance % before Government funding	-1.71%	1.12%	-3.05%
Worthing			
Budget	66,702	(51,477)	15,225
Forecast (after transfer to reserves)	66,932	(51,196)	15,736
Authority Projected Forecast (Under)/Overspend	231	280	511
Forecast variance % before Government funding	0.35%	0.54%	3.36%

4.8 The Joint Strategic Committee (JSC) sub committees for Worthing Borough Council and Adur District Council are asked to consider:-

- the current projections of variances in the Council's General Fund Revenue Budgets:
- any amendments and virements to budgets which may require a recommendation onto Council for approval;

In addition, the Strategic Committee (JSC) sub committee for Adur District Council is asked to consider:-

- the current projections of variances in the Adur Housing Revenue Account; and

4.9 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2024/25, these services are:-

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

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

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

4.11 **Headline Budget Variations**

4.11.1 Appendix 1 of this report provides detailed commentary on service areas with significant budget variances. The key highlights are summarised in this section.

4.11.2 The forecast in year deficit is set out in the following table with focus on the main factors that make up the estimated outturn position:

In Year forecast (surplus)/deficit	£000's		
	Joint	Adur	Worthing
Treasury		157	200

Services:			
Commercial Waste		155	(145)
Car Parks		(3)	208
Homelessness		396	1,423
Bereavement		30	129
Strategic Property		(206)	(707)
Planning and Development (Development Management, Building and Land Charges)		348	430
Parks		(15)	(137)
Place and Economy		(86)	26
Elections		(3)	8
Revenues & Benefits		330	1,015
Energy & Sustainability		(190)	0
Leisure Strategic Support		(54)	15
Corporate Contingency & Centralised Utilities & Centralised budget areas		(750)	(1,104)
Other	(650)	133	(160)
Total projected deficit before share of Joint services & use of or budgeted contributions to reserves	(650)	230	1,207
Share of Joint Services		(260)	(390)
Total projected deficit before use of or budgeted contributions to reserves		(30)	817
Contribution from Reserves to expenditure		(3)	(20)
<i>Contribution to reserves (variance against budget)</i>		(300)	(286)
Total projected deficit (surplus)		(333)	511

Further detail on these factors is provided below.

4.11.3 Homelessness

Cost pressures continue to persist due to the steady number of cases involving individuals, couples, and families presenting to the council in the immediate housing crisis. Full details including case loads are given in the appendices.

As part of the wider Housing Service Redesign, the homeless team has been reprofiled to secure additional capacity within the homeless advice team. This additional capacity is in place to maximise the opportunities to undertake homeless prevention work wherever possible and reduce the need for nightly paid accommodation.

Please see Appendix 1 for more details.

4.11.4 Supported Accommodation

Worthing, and to a lesser extent, Adur, are both disproportionately impacted by the volume of Supported Accommodation commissioned into our area, partly due to the historic comparatively lower property prices and the availability of larger buildings.

These providers support vulnerable tenants who may be care leavers, move on from bail hostels or recently released from prison, tenants with severe mental health needs or physical disabilities, a history of homelessness etc. The support is required to be able to live independently.

Please see the Appendix 1 for more details.

4.11.5 Pay Award and National Insurance contributions

The agreed national pay award is an increase of £1,290 to each spinal column pay point up to 43 and 2.5% for pay scales beyond this point. This equates to an average increase of around 4%, which is aligned with the assumption increase built into the 2024/25 budget.

4.11.6 Utilities and Rates

In April 2023 the council were on variable rates and had an extra budget allocated to allow for this. Since April 2024 we are now on fixed rates of £4.70 per kWh for gas, Electricity Night rate of 21p kWh and 24p kWh day rate, with an unmetered supply rate of 29p kWh. This should generate significant savings across both councils budgets.

Current outturn projections indicate an overall underspend on utilities of £531k across the councils for 24/25.

Rates are predicted to be £138k overspent in Adur against the 2024/25 budget, mainly due to void units within the property portfolio. Worthing is

also expected to be overspent by an estimated £195k, a significant proportion relating to revaluations of the car parks by the Valuation Office.

Budget Area	£000				Over/(Under) spend
	Electricity	Gas	Water	Rates	
Adur	21	(38)	11	138	131
Worthing	(158)	(120)	31	195	(52)
Joint	(212)	(72)	7	(5)	(282)

The utility costs within the Joint Service are associated with corporate buildings. The share of this cost is allocated to Adur and Worthing on a 40:60 basis. Therefore the underspend will be shared on the same basis and is included in the overall projected outturn figures.

4.11.7 Maintenance

Current indications are that maintenance costs will be overspend against budget in Joint by £44k, this includes £46k for works at commerce way. In Worthing the costs projected will be 181k under budget, £41k of this relates to maintenance of the cremators with other underspends mitigating the balance. Adur are currently forecast to be kept within budget.

4.11.8 Treasury

Treasury budgets continue to be pressured by a sustained period of increased interest rates, though a number of mitigation measures are in place as agreed in the treasury management strategy. Currently both councils' are anticipating overspends in this area.

There are a number of factors which can influence this forecast including, completion of asset disposals, changes in the rate of new capital expenditure and market sentiment on the future position of headline interest rates set by the ECB, MPC and US Fed. As such, there remains opportunity for material improvement to the current prudent forecasting.

4.11.9 Waste and Cleansing

Domestic Refuse and Recycling collections have seen a rise in agency spend due to higher levels of staff sickness, where agency staff are used to cover vacancies, holiday and sickness on the kerbside service, which requires a minimum staffing level to operate. It is forecast that targeted

vacancy management will deliver in year savings on the Cleansing service to help manage the current budget pressures. The service is also being impacted by inflation, rising costs of fuel, parts, bins and consumables and the ageing HGV fleet.

Commercial waste is forecasting a net deficit to budget in Adur of £161k and a net surplus in Worthing of £150k. The difference in the variances between authorities is being driven by the impact of loss of large customers resulting in an underachievement of income in Adur, whereas Worthing benefits from lower disposal costs resulting in a saving.

4.11.10 Car Parks

Worthing Car Parks are currently forecasting a net underachievement of budget of £208k due to a combination of drop in demand and delayed tariff increases, though this has improved from last quarters forecast. This figure includes £91k overspend on rates which are highlighted in section 4.11.6 and £106k shortfall in income. Buckingham Road MSCP is now open but not expected to generate additional income as this income would have been displaced into our other car parks.

Adur is forecast to be on target to meet its budget.

Further information is provided in Appendix 1.

4.11.11 Bereavement

The net deficit against budget is due to a continued underachievement in income, in Worthing this is associated with a budget that is no longer achievable for cremations. A budget reset was introduced the 24/25 budget process reducing the income target by £500k however there is still a projected shortfall. Work is due to start in the Winter to extend to the memorial garden.

In Adur there is a forecast shortfall in burial income predicted.

Further detail is set out in appendix 1.

4.11.12 Strategic Property

Projected income in Adur & Worthing from strategic property portfolios are based on the assumption that the budgeted transfer to the Property Investment Risk Reserves are not made in the 2024/25 year.

4.11.13 Planning and Development

As with Bereavement Services the budget shortfall is largely related to the underachievement of income. These income streams are largely demand led and can therefore fluctuate making forecasting difficult to predict. Based on current performance the forecast outturn position is a shortfall of £430k in Worthing (prior quarter £314k) and £348k in Adur (prior quarter £306k). See Appendix 1 for further details

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

The Council's individual Summary Projected Outturns are reported in Appendix 2a & 3a. The variations are detailed in Appendix 5.

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

They include:-

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

4.13 **Future Risks**

4.13.1 Demand for housing

After statistics briefly suggested that the councils may be reaching a plateau in housing pressures, the past 3 months have seen a significant increase in case load. The increased demand for housing services presents a significant risk to future council finances, primarily because many of the council's responsibilities in this area are statutory, limiting their ability to control spending. However, efforts are being made to improve cost efficiency.

Central government provides support funding to local authorities through the Homelessness prevention grant. However, Adur and Worthing have low level allocations of this central pot and is disproportionate in comparison to other neighbouring councils;

£ of HPG per Household			
	2021/22	2022/23	2023/24
Adur	£2,0387	£2,123	£1,778
Arun	£4,6855	£5,003	£3,893
Chichester	£3,952	£4,315	£4,550
Crawley	£2,908	£2,389	£1,864
Horsham	£2,874	£2,748	£2,651
Mid Sussex	£4,242	£6,364	£5,437
Worthing	£944	£898	£929

	2021/22	2022/23	2023/24
Average grant per homelessness claim	£3,450	£3,824	£3,362
Adur variation to average	-£1,412	-£1,701	-£1,584
Worthing variation to average	-£2,505	-£2,926	-£2,433

Officers have raised this issue with MHCLG, however the impact is that the councils need to meet the pressure of the unfunded net cost of the demand for the homelessness service until this is resolved.

We have a number of spend control plans in place to shift our reliance from the most costly nightly paid provision to meet our statutory demand to more cost effective longer term leased arrangements which secures a cheaper equivalent cost per night. In addition we are increasing our number of owned temporary accommodation units. We are also reshaping the housing service post service redesign to ensure an enhanced focus upon prevention work and progress of homeless decision work which it is anticipated that together will reduce demand and ensure the length of stay in temporary accommodation is not unduly extended through delays to decision making. The current external economic factors including impacts to the private rental market, mean that despite significant work in this area it remains a considerable future risk.

4.13.2 *Revenues and Benefits*

Worthing, and to a lesser extent Adur, face challenges due to the high volume of Supported Accommodation (SA) commissioned in the area. This trend is partly driven by historically lower property prices and the availability of larger buildings. A significant issue arises with non-profit landlords who are not registered as social landlords. Unlike registered

social landlords, the council can only claim housing benefit subsidy up to the Market Rent, which is based on 2011 levels, for these properties.

This limitation results in a substantial subsidy shortfall, which the council must cover from its own budgets. This is projected to be in excess of budgets by £989k for Worthing and £329k for Adur, a material statutory pressure.

Projections indicate that this issue will worsen, with 75% of the anticipated net subsidy shortfall for 2024/25 expected to be associated with this type of accommodation. For this reason it is now listed as a future risk.

4.13.3 *Inflation*

Though the annual rate of inflation has slowed, there is still a risk to council finances with the pressure on rising costs across all budget areas. The nature of some supplier contracts will mean that all inflationary pressures have not yet been fully felt across both councils' finances. This remains an area of review and is being addressed as part of the savings process for both councils.

4.13.4 *Financial sustainability*

The level of earmarked reserves will reduce if they are required to meet the overspends currently forecast for the year.

Worthing Borough Council holds a limited level of available reserves (excluding the Business Rates Smoothing Reserve, the Tax Guarantee Reserve and Grants and Contributions). The utilisation of these reserves remains a matter for concern as it will impact the council's ability to absorb financial shocks in future years and this is a key driver for continued efforts to improve the Council's financial standing. The Council's reserves position and in year movement is set out in the table below:

Worthing Borough Council Available Reserves	Balance at 1st April 2024	Transfer In/(Out) 2024/25	Balance Remaining
	£	£	£
Capacity Issues Reserve	11,688	0	11,688
General Fund Working Balance	760,356	(510,882)	249,474
Property Investment Risk Reserve	450,000	0	450,000
Building Maintenance Reserve	15,714	(15,714)	0

Insurance Reserve	230,244	0	230,244
Museum Reserve	74,899	0	74,899
Risk Reserve Exit costs	60,896	(3,817)	57,079
Total	1,603,796	(530,412)	1,073,384

The Council's established policy to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance is £760,356, reducing to £249,474 after allowing for the overspend. This balance would reduce to 1.4% of net revenue expenditure (previously, 8.5% in 2023/24) and is significantly below the range of 6% -10% recommended level set by the Council. It should be noted that the level of reserves held is very low and the importance of closely monitoring financial performance and commitments undertaken. Any overspend for the financial year would deplete the reserves further, the financial strategy plans for reserves to be rebuilt over future years but this can only happen when there are resources available at the year end.

In Adur, the level of reserves are in a slightly healthier position. Overall, the value of useable reserves are set out below:-

Adur District Council Available Reserves	Balance at 1st April 2024	Transfer In/(Out) 2024/25	Remaining balance
	£	£	£
Capacity Issues Reserve	640,345	332,639	972,984
General Fund Working Balance	1,051,497	0	1,051,497
Property Investment Risk Reserve	500,000	0	500,000
Insurance Reserve	82,959	0	82,959
Risk Reserve Exit costs	60,896	(2,545)	58,351
Total	2,335,696	330,094	2,665,790

As in Worthing, the Council's established policy to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance as at 30th June 2024 is £1,051,497. This balance is 9.5% of net revenue expenditure (previously, 9.9% in 2023/24) and is in the top part of the range of 6% -10% set by the Council.

The current commitment on all the General Fund earmarked reserves are set out in appendix 2b and 3b. The 2024/25 budget set out plans to begin rebuilding reserve balance for both councils, however any transfer is

limited to the outturn position and current indications are that neither council will be in a position to meet the budgeted contribution to reserves.

4.14 **Corrective Action**

4.14.1 As an organisation we are addressing the forecast overspend with the following spend control processes:

1. All expenditure is triaged through the daily purchase order triage or through a weekly budget management group depending on the category and value of the request.
2. Centralisation of some budget areas to ensure they can be monitored centrally, the intention is to control spend and hold a contingency to mitigate cost pressures.
3. Vacancy control, all recruitment is reviewed through BMG, where there is agreement to appoint this will be on a temporary basis where positions are externally funded or in areas of focus that are still in the process of redesign.
4. The capital programme is to be reviewed with any reduction in borrowing requirement reducing the associated treasury cost.

4.14.2 The current budget pressures will continue to be monitored throughout the year, and to identify if any further action is required to bring them back within the set budget.

4.15 Housing Revenue Account

4.15.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 4a.

4.15.2 The HRA is forecast to overspend against the budget for 2024/25 by £378k. The most significant pressures are due to:

- Void properties (including losses in associated service charges and increased Council Tax liabilities) - £247k.
- Repairs and maintenance - £284k.

4.15.3 A forecast under spend is expected in employee costs as a result of a slightly lower pay award than anticipated and also a number of posts being held vacant pending a redesign of the service - £150k. As part of the wider Housing Service Redesign the service will be reducing reliance on agency staff across a number of roles.

Engagement and Communication

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

Financial Implications

- 6.1 At this stage at the end of the 2nd quarter of the revenue budgetary cycle, we continue to see the financial impact of the increase in demand in some service areas particularly Housing Needs and Benefits.
- 6.2 Overall the projected outturn positions net of treasury savings, the performance in the strategic property portfolio and reserve transfers is an overspend in Worthing of £511k and an underspend in Adur of £333k, which includes the councils share of the estimated £650k underspend within the Joint Service.
- 6.3 The projected outturn figures are based on the assumption that budgeted transfers to reserves will not be possible in Worthing and that only the forecast surplus for Adur would be available. The transfers included within the 2024/25 budget are :

	Adur	Worthing
Property Risk Reserve	£850k	£750k
Provision to build general reserves	£300k	£200k

- 6.4 The financial performance of the Councils will continue to be monitored closely against budgets and projections updated as the financial year continues.

Legal Implications

- 7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge.

- 7.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, and s42A and 42B of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 7.3 There are a range of safeguards in place that help to prevent local authorities overcommitting themselves financially. These include a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement).

Background Papers

Joint Overall Budget Estimates 2024/24

https://democracy.adur-worthing.gov.uk/documents/s11898/2024.02.08%20-%20JSC%20-%20Agenda%20item%206%20-%20Final%20revenue%20budget%20estimate%202024_25.pdf

Adur District Council Budget Estimates 2024/25 and Setting of the 2024/25 Council Tax

https://democracy.adur-worthing.gov.uk/documents/s11839/Adur%20Cabinet%20-%20Budget%20Estimates%202024_25%20and%20setting%20of%20the%202024_25%20Council%20Tax.pdf

Worthing Overall Budget Estimates 2024/25 and Setting of 2024/25 Council Tax

https://democracy.adur-worthing.gov.uk/documents/s11872/Worthing%20Cabinet%20-%20Budget%20Estimates%202024_25%20and%20setting%20of%20the%202024_25%20Council%20Tax.pdf

Financial Performance 2023/24 - Revenue Outturn

https://democracy.adur-worthing.gov.uk/documents/s12967/2024.07.17%20-%20JSC%20Revenue%20Outturn%202023_24.pdf

Officer Contact Details:-

Joel Goacher

Chief Accountant

01903 221236

joel.goacher@adur-worthing.gov.uk

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

Quarter 2 Budget Monitoring - Commentary on Services with significant outturn forecast to budget variances

This information supplements the information in the 2nd Quarter Revenue Monitoring report providing more detail to the service forecast in areas where there are significant variances in the forecast outturn positions than budgeted. The variances are across the organisation but are mostly in the areas that are either volatile in nature or demand led which can make income streams more difficult to predict. There are also some areas where global and national economic activity are impacting causing costs pressures, such as inflation and energy supply.

1.1 Homelessness

There continue to be cost pressures associated with homelessness within both Adur and Worthing with increasing numbers of people presenting themselves to the Council for support for their housing needs.

The main reasons for these increased pressures on the Council include:-

- Introduction of Homeless Reduction Act
- The Local Housing Allowance(LHA) does not increase in line with the private sector rent prices and there are very few properties available to rent at LHA rates in the area, leading to those who would not usually seek help from the council presenting as homeless. The lack of available affordable homes (social and private sector) and supported housing not only limits prevention work but also means that those in temporary accommodation are there for long periods until they receive an offer of private rented, social or supported housing.
- Councils are only able to charge rent on Temporary Accommodation at 90% of 2011 LHA irrespective of the cost of the accommodation to the councils and costs of temporary accommodation are increasing due to housing shortages, increased demand as well as costs to the providers increasing. As well as the development of owned stock, the service is increasing its contracted Temporary Accommodation portfolio to meet demand and reduce costs on spot purchased
- COVID
- Increasing interest costs and the change to the Landlord & tenant act, which impacted on smaller landlords resulting in some deciding to sell reducing the number of available rental properties, this is likely to increase further when the Renters (Reform) Bill banning no fault section 21 evictions comes into law.

Worthing is seeing an increase in demand, the average caseload for 2023/24 was 340 increasing to a projected 402 in 2024/25. The outturn forecast includes an assumed increase in caseload of 8 cases per month, offset by a target decrease of 11 per month for the remainder of the year with prevention activity increasing.

In Adur the average caseload for 2023/24 was 105 increasing to a projected 113 in 2024/25. In April 2024 the average caseload was 119, increasing to 123 in June and decreasing to 118 in July. The outturn forecast includes an assumed increase in caseload of 1 cases per month, offset by a target decrease of 3 cases per month for the remainder of the year with prevention activity increasing.

As set out at section 4.13.1 of the main report central government Homeless Prevention Grant funding is disproportionately low in Adur and Worthing compared to other neighbouring West Sussex councils. In 2023/2024 Worthing's average grant per homelessness household was £929 and Adurs £1,778 compared to the West Sussex average of £3,362. It is understood that this legacy allocation relates to incorrect data going back over 5 years and we are still impacted despite Worthing having the second highest number of households in temporary accommodation in the county as at the end of the 2023/24 financial year.

The increase in the demand is impacting on the cost pressures in procuring additional accommodation along with increased costs from existing suppliers who are passing on their inflationary cost pressures to customers through their increased accommodation charges. The impact of this is an increase in the average rate being charged from £42 to £49 per night in Worthing and to £53 in Adur.

1.2 Supported Accommodation

Worthing, and to a lesser extent, Adur, are both disproportionately impacted by the volume of Supported Accommodation (SA) commissioned into our area, partly due to the historic comparatively lower property prices and the availability of larger buildings. These issues relate to non-profit landlords that are not registered social landlords (we can claim 100% housing benefit subsidy back with registered social landlords) that provide care. Since 2021 there has been a 221% increase in units in Worthing.

The impact of this is that the Revenues and Benefits budget line in Worthing is £989k overspent and in Adur it is £329k overspend.

Councils are therefore restricted in the amount of subsidy that can be claimed back on these properties up to the Market Rent (which is based on 2011 levels).

The Councils' have a statutory duty to pay Housing Benefit on claims for residents and any vulnerability they may have with the following criteria:

- Pensioners,
- Families with children under 18 in the household,
- have Limited capability for work in their UC,
- or on any type of ESA.

We are aware that the key driver for this demand is in relation to the type of property in our area, Some of the demand is also driven by several other factors:

- Increasing cost of private rents making the private rental market in the area unaffordable for people on low incomes;
- Limited housing available in the social housing sector;
- Very few options to move on from supported housing when residents no longer require SA, which results in people being stuck in SA and long waiting lists for people who need the support provided by these projects but who are living in unsuitable and unsupported accommodation, including temporary accommodation provided by ADC and WBC;
- SA providers who accept clients outside of Adur and Worthing, due to the lack of similar facilities in the referring areas. This often results in people obtaining a local connection under the 1996 Housing Act which means that they may have a duty to be provided with temporary accommodation.

1.3 Parking

Worthing car park income continues to be one of the main income streams that is most impacted by the pandemic's longer term effect of changing behaviour by customers. One of the main reasons for this is that previous town centre workers are choosing to work remotely some or part of the time reducing the levels of town centre worker deal income and season tickets.

Buckingham Road has only just opened after being closed for over 2 years and there are a number of bays closed at Liverpool gardens while works are completed on the former mobility shop section, which are expected to be freed again shortly. Whilst some of these drivers will be displaced to other council owned car parks (particularly High Street and Grafton) the closures will have some impact on income. Prices were increased by 7% at the end of August 2024.

In Adur, the parking income is showing a small surplus of £3.5k.

1.4 Bereavement Services

Worthing cemetery income is currently expected to exceed the income budget by £65,000

The crematorium is forecasting an overall shortfall against the service income budgets of £417,000

There is currently no available space in the existing memorial garden. Additional income is expected from the delivery of the new garden which was considered and approved by members in January 2023. The works for this are due to commence in the winter, when plots can start to be sold off plan. Income of £223,000 in excess of budget from the initial sales is forecast for the latter part of this financial year.

Overall Bereavement Services in Worthing is predicting a net deficit against budget of £129,000, which reflects 9.4% of the £1.4m net budget.

Adur cemetery income is currently expected to fall short of the income budget by £23,000.

1.5 Strategic and Commercial Property

The Worthing investment property and core estate portfolio is forecast a net income surplus of £872,000, this assumes that the transfer of the void allowance of £650,000 to the Property Investment Risk Reserve will not be made in 2024/25. This is due to increased occupation, filling previously void properties and rental increases, some of which are backdated under lease arrangements. The portfolio has seen some impact from market conditions, with rent free periods being offered in order to attain lease renewals, within the normal boundaries of normal commercial property arrangements.

The Adur investment property and core estate portfolio the forecast is a net income surplus of £304,000 assuming that the transfer of the void allowance of £750,000 to the Property Investment Risk Reserve is not made in 2024/25. There are two voids with the SPIF and a number of properties transitioning tenancy across the estate, whilst empty the Council is responsible for the business rates and all other outgoings until they are relet.

1.6 Planning and Development

In Adur and Worthing the net projected outturn is an overall shortfall of £360,110 and £419,100 respectively within Planning and Development. A breakdown of the variation in the service budget is provided below:

	Adur Net Total	Worthing Net Total
Building Control	£178,340	£155,870
Development Control	£129,550	£159,560
Land Charges	£52,220	£103,670
Planning Policy	-12,390	£9,920
Total	£347,720	£429,020

The current financial position with high inflation and mortgage rates together with high construction costs is having a significant impact on the housing market and development industry. This has had an impact on planning, building control and land charges fee income.

For Development Management there have been no major applications submitted since the start of the financial year. As acknowledged by the government in its recent consultation regarding the National Planning Policy Framework, smaller authorities that do not receive many major applications are likely to suffer a shortfall in their fee income. Although fees for other types of application increased by 25% last year, such fees are significantly smaller than for major applications. The government is now consulting on a proposal to increase householder application fees from the current £258 to £528 which, if implemented, would significantly increase income received from those applications in the future.

1.7 Place and Economy

An Observation Wheel returned to the seafront for the summer holiday with an income of £12,237. The fee is substantially lower than the anticipated budget, an amount that has never yet been achieved. The RV for the site is being challenged by the Concessions team and a proportion of this will be payable by the wheel operator.

1.8 Treasury- External Borrowing Costs, Investments and Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The calculation is based on the level of historic capital spend that has been financed from borrowing. Consequently, once the accounts have been closed and the calculation has been updated for the capital spend in 2023/24, there is certainty about the charge for the forthcoming year.

Worthing Borough Council has net projected overspend in the treasury management budgets of £195k largely due to the impact of the delay in the sale of key sites which were estimated to reduce borrowing costs by £600k. The position is kept under review, in particular our prudent borrowing cost forecasts contain opportunities for improvement across the year.

Interest receivable from treasury investments is forecast to lower than budgeted, as cash balances minimised to reduce borrowing costs, additionally the council is not benefiting from incidental balances as a result of disposals as planned.

In Adur the position is marginally better with a predicted overall underspend in the treasury management budgets of £108k. This is in part due to a prudent financial forecast in relation to borrowing costs, for which there is the possibility of improvement across the year.

The breakdown is provided in the following table.

Treasury Management (under)/overspends	Worthing	Adur
	£000	£000
Minimum Revenue Provision	0	(80)
Interest from Investment Income	103	52
Interest payable on borrowing	72	136
Total	195	108

WORTHING BOROUGH COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2024/25	CURRENT BUDGET 2024/25	Projected Outturn to 31st March 2025	Forecast Over/ (Under)
	£	£	£	£
<i>Leader *</i>	997,560	1,398,080	1,317,880	(80,200)
<i>CM for Environmental Services</i>	4,181,000	4,589,510	4,907,710	318,200
<i>CM for Safety Equalities & Inclusion</i>	737,250	450,400	625,000	174,600
<i>CM for Housing & Citizen Services</i>	4,604,040	4,604,040	6,996,640	2,392,600
<i>CM for Regeneration</i>	1,648,460	1,126,280	465,680	(660,600)
<i>CM for Resources</i>	281,770	281,770	(1,061,116)	(1,342,886)
<i>CM for Culture, Leisure & Wellbeing</i>	3,864,500	3,864,500	3,879,500	15,000
<i>Holding Accounts</i>	536,100	536,100	536,048	(52)
TOTAL CABINET MEMBER	16,850,680	16,850,680	17,667,342	816,662
<i>Credit Back Depreciation</i>	(3,845,070)	(3,845,070)	(3,845,070)	0
<i>Minimum Revenue Provision</i>	1,932,720	1,932,720	1,932,720	0
<i>Net Overspend including Additional Non Ring Fenced Grants</i>	14,938,330	14,938,330	15,754,992	816,662
<i>Transfer to/from reserves:</i>				
<i>Transfer (from)/to reserves to fund specific expenditure</i>	286,250	286,250	(19,530)	(305,780)
<i>Net Overspend Transferred (from)/to Reserves</i>			(510,882)	(510,882)
Total Budget requirement before External Support from Government	15,224,580	15,224,580	15,224,580	(0)

Movements in Earmarked Reserve Accounts
Appendix 2b

WORTHING BOROUGH COUNCIL	Opening Balance	Transfer In	Transfer Out	Closing Balance
Capacity Issues Reserve	11,688	-	-	11,688
Insurance Reserve	230,244	-	-	230,244
Museum reserve	74,899	-	-	74,899
Business Rates Smoothing Reserve	463,943	-	-	463,943
Local Tax Income Guarantee	264,949	-	-	264,949
Property Investment Risk Reserve	450,000	-	-	450,000
Building Maintenance Reserve	-	-	-	-
Place Project	15,714	-	(15,714)	-
Risk Reserve Exit costs	60,896	-	(3,817)	57,079
Grants & Contributions opening Balance	620,041	-	-	620,041
Projected Underspend / (Overspend)		-	(510,882)	(510,882)
General Fund Working Balance	760,356	-	-	760,356
TOTAL	2,952,728	-	(530,412)	2,422,316

ADUR DISTRICT COUNCIL	ORIGINAL BUDGET 2024/25	CURRENT ESTIMATE 2024/25	Projected Outturn to 31st March 2025	Forecast Over/ (Under)
	£	£	£	
<i>Leader</i>	698,260	698,260	648,460	(49,800)
<i>CM for Environment & Leisure</i>	3,317,150	3,317,150	3,592,150	275,000
<i>CM for Communities & Wellbeing</i>	1,283,290	1,283,290	1,443,490	160,200
<i>CM for Housing & Citizen Services</i>	2,034,130	2,034,130	2,769,530	735,400
<i>CM for Regeneration & Strategic Planning</i>	1,923,660	1,923,660	1,820,660	(103,000)
<i>CM for Finance & Resources</i>	908,190	908,190	(60,795)	(968,985)
<i>Holding Accounts</i>	224,490	224,490	224,581	91
TOTAL CABINET MEMBER	10,389,170	10,389,170	10,438,076	48,906
<i>Credit Back Depreciation</i>	(1,617,020)	(1,617,020)	(1,617,020)	0
<i>Minimum Revenue Provision</i>	2,029,730	2,029,730	1,950,730	(79,000)
<i>Net Overspend before reserve transfers</i>	10,801,880	10,801,880	10,771,786	(30,094)
<i>Transfer to/from reserves:</i>				
<i>Transfer (from) / to reserves to fund specific expenditure</i>	300,000	300,000	(2,545)	(302,545)
<i>Net underspend Transferred (from)/to Reserves</i>			332,639	332,639
Total Budget requirement before External Support from Government	11,101,880	11,101,880	11,101,880	0

Movements in Earmarked Reserve Accounts				
ADUR DISTRICT COUNCIL	Opening Balance	Transfer In	Transfer Out	Closing Balance
Capacity Issues Reserve	640,345	-	-	640,345
Projected Underspend / (Overspend)		332,639	-	332,639
Insurance Fund	82,959	-	-	82,959
Business Rates Smoothing Reserve	998,238	-	-	998,238
Local Tax Income Guarantee	59,666	-	-	59,666
Property Investment Risk Reserve	500,000	-	-	500,000
Risk Reserve Exit costs	60,896	-	(2,545)	58,351
Grants and Contributions held in Reserves	660,412	-	-	660,412
General Fund Working Balance	1,051,497	-	-	1,051,497
TOTALS	4,054,013	332,639	(2,545)	4,384,107

HOUSING REVENUE ACCOUNT

Appendix 4a

	ORIGINAL BUDGET	LATEST BUDGET	FORECAST ACTUALS	VARIANCE
	£	£	£	£
EXPENDITURE				
General Management	4,929,640	4,929,640	4,822,631	-107,009
Special Services	853,840	853,840	785,719	-68,121
Rent, Rates, Taxes & Other Charges	189,460	189,460	161,537	-27,923
Repairs & Maintenance	3,249,640	3,249,640	3,601,826	352,186
Bad/Doubtful Debt	75,000	75,000	75,000	0
Capital Financing Costs				
Depreciation and Revenue Contribution to Capital	3,533,120	3,533,120	3,533,120	0
Interest charges	2,542,090	2,542,090	2,542,090	0
TOTAL EXPENDITURE	15,372,790	15,372,790	15,521,923	149,133
INCOME				
Dwelling Rents	(14,498,500)	(14,498,500)	(14,295,520)	202,980
Non-Dwelling Rents	(552,130)	(552,130)	(551,404)	726
Heating and Other Service Charges	(630,640)	(630,640)	(586,608)	44,032
Leaseholder's Service Charges	(317,180)	(317,180)	(335,776)	-18,596
Interest Received	(35,000)	(35,000)	(35,000)	0
TOTAL INCOME	(16,033,450)	(16,033,450)	(15,804,308)	229,142
NET (SURPLUS)/DEFICIT - TFR (TO)/FROM HRA GENERAL RESERVE	(660,660)	(660,660)	(282,385)	378,275

Tfr to/(from) New Development & Acquisitions Reserve	200,000	200,000		(200,000)
Tfr to/(from) Business Improvement Reserve	200,000	200,000	200,000	0
Tfr to/(from) General Reserve	260,660	260,660	82,385	(178,275)
	0	0	0	0

Appendix 4b

Variations in Income and Running Costs (HRA)	(Under)/ Over Spends £'000
Rent & Service Charge void loss	716
Leasehold Service charges	119
Staff vacancies - Repairs & Maintenance and Tenancy Support senior posts	(365)
Repairs & Maintenance - over spend on subcontracted works	535
Council Tax - increase due to higher volume of voids than budgeted	208
Utilities cost increases due to price increases in the energy market	219
Southwick development options work	56
Provision for Bad Debts - increase in provision due to increased total arrears and associated increase in % BDP rates as debts age.	142
Legal fees	77
Internal recharge allocations	96
Other	17
Total Variation in Running Costs	1,820
Variations in Treasury Management and Capital Costs:	
Interest payable	(256)
Depreciation	(852)
Interest receivable	(373)
Total Variation in Treasury and Capital Costs	(1,481)
Total Variation	339

HRA Financial Update 2024/25 – Q2

1.0 Budget Context

The budget for 2024/25 assumes that the income generated during the year would be enough to cover all revenue running expenses and in addition to contribute £660,660 to reserves. This improved position in comparison to previous years is due to the combination of an overall increase to rental income and a reduction in capital financing depreciation costs

The key budget assumptions are:

1.1 Income

- Rental Income increased by the central government cap of CPI+1% (7.7%).
- Dwelling void loss budget for 86 properties (3.4% of total stock) vacant for the full year.
- Garage void loss budget of 357 units (33.1% of total stock) vacant for the full year, to allow for Small Sites developments.
- Re-introduction of £35k investment income budget due to increased reserve levels.

1.2 Repairs

- General inflation at 3%.
- An increase of £100k to responsive and void repairs budgets to allow for additional inflation in materials costs.
- Increase in the budget for council tax on void properties of £125k.
- A reduction of £50k due to the Energy Performance Certificate (EPC) update programme nearing completion. EPCs are required to be renewed every 10 years.

1.3 Staffing costs

- The pay award has been estimated at 4.5% (£135k).
- A vacancy provision of 2.5% (£77k) to allow for natural turnover and therefore savings during the recruitment process.

1.4 Other costs

- Increase in central support costs charged to the HRA (£246k).
- The depreciation policy was reviewed during 2022/23, this has led to a budget reduction of £889k.

- A contingency budget of £200k.

1.5 Reserve contributions

Providing the surplus is available at the end of March 2025, it is to be allocated to reserves as follows:

- £200,000 to the New Development reserve.
- £200,000 to the Improvement Plan reserve.
- £260,660 to the General reserve.

2.0 Potential Budget Variances during 2024/25

The table below provides a summary of and indicative figures for the main HRA budget variances.

Service Area	Description	Forecast Variance
Rent & Service Charge Income	Void numbers have risen from 150 at the end of March to 166 at the end of September. The forecast assumes that the level remains at 166 properties for the rest of the financial year. The budget allowed for 86 voids.	247,012
Leaseholder Service Charges	An anticipated increase in service charges, due mainly to recovery of increased electricity costs.	-18,596
Staffing Costs	Several posts have been held vacant pending a redesign of the service.	-149,884
Repairs & Maintenance	Under Recovery of internal income into the Building Services department along with continued high levels of subcontractor usage.	284,065
Supplies & Services	Various operational budgets are expected to be managed at an under spend in order to offset some of the pressure arising from the void losses being higher than expected.	15,678
	FORECAST OVER SPEND	378,275
	BUDGETED TRANSFER TO RESERVES	660,660
	FORECAST TRANSFER TO RESERVES	282,385

3.0 Reserves

3.1 As mentioned at paragraph 1.5, the budget allowed for a surplus position and therefore the following planned contribution to reserves:

	Opening Balance £	Budgeted Contribution £	Budgeted Closing Balance £
New Development Reserve	0	200,000	200,000
Business Improvement Reserve	84,176	200,000	284,176
General Reserve	741,343	260,660	1,002,003
	825,519	660,660	1,486,179

3.2 As the forecast transfer to reserves is now lower than expected, the table below shows the latest anticipated position:

	Opening Balance £	Forecast Contribution £	Forecast Closing Balance £
New Development Reserve	0	0	0
Business Improvement Reserve	84,176	200,000	284,176
General Reserve	741,343	82,385	823,728
	825,519	282,385	1,107,904

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Chief Executive				
Performance and Strategies	0	-40	0	Underspend on the Leaders Projects
People and Change	-5	0	3	
	-5	-40	3	
Director for Housing and Communities				
Director of Housing and Communities Office	277	0	0	Departmental Vacancy Provision
Community Capacity & Wellbeing	-1	17	9	Adur Community Grants forecast exceeds budget
AD Housing Homelessness & Prevention	22	0	0	Additional cost of Housing redesign to be funded from savings generated from new structure
Environmental Health (Housing)	33	-15	8	JNT: Redesign savings not yet met ADC: Additional income from HMO's WBC : Mainly due to cost incurred from Public Health burials
Housing Needs	140	396	1423	JOINT: Additional cost of Housing redesign to be funded from savings generated from new structure ADUR & WORTHING: Homelessness continues to present significant cost pressures to both councils.
Community Alarms	0	60	0	Staffing costs due to pay award higher than budgeted plus cost of equipment has increased with demand
Resident Services	-161	330	1015	The supported housing element of the Housing Benefit subsidy has resulted in a cost to the Council as there is only partial or no subsidy provided on these payments made to claimants
	310	788	2455	

Director for Sustainability and Resources				
Director of Digital & Resources Office	246	0	0	Departmental Vacancy Provision
Digital, Technology & Design	-123	0	0	Vacancies within the Digital team along with some contract savings
Parking Services	166	-3	208	Joint services include budgeted saving for service redesign delays WBC: Delay in price

				increases plus the move to more card payments have resulted in an overspend/under achievement of income along with increased rates charges which exceed the budget
Waste & Cleansing	12	155	-145	ADC: Shortfall in income from Commercial Waste WBC: Underspends in Commercial Waste for tipping charges
Bereavement Services	42	30	129	Joint overspend relates to delayed budget implementation of redesign savings Worthing position is reflecting the continued shortfall in cremations though this has been partially offset by the expected income from the opening of the memorial garden. The shortfall in cremations relate to a number of reasons; new competition, cost of living, and general market moves to direct cremations. and competition from a new site in Arun
Public Health and Regulation	-18	40	31	The loss of income from Gambling establishments as this moves to an online environment has had an impact. There is also a shortfall in income from Hackney Carriage Licences
Legal, Procurement & Democratic services	-210	68	60	JOINT: Underspend in salaries ADUR & WORTHING: underachievement of income in Legal, offset by savings from joint
Electoral Services	-12	-3	8	Elections currently projected to be within the budget
Corporate Management	-698	-847	-1247	Centralised budgets for contingencies and Energy price fluctuations are included here with spend for energy within services budgets.
Finance	-97	34	12	Vacant management posts and a vacant trainee post have been held to contribute towards the saving in year plus reduced staffing costs due to turnover of staff. starting on lower scp's
CTB Hardship Fund		1	17	Net cost of providing Council Tax Hardship support funded Grant

Energy & Sustainability	-135	-190	0	JOINT: underspend due to vacancies ADUR: Projected saving budget for ecological projects and joint recharges
Treasury Management	0	157	196	Borrowing costs remain challenging and the delay in sales of key sites has constrained efforts to maximise the contribution from this area.
	-827	-558	-731	

Director for Place				
Director of Place Office	-78	0	0	Departmental Vacancy Provision
Leisure Strategic Support	0	-54	15	ADUR underspend relates mainly to contractual and maintenance spend projections WORTHING maintenance projections are exceeding the budget
Economic Development	-3	-121	-146	ADUR : 2 Place based officers to support Adur Communities not yet appointed.
Culture	0	0	-113	Relates to a projected underspend on maintenance
Strategic Projects	0	0	92	The rental income level that the new observation wheel is less than the budget, though during the lease period the cost of rates are reassigned to the lessee
Parks, Open Spaces Foreshore & Pier	185	-15	-137	JOINT: Overspend in staff costs which include budgeted savings for service redesign ADC & WBC additional income from parks and foreshores
Estates	55	98	165	ADUR: Rental income down due to void properties at Bank House and Southwick FC. WORTHING: Shortfall in income projected from a few void properties
Property Investment	0	-304	-872	Increased income from Rent reviews. In addition the Void property costs are less than the budgeted contribution to reserve producing a net underspend.
Admin Buildings	200	59	-68	ADC: relates to an overspend on utility costs WBC: Additional income asset rentals
Technical Services	-125	29	114	Joint underspends in Surveying and Major regeneration staffing costs along with increased capital fees. WBC: Overspend on repairs and Utilities
Building Control	-171	178	156	Underachievement of income due to the new rule that came into force in Oct 23 and lower numbers of applications

Development Management	60	130	160	Joint underspend vacant posts. Income Forecast on application income is dependent on large applications being received . Pre-app income is also below the expected budget.
Planning Policy	-239	-12	10	Joint underspend due to vacant posts. These costs are for the studies for the Adur local plan, the Western Harbour Arm Study and the Biodiversity study which have been offset against grant income. In addition costs of payments relating to the CIL pot are included here which are met by a contribution from the Reserve
Land Charges	10	52	104	The number of charges for NLIS, Office and electronic payments have decreased significantly
LLPG	-22	0	0	The LLPG income is reliant on new development that requires street naming and numbering and this variance reflects the current level of applications from new developments as overachievement of income against the budget.
	-128	40	-520	
Total Variances before Reserves transfers	-650	230	1207	
Transfer from Reserves	0	(3)	(20)	
Budgeted Contribution to Reserves	0	-300	-286	
Total Variances Before Joint Allocation	-650	-73	901	
Allocation of Joint Variance	650	-260	-390	Share of joint services allocated 40:60 to Councils
Total Variance		-333	511	



Joint Strategic Committee
10th December 2024

ADUR & WORTHING
COUNCILS

Key Decision : No

Ward(s) Affected: All

Joint 2nd Quarter Capital Investment Programme & Projects Monitoring 2024/25

Report by the Director for Sustainability and Resources

EXECUTIVE SUMMARY

1. PURPOSE

1.1 This report updates the Committee on the progress made on the delivery of the 2024/25 Capital Investment Programme for Adur District Council and Worthing Borough Council. The programme includes schemes which support the delivery of services by the Joint Services Committee.

1.2 Included within the report is information about the prudential indicators which provide a link between the Councils' revenue budget and capital budget. Quarterly monitoring of these indicators is a requirement of the prudential code.

1.2 The following appendices have been attached to this report:

Appendix 1: Capital Monitoring Summary for Both Councils

Appendix 2: Reprofiled Budgets for Worthing Borough Council

Appendix 3: Programme Review for Both Councils

2. RECOMMENDATIONS

2.1 The Joint Strategic Committee is asked to:

- i) To note the reprofiling of the Worthing Borough Council capital schemes as advised in paragraph 7.2.1 and appendix 2.
- ii) To approve Kingston Beach urgent virement retrospectively as requested in 7.11
- iii) To approve the virement of grant funding to Splashpoint GSHP project as requested in 7.2.2
- iv) To note, as at 6.3.1 that financial decisions in relation to Worthing Pier are to be considered in a separate report to this committee.
- v) To approve the budget amendments to both the Adur District Council and Worthing Borough Council 2024/25 capital programmes detailed in appendix 3 following the programme review referenced in sections 4.2, 4.3 and 4.4 of the report.

3. CONTEXT

- 3.1 In accordance with the Council's Capital Strategy, the Capital Working Group oversees the implementation and progress of the Council's capital investment programmes. The Capital Working Group also ensures that capital schemes are approved within financial regulations.
- 3.2 The Capital Working Group monitors the programme's progress and finance, seeking to address any problems at an early stage in order for schemes to be completed within budget and timescales. Where problems are highlighted the Group considers possible remedies including virements between schemes, reprofiling of budgets between years and the withdrawal of schemes from the programme when schemes are unable to proceed. This could be due to resourcing problems, time delays or other factors beyond the Council's control. Moving forward a Major Projects Board will have oversight of the capital programme and a new budget management group for assets has been established to review capital expenditure requests before commitment to spend.
- 3.3 Full summaries of the progress of all the schemes in the 2024/25 Capital Investment Programmes are prepared each quarter.
- 3.4 Financial Regulations require officers to report each project on completion.

4. Progression of the 2024/25 Capital Programme's - Quarter 2

- 4.1 This section of the report looks into the progression of the programme and highlights the current overview of the projects currently underway. By tracking this trajectory we can highlight issues with projects and be aware of schemes which require further support and monitoring. This information is supplied by project managers monthly, following updates on their expenditure from finance colleagues.

Adur District Council	Number of schemes	Percentage %
Schemes which have completed	5	6%
Schemes which are progressing satisfactorily	73	88%
Schemes where progress is being closely monitored	4	4.8%
Schemes with significant challenges or financial issues	1	1.2%

Worthing Borough Council	Number of schemes	Percentage %
Schemes which have completed	6	5.6%
Schemes which are progressing satisfactorily	97	90.7%
Schemes where progress is being closely monitored	3	2.8%
Schemes with significant challenges or financial issues	1	0.9%

A summary of the financial movements of the 2024/25 Capital Investment Programme is attached as Appendix 1 to this report.

4.2 **Capital Programme Review**

The report titled *New Financial Strategy*, presented by the Director for Sustainability and Resources to the Joint Strategic Committee on 17 July 2024, recommended that the committee 'agree to the change in approach to developing the capital programme and the subsequent implications of this, resulting in a smaller capital programme in the short term.' The report also outlined officers' plans to adopt a more integrated approach to capital and revenue spending, aligned with ongoing prudent treasury planning for both councils. This strategy aims to ensure that each council's capital decisions are aligned with their long-term revenue capacity while reflecting their unique aspirations and priorities.

Work on this new approach is progressing well, with much of the change expected to be reflected in the proposed capital strategy for 2025-26. Additionally part of this shift, schemes that have not yet commenced are being actively reviewed to ensure a timely transition to the new strategy. This process of review in collaboration with officers across each council and cabinet members has now taken place with the following amendments proposed for each council.

4.3 **Adur District Council - Programme Review**

Appendix 3 outlines the changes proposed to the 2024-25 capital schemes for Adur District Council. In summary the proposed changes will result in:

- £3.4m of schemes ceasing, where these are no longer essential given the council's financial position or where financials are outdated and require resubmission.
- £2.7m of schemes deferred to future years, where the scheme remains a priority but can accommodate some delay to smooth programme delivery.

- £950K of Adur Homes schemes ceasing, where these are no longer essential given the council's financial position or where financials are outdated and require resubmission.

4.4 **Worthing Borough Council - Programme Review**

Appendix 3 outlines the changes proposed to the 2024-25 capital schemes for Worthing Borough Council. In summary the proposed changes will result in:

- £1.8m of schemes ceasing, where these are no longer essential given the council's financial position or where financials are outdated and require resubmission.
- £1.1m of schemes deferred to future years, where the scheme remains a priority but can accommodate some delay to smooth programme delivery.

5.0 **Schemes Progressing Well in the 2024/25 Capital Programme's - Quarter 2**

5.1. **Adur District Council**

5.1.3 Adur Homes

A series of works to improve our current housing stock are underway, with £5.2m of expenditure attributed towards schemes including; Fire Safety, Replacement Roofing, Void properties and Damp/Mould Remedials. The current commitment in 2024/25 for these works is £19m and the department is striving to convert this budget into tangible improvements for our residents.

5.14 Old Barn Way

The project is moving forward with regular meetings taking place with the Russell Martin Foundation and the Football Foundation. An offer of £2.1m grant funding has been received from the Football Foundation (£2m) and the Premier League Stadium Fund (£100k). This funding together with additional match funding from Adur District Council and the Russell Martin Foundation of £500k each will fund the delivery of the new 3G football pitch, clubhouse and small spectator stand.. Planning permission is in place and we are currently at the detailed design stage of the project.

5.2 **Worthing Borough Council**

5.2.1 Roofing Refurbishment Projects

Following tenders, contracts have now been awarded for the roofing refurbishments at the Connaught Studio and the Town Hall. The contract has also been awarded on the Adur-led Commerce Way project. The tenders are all within budget. Scheduled works for the Studio have begun and are estimated to complete by January. Commerce way is scheduled for January to March and the Town hall will begin in June with completion in September.

5.2.2 Completed Capital Projects;

- i) Buckingham MSCP Refurbishment
- ii) LAHF Property Acquisitions

iii) Improvements to Gull Island and Waterwise Play Areas

6.0 Challenges in the 2024/25 Capital Investment Programme:

6.1 There continues to be challenges to the delivery of a number of schemes due to a number of factors outside the councils' control, delays have been encountered as follows:

i) Quotes and tenders from contractors have continued to rise in the current climate, which has led to some decisions on funding certain projects. Despite inflation reducing in recent months, there is still a lag from when many projects were approved in previous years.

ii) Current resource allocation challenges have resulted in staff being overstretched, with certain projects receiving priority while others are temporarily deferred. This issue will be addressed through the review outlined in section 4.4

6.2 Adur District Council

6.2.1 Adur Homes Southwick Estate Balconies

Balcony repair works are underway at Coates Court, Locks Court, Rock Close, Sea House and Grange Court. Residents are being kept informed of the works as they progress. Following intrusive investigations, the balconies at Sea House and Grange Court have been found to be in a much poorer condition than the balconies on the other blocks and will require a different improvement solution than originally planned. However, the current balconies budget of £1m for 2024/25 will be unaffected as the budget covers all works across the Southwick Estate.

6.3 Worthing Borough Council

6.3.1 Worthing Pier

Members will be aware of the damage sustained to the Pier which is suspected to have been caused by debris/storm damage. A report was presented to the November JSC committee for their consideration which will encompass all considerations in relation to this asset. The Financial implications of those considerations will be presented in that report.

6.3.2 Worthing Integrated Care Centre

Minor works are being completed to have the facility prepared for operation and opening of the facility over the winter period.

7.0 Issues for Consideration

7.1 Adur District Council

7.1.1 Kingston Beach Revetment Mat Urgent Works

The revetment mat which stops erosion from the sea and river adjacent the RNLI lifeboat station on Kingston Beach has been damaged by adverse

weather and is currently in a state considered dangerous to the public and leaves it unable to carry out its primary function of protecting from erosion. As these are urgent works, a new capital budget is required to be funded from the capital contingency budget. A final quote of £65,000 has been negotiated to bring it back to a reasonable and safe standard. Our teams will then have time to look for a long term solution for the defence.

7.2 Worthing Borough Council

7.2.1 Budgets totalling £11,600,000 have been reprofiled to 2025/26 and future years where the project schedule has been updated and the schemes will complete following the completion of the 2024/25 period. A list of schemes reprofiled is attached as Appendix 2 to this report.

7.2.2 Splashpoint GHSP - Virement

A virement of PSDS grant funding from the public sector decarbonisation scheme has been agreed with the cabinet members for Regeneration and Communities, Culture & Leisure to meet the budget shortfall for the replacement of the ground source heat pump project. The shortfall is due to a recommendation that a pre-heat cylinder and dry air cooler are included in the new system to reduce the risk of overheating. The additional cost of the recommended solution is £60K, of which Morgan Sindall will also contribute £25K.

7.2.3 The PSDS 3c funding is currently allocated to the Heat Network connection and enabling works and Splashpoint, which will be a beneficiary of this 3c stage of the heat network.

8.0 ENGAGEMENT AND COMMUNICATION

8.1 The purpose of this report is to communicate with stakeholders on the progress of Adur and Worthing Councils 2024/25 Capital Investment Programmes. Officers of the Council have been consulted on the progress of the schemes which they are responsible for delivering.

8.2 Specific schemes are subject to public consultation (e.g. new playgrounds) to ensure that they meet community needs.

9.0 FINANCIAL IMPLICATIONS

9.1 There are no unbudgeted financial implications arising from this report as the Adur District Council and Worthing Borough Council 2024/25 Capital Investment Programme was approved by the Council in February 2024. Subsequent changes have been reported to and approved by the Joint Strategic Committee or by Officers where a delegation exists. The issues considered in this report can be funded from within existing resources or through external funding.

10.0 LEGAL IMPLICATIONS

10.1 Section 28 Local Government Act 2003, as amended by the Localism Act 2011, provides that where in relation to a financial year, a Local Authority has

made the calculations required by section 43 Local Government Finance Act 1992, it must review them from time to time during the year. If it appears that there has been a deterioration in its financial position it must take such action, if any, as it considers is necessary to deal with the situation.

- 10.2 Section 151 of the Local Government Act 1972 requires the Councils to make arrangements for the proper administration of their financial affairs.

Background Papers

- Capital Investment Programme 2024/25 – 2025/26 Worthing Borough Council and Joint Committee.
- Capital Strategy 2024/27.

Officer Contact Details:-

Joel Goacher

Chief Accountant

01903 221233

joel.goacher@adur-worthing.gov.uk

SUSTAINABILITY AND 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.

CAPITAL MONITORING SUMMARY 2024/25									2nd Quarter
Executive Portfolios	(1) Total ADC Scheme Budgets £	(2) Previous Years' Spend £	(3) 2024/25 Original Budget £	(4) Net budget b/f from 2023/24 £	(5) Approved Changes to Original Budget £	(6) 2023/24 Budget Reprofiled (to) and from 2024/25 £	(7) 2024/25 Current Budget £	(8) 2024/25 Spend to Date £	(9) Spend % of Current Budget
Adur Homes and Customer Services	91,336,278	28,393,138	34,407,170	1,611,178	1,912,791.00		37,931,139	9,859,470	25.99%
Environment and Communities and Wellbeing	8,658,826	268,151	3,576,360	909,402	162,973.00	-	4,648,735	289,104	6.22%
Regeneration and Strategic Planning	741,339	-	588,650	64,689	-	-	653,339	29,192	4.47%
Resources	6,853,159	4,454,279	1,621,270	603,450	-	-	2,224,720	37,890	1.70%
	5,261,493	1,835,800	45,996,670	247,636	- 43,441,493.00	-	2,802,813	80,161	2.86%
TOTALS	112,851,095	34,951,368	86,190,120	3,436,356	(41,365,729)	-	48,260,747	10,295,818	21.33%

Financing of 2024/25 Programme:

Adur Homes Capital Programme:	£'000
Capital Receipts:	0
Major Repairs Reserve:	5,947
Prudential Borrowing:	21,737
Government Grants:	549
	<u>28,233</u>

General Fund Capital Programme:	£'000
Prudential Borrowing:	16,411
Capital Receipts:	921
Government Grants:	1,184
Revenue Reserves and Contributions	58
S106 Receipts	270
Other Contributions	1,184
	<u>20,028</u>

CAPITAL MONITORING SUMMARY 2024/25									2nd Quarter
Executive Portfolios	(1) Total WBC Scheme Budgets	(2) Previous Years' Spend	(3) 2024/25 Original Budget	(4) Net Budget b/f from 2023/24	(5) Approved Changes to Original Budget	(6) 2024/25 Budget Reprofiled (to) and from 2025/26	(7) 2024/25 Current Budget	(8) 2024/25 Spend to Date	(9) Spend % of Current Budget
	£	£	£	£	£	£	£	£	
Housing and Citizen Services	19,660,214	385,096	5,344,820	7,634,800	2,609,418	(3,300,000)	12,289,038	2,597,239	21.13%
Safety, Equalities and Inclusion	707,380	149,162	87,000	183,217	-		270,217	77,658	28.74%
Communities, Culture & Leisure	2,698,368	492,408	1,378,400	406,202	171,358		1,955,960	11,586	0.59%
Environmental services	8,735,227	7,148	765,497	1,419,282	25,000		2,209,779	361,883	16.38%
Regeneration	89,546,929	55,872,388	13,632,860	7,099,492	7,651,750	(8,300,000)	20,084,102	7,652,337	38.10%
Resources	7,858,080	1,267,730	8,436,720	121,256	(2,934,826)		5,623,150	106,048	1.89%
TOTALS	129,206,198	58,173,932	29,645,297	16,864,248	7,522,700	(11,600,000)	42,432,245	10,806,751	25.47%

Financing of 2024/25 Programme:

	£'000
Borrowing:	24577
Capital Receipts:	915
Revenue Contributions and Reserves:	159
Government Grants:	9208
S106 and CIL Receipts	5414
Other Contributions:	2,159
	<u>42,432</u>



WORTHING BOROUGH
COUNCIL

WORTHING BOROUGH COUNCIL - CAPITAL BUDGETS REPROFILED TO FUTURE YEARS

Scheme	Reprofiled Budgets	Reason
1. Schemes in Progress where the completion has been delayed beyond March 2024		
N/A		
2. Schemes in Progress where the project schedule has changed		
5&7 High Street - Housing	1,800,000	Works are currently anticipated to complete April 2026. Budget reprofiled to reflect this.
Cycle Lane - George V to Sea Lane	1,800,000	£200K has been released for the initial stage of the project. The construction of the cycle lane is expected to begin in 2025/26.
Victoria Road - Housing	1,500,000	Works are currently anticipated to complete November 2025 . Budget reprofiled to reflect this.
Worthing Heat Network - Enabling Works Phase 1 (Corporate Buildings)	3,000,000	Works are currently anticipated to complete in 2025/26. Budget reprofiled to reflect this.
Worthing Heat Network - Enabling Works Phase 2 (Cultural buildings)	3,500,000	Works are currently anticipated to complete in 2025/26. Budget reprofiled to reflect this.
Total Reprofiled Budgets:	11,600,000	
Grants / Contributions Anticipated towards above schemes:		
Cycle Lane - CIL/S106	1,800,000	
Homes England - 5&7 High Street	600,000	
Homes England - Victoria Road	770,000	
PSDS Grant - WHN Phase 1	3,000,000	
PSDS Grant - WHN Phase 2	3,500,000	
Council Prudential Borrowing Budgets Reprofiled:	1,930,000	



CAPITAL PROGRAMME REVIEW

Scheme	Budget	Considerations and Mitigations	
1. Schemes - Removed from overall programme			
<u>Adur Homes Capital Investment Programme</u>			
Asset and Tenancy Integrated Management System	£350,000.00		A digital roadmap group has been established, which will maximise the use of the current system and ensure upgrades and new functionality are adopted.
Building Services - Vehicle Replacement	£48,000.00		Vehicle replacement review
HRA - Carbon Reduction Schemes	£100,000.00		As the long term capital programme is developed, applications to the Social Housing Decarbonisation Fund will be the preferred route for funding, based on success with the PSDS scheme elsewhere
Purchase of Property - Contingency	£453,170.00		Future proposals for purchase of property will be considered on an invest to save basis
Total HRA Budgets removed from overall programme	£951,170.00		
HRA Prudential Borrowing	£951,170.00		
<u>General Fund Capital Investment Programme</u>			
Asset Financial Management System	£17,500.00	A&W Scheme	The digital in-house team will make continuous improvements to the existing system
Buckingham Park Replacement of fencing, resurfacing of footpaths and other hard landscaping	£34,360.00		Parks have been assessed and deemed adequate
Building and Pavilion Improvement to parks assets	£100,000.00		This will be considered as part of the wider asset strategy under community assets
Commerce Way - Floor Coverings	£10,000.00		The worst floor coverings, which presented a trip hazard, have been replaced. A proportion of the floor budget has been reallocated to the roof replacement cost which is more urgent.

Corporate Buildings - Replacement of Fire Doors	£40,000.00		Rolling programme. There is sufficient existing budget brought forward to manage the 2024/25 requirement.
Decarbonisation Schemes General Provision	£513,000.00		The Councils have been very successful in leveraging funds from the Public Sector Decarbonisation Fund (PSDS) and this capital allocation has not been required. An application has been made recently to PSDS for electric cremation (£6m) and we expect to make further applications for the wider estate working in partnership with Hemiko (Worthing Heat Network)
Digital Strategy General Provision I) Identity and Access Management ii) Privileged Access Management iii) Identity Governance and Administration	£28,200.00	A&W Scheme	A recent review has identified these items are not currently required. A refresh to digital strategy will be undertaken in 2025.
Dog Warden - Replacement Van	£10,000.00	A&W Scheme	Existing van can operate for another year with appropriate servicing and maintenance. A&W Joint Scheme
Housing Developments - Unallocated	£2,167,128.00		Future proposals for purchase of property will be considered on an invest to save basis
Housing Needs System	£66,000.00	A&W Scheme	The current system is deemed fit for purpose. The system review with form part of the wider digital strategy
Infrastructure improvements to the Council's Parks	£10,770.00		Parks have been assessed and deemed appropriate for the activities associated with each park
Microphone System Replacement	£14,100.00	A&W Scheme	To be considered as part of the wider organisational digital strategy
Parks - Landscape Adaptations	£60,000.00		
Parks - Public Art	£15,000.00		Other funding opportunities will be explored to enable this scheme to be delivered
Parks Signage Rolling Programme of replacements	£8,650.00		Not required in 2024/25
Planning and Building Control Document Management Solution (IDOX)	£52,663.00	A&W Scheme	A new strategy is being developed, with potential to join an MHCLG backed digital planning system development that could attract government support
Plotbox - Cemeteries and Crematorium Software	£28,070.00	A&W Scheme	A full service review of bereavement services is underway (reporting in December) and this will take a business case approach which relates investment to forecast income growth

Public Conveniences	£140,000.00	A review of public conveniences is underway, with investment requirements to be considered afresh, built into a new business model.
Total Budgets Removed from overall programme	£3,315,441.00	
Commerce Way - Floor Coverings	£5,000.00	WBC Contribution
Parks - Public Art	£15,000.00	S106
Prudential Borrowing	£3,295,441.00	



Capital Programme Review

Scheme	Budget	Action	Considerations and Mitigations
2. Schemes - Deferred to future years			
<u>General Fund Capital Investment Programme</u>			
Access Audits	35,000	Deferred to 2025/26	
Building Alarm Systems	34,000	Deferred to 2025/26	
Corporate ICT hardware and infrastructure replacement	47,000	Deferred to 2025/26	Careful management of the hardware estate enables a slower refresh rate, and some rationalisation of user needs
Disability Discrimination Act Improvements	12,600	Deferred to 2025/26	
Eastbrook Manor Car Park Resurfacing	131,000	Deferred to 2025/26	
Eastbrook Manor Community Centre	270,050	Deferred to 2025/26	
Grants to Registered Social Landlords for the provision of affordable housing	1,569,800	Deferred to 2027/28	
Lancing Manor LC External Cladding Replacement	28,200	Deferred to 2025/26	
Lancing Manor LC Renewal of flat roof over entrance hall and replacement of glazing units in the entrance hall	449,474	Deferred to 2025/26	
Southlands Way Play Area	17,450	Deferred to 2025/26	

Southwick Beach Chalets	62,000	Deferred to 2026/27	
Town Centre Public Space Improvements	93,728	Deferred to 2026/27	
Workshop - Forklift	3,640	Deferred to 2025/26	Existing vehicle to continue being used for another year.
Leisure asset provision	90,000		
Total Deferred Budgets	2,843,942		
Southlands Way Play Area	17,450	S106	
Prudential Borrowing	2,826,492		



CAPITAL PROGRAMME REVIEW

Scheme	Budget		Considerations and Mitigations
1. Schemes - Removed from overall programme			
Asset Financial Management System	£17,500.00	A&W Joint Scheme	The digital in-house team will make continuous improvements to the existing system
Broadwater Green Pavilion Refurbishment Contribution	£89,600.00		This will be considered as part of the wider asset strategy under community assets
Chesswood Allotments Installation of rainwater capture facilities	£20,000.00		Alternative funding provisions to be to be explored through other providers
Commerce Way - Floor Coverings	£5,000.00		The worst floor coverings, which presented a trip hazard, have been replaced. A proportion of the floor budget has been reallocated to the roof replacement cost which is more urgent.
Connaught Theatre - Replacement of metal gantry and connections to main roof	£30,000.00		Long term asset strategy with Worthing Theatres and Museum
Corporate Buildings - Replacement of Fire Doors	£40,216.00		Rolling programme. There is sufficient existing budget brought forward to manage the 2024/25 requirement.
Decarbonisation Schemes General Provision	£809,020.00		The Councils have been very successful in leveraging funds from the Public Sector Decarbonisation Fund (PSDS) and this capital allocation has not been required. An application has been made recently to PSDS for electric cremation (£6m) and we expect to make further applications for the wider estate working in partnership with Hemiko (Worthing Heat Network)
Digital Strategy General Provision i) Identity and Access Management ii) Privileged Access Management iii) Identity Governance and Administration	£31,800.00	A&W Joint Scheme	A recent review has identified these items are not currently required. A refresh to digital strategy will be undertaken in 2025.

Dog Warden - Replacement Van	£15,000.00	A&W Joint Scheme	Existing vans can operate for another year with appropriate servicing and maintenance. A&W Joint Scheme
Durrington Cemetery i) Structural Works ii) Catafalque	£91,097.00		Works have been put on hold pending the findings of the bereavement review which will inform a business plan for the service. This will include recommendations for capital investment.
Greening of Town Centre and Verges	£20,000.00		A new Nature Plan will support the development of community led projects that will receive support from the funding & investment team to access different sources of funding. Work is progressing well to coordinate better with WSCC and the Highways team
Housing Needs System	£84,000.00	A&W Joint Scheme	The current system is deemed fit for purpose. The system review will form part of the wider digital strategy
Infrastructure improvements to the Council's Parks	£12,230.00		Parks have been assessed and deemed appropriate for the activities associated with each park
Microphone System Replacement	£15,900.00	A&W Joint Scheme	To be considered as part of the wider organisational digital strategy
Museum - Roof Lights Refurbishment	£48,800.00		Long term asset strategy with Worthing Theatres and Museum
Museum Display Cases	£41,580.00		Long term asset strategy with Worthing Theatres and Museum
Museum Redevelopment	£78,250.00		Long term asset strategy with Worthing Theatres and Museum
Parks - Landscape Adaptations	£45,000.00		Will work to find different funding opportunities to enable delivery
Planning and Building Control Document Management Solution (IDOX)	£69,532.00	A&W Joint Scheme	A new strategy is being developed, with potential to join an MHCLG backed digital planning system development that could attract government support
Plotbox - Cemeteries and Crematorium Software	£112,130.00	A&W Joint Scheme	A full service review of bereavement services is underway (reporting in December) and this will take a business case approach which relates investment to forecast income growth
Public Conveniences	£50,000.00		A review of public conveniences is underway, with investment requirements to be considered afresh, built into a new business model.
Town Hall Installation of fire separation and roof insulation	£75,000.00		Considered within the Asset Strategy

Total Budgets Removed from Overall Programme	£1,801,655.00	
Museum Redevelopment	£60,710.00	Museum Reserve
Museum Display Cases	£10,950.00	WTAM Contribution
Museum - Roof Lights Refurbishment	£4,000.00	WTAM Contribution
Plotbox - Cemeteries and Crematorium Software	£80,000.00	Services Contribution
Prudential Borrowing	£1,645,995.00	

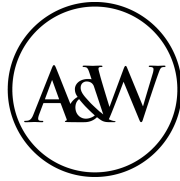


CAPITAL PROGRAMME REVIEW

Scheme	Budget	Action	Considerations and Mitigations
2. Schemes - Deferred to future years			
Access Audits	40,000	Deferred to 2025/26	24/25 programme has sufficient budget - rolling programme 24/25 budget to be deferred.
Broadwater Cemetery - Replacement Fencing	30,000	Deferred to 2026/27	This can be delayed for another year.
Building Alarm Systems	51,000	Deferred to 2025/26	This can be delayed for another year.
Corporate ICT hardware and infrastructure replacement	53,000	Deferred to 2025/26	Careful management of the hardware estate enables a slower refresh rate, and some rationalisation of user needs
Disability Discrimination Act Improvements	12,000	Deferred to 2025/26	Sufficient existing budget in 2024/25 carried forward from previous year
Field Place Play Area	42,857	Deferred to 2025/26	
Northbrook and Durrington Wards Community Park Facilities	128,833	Deferred to 2025/26	
Parade Lighting Columns	92,000	Deferred to 2027/28	
Portland House Replacement of Building Management System	162,450	Deferred to 2025/26	
Town Centre and Parades	150,000	Deferred to 2026/27	
Town Hall Replacement of slate roof covering and sectional replacement of asphalt coverings	318,063	Deferred to 2025/26	Considered within the Organisation Asset Strategy
Workshop - Forklift	6,360	Deferred to 2025/26	Existing vehicle to continue being used for another year.
Total Deferred Budgets	1,086,563		
Northbrook and Durrington Wards Community Park Facilities	128,833	S106	

Field Place Play Area	42,857	S106
Town Centre and Parades	150,000	CIL
Prudential Borrowing	764,873	

This page is intentionally left blank



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10 December 2024

Ward(s) Affected: All

Financial Strategy and Budget Update 2025/2026

Report by the Director for Sustainability & Resources

Officer Contact Details

Paul Brewer, Director for Sustainability & Resources
paul.brewer@adur-worthing.gov.uk

Executive Summary

This report presents an update on the budget setting process for 25/26 for both councils as well as updating on the progress of the implementation of the new financial strategy.

As can be seen in the report progress on the new strategy is progressing well and is showing mid-term benefits but the short term budget pressures caused by external factors are considerable. As a result neither council is as yet able to show a balanced budget at this point and the report shows the steps being taken to achieve this.

The Local Government Finance Policy Statement¹ indicates a significant change to the approach to the settlement process and as such a likely material change to the budget position. The government has committed additional funding to local authorities however the allocation across individual councils will not be visible until the provisional settlement. This is suggested by the focus on housing needs which is the main driver of the challenges in both Councils' position. The statement is currently being reviewed and will be reflected in the next budget update alongside the updated funding levels for both councils.

1

<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2025-to-2026/local-government-finance-policy-statement-2025-to-2026>

Despite this, and despite the considerable work being done to redesign the organisation and implement a more resilient and sustainable financial strategy, it is clear that it is unlikely to provide the funding required to close the significant budget gap in Worthing and so the proposed route for requesting exceptional funding support which is outlined in the policy statement is also welcome. Members are being recommended to request the Chief Executive formally write to the Ministry for Housing, Communities and Local Government to request this support for Worthing.

Purpose

- 1.1. This report provides an update on the ongoing implementation of the new financial strategy, the creation of the budget for 2025/2026 and the development of the Medium Term Financial Plan, together with details of the proposals that will support a balanced revenue budget for the next financial year and beyond.

The following 5 year forecasts have been have been attached to this report as appendix 1 for consideration by Members:

- 1.2. Members will note that the proposals at Appendix 3 have been considered in advance of the Local Government Finance Policy Statement which was published on 29th November and the provisional settlement, expected on or just before 19th December. As such they are proposed for approval but we anticipate a further review following these key announcements.
- 1.3. In line with the decision to bring all financial reports as joint reports to JSC (with the exception of the capital programmes); this report includes items for consideration by each individual authority as well as the specific budget proposals to increase income, to deliver efficiency, and other savings initiatives for 2025/26 which impact on the Joint Strategic Committee.

Recommendations

- 2.1 The Joint Strategic Committee is recommended to:
 - 2.1.1 Note the contents of the report including the working 5 year forecasts as at appendix 1
 - 2.1.2 Request that the Chief Executive writes to MHCLG in order to request exceptional financial support for Worthing in order to get the

help needed to balance the budget during this period while the new financial strategy is being implemented.

3.0 Context

- 3.1 The financial situation for local government continues to be challenging though the Autumn budget has indicated some improvements in specific areas such as housing which were signalled but have not yet been quantified in terms of impact for Adur District and Worthing Borough. Our expectation is that the grant settlement process later this month will provide more information and details of how this additional funding will be distributed.
- 3.2 The Autumn budget did bring an additional cost pressure of £450k across Adur and Worthing as a result of National Insurance increases and this has been included in this update. The government has confirmed that this will be met through funding and will form part of the central allocation.
- 3.3 Implementation of the new financial strategy continues to move at pace and this budget update includes the positive impacts of the new asset strategy which was signed off in November 2024.
- 3.4 The organisational design work has now reached a point where all areas of the organisation have been or are in consultation and the focus has shifted to the non-staffing savings included in that work. Work is now focused on the residual £800k of savings that need to be found and proposals for the changes needed to deliver these savings will be reviewed with cabinets between now and the final budget update in February.
- 3.5. The Financial Strategy and Organisational Design demonstrate that the Councils are not only redesigning services to meet significant financial challenges but also actively improving outcomes for our communities in ways that are more sustainable and cost-effective in the long term.
- 3.6. These changes are more than a response to immediate pressures—it is a fundamental shift in how we act as a steward of our place. By embedding these changes now, we are creating a foundation for delivery that is better for our communities, more empowering for our staff, and more robust for our finances. This positions us to adapt to an increasingly uncertain social and economic environment and, critically, to shape and influence that change for the better.

3.7. Our approach recognises the unprecedented challenges we face are structural - from reduced government funding, inflationary pressures and high interest rates. The foundations we are building helps to future proof as much as possible against these in the long term.

- We have redesigned services such as housing and resident services that tackle the demand pressures upfront, integrating wraparound support and prevention to reduce reliance on costly temporary accommodations.
- We are driving smarter cost recovery and a zero-base capital programme in ways that bake in inflationary pressures and high interest rates as a potential long term trend.

3.8 Instead of managing decline as a consequence of persistent reductions in central government funding, and a fast changing economic landscape, local government has a unique position to be a trusted steward in local areas to bring together people & organisations who want to invest in the future of the place and our communities.

- Our connected work on our organisational design and financial strategy sets a course for the Councils to:
 - Be adaptive, responding to and shaping economic and social changes.
 - Be participative, empowering and amplifying the impact of communities and partners.
 - Be resilient, ensuring we can thrive through future challenges, and create the infrastructure for more regenerative and sustainable public services.

4. Medium Term Financial Plan

4.1 The medium term financial plan (MTFS) has been reviewed and a new format introduced at appendix 1 to clearly set out the key elements within the forecasts:

- Alignment to key strategies
- Wider economic factors - inflation and interest rates assumptions
- Material items separately identified
- Central funding assumptions

- Funding from taxation

4.2 An additional change has been made since the last budget update to make it easier to see the externally driven cost pressures from housing and supported accommodation. This is to make the interplay between cost pressures, targeted savings and in-year cost controls. The Medium Term Financial Strategy (MTFS) is now presented to align with the different areas of strategy work that form the overall financial strategy. Work is ongoing within the strategies and will continue to do so into 2025/26 and beyond which will inform the financial planning as we continue to develop the 2025/26 budget and beyond. Changes will be visible with the MTFS.

5. Current estimated projections for 2025/26 and beyond

- 5.1.1 These projections as yet do not reflect a final picture and work continues to develop the balanced budget.
- 5.1.2 The updated forecast for the Joint Strategic Committee is attached at appendix 1, this has been revised to reflect current assumptions related to inflation and interest projection together with any change to budget assumptions emerging from the key strategic reviews. Assumption on funding will be updated once the settlement is announced by the Treasury.
- 5.1.3 There are a number of key assumptions that have not yet been refined / updated and these are listed in the section below which will be addressed before the next budget update, including central funding which will be notified via the settlement in December.
- 5.1.4 A comparison between these updated General Fund projections to those provided in October presented in the following below. The financial strategy work continues to close the projected shortfalls, including assumptions in relation to additional commercial income and external funding opportunities. Some of these are more achievable in the medium term as teams are engaged with this focus either directly or through multi disciplinary teams.

	2025/26	2026/27	2027/28	2028/29	2029/30
Joint	£'000	£'000	£'000	£'000	£'000
October 2024 projected cumulative shortfall (surplus)	(531)	454	1,152	1,943	2,693
Current projected cumulative shortfall	(118)	877	1,585	2,387	3,148
Annual shortfall	(118)	995	709	802	761

** The Adur and Worthing share of the Joint Services budget is included within the estimates for each council*

	2025/26	2026/27	2027/28	2028/29	2029/30
Adur	£'000	£'000	£'000	£'000	£'000
October 2024 projected cumulative shortfall (surplus)	916	1,332	1,911	2,465	2,969
Current projected cumulative shortfall	601	1,250	1,767	2,307	2,784
Annual shortfall	601	649	516	541	476

	2025/26	2026/27	2027/28	2028/29	2029/30
Worthing	£'000	£'000	£'000	£'000	£'000
October 2024 projected cumulative shortfall (surplus)	2,491	4,211	5,429	6,259	6,960
Current projected cumulative shortfall	2,530	4,799	5,292	6,126	6,793
Annual shortfall	2,530	2,269	492	834	667

The current projections are based on the following assumptions:

5.2 Government funding and taxation

The Autumn budget statement (30th October 2024) set out the government's plans for funding in 2025/26 and the spending review from 2026/27. The subsequent Local Government finance policy statement has provided more detail about how funding will be allocated. However there is still some uncertainty about how the budget decisions will flow into the settlement and the allocations across the sector as actual allocations and draft decisions about the settlement will not be released until December.

The current assumption in the budget in relation to government funding is that it will be in line with the 2024/25 allocation for each council, which included some additional funding following settlement. This is an intentional prudent assumption until we have more clarity on funding allocations in the settlement. The medium term financial assumptions will be updated following settlement which is by 19th December.

Council tax is projected to increase by 2.99% each year. The policy statement confirmed that there are no changes to referendum limits so this assumption has been retained. Any decision to not increase council tax up to the referendum limit would have inevitable cumulative consequences to the council which need to be balanced with the need to find savings. When referencing the core spending power and the % increase in the level of local government funding the government assumes councils will apply the maximum increase.

The Chancellor also announced that the business rates multipliers for smaller businesses will be frozen and that the standard multiplier will be indexed (to 55.5p). From 2026/27 new sectoral multipliers will be introduced, with lower multipliers for Retail, Hospitality and Leisure properties. Compensation for both the reliefs and the freezing of the small multiplier will be paid as normal. There was also confirmation that charitable relief on business rates would be removed from private schools from April 2025.

5.3 Inflation

Inflation is a pressure felt across the whole economy and the assumed rates within the MTPS are shown in the table below, the Bank of England target rate is 2% and this is projected from 2026/27. The current inflation rate (October 2024) is 2.3%..

Assumptions around pay will be kept under close observation but as this is subject to national negotiations it is not something that the councils have direct influence on.

In the wider sense, inflation has had the greatest impact in delivery of major projects where projects have been subject to increased development costs.

	2025/26	2026/27	2027/28	2028/29	2029/30
Pay	3.5%	2%	2%	2%	2%
Costs, commercial income and fees and charges	2.5%	2%	2%	2%	2%

5.4 Interest Rates

The Bank of England interest rates remained consistently within the range 5.00- 5.25% throughout 2023/24. This continued into 2024/25 until the rate was reduced in November by 25 base points to 4.75%, however due to an increase in the inflation rate to 2.3% in October (up from 1.7% in September) current predictions suggest there will be no further reductions in 2024. There is an expectation that the interest rates will reduce albeit slowly over the next couple of years with an average rate of 3.9% by 2027/28. 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.

Assumptions are that the rate will drop marginally in 2025/26 to between 4.75% and 4.25% dropping further in the years beyond. However, there is uncertainty around these assumptions as much depends on the wider national and global economic performance.

It should be noted that the councils will experience the impact of historical borrowing for some time as debts which were taken on at low rates of interest need to be refinanced as the load period matures.

Assumptions in the medium term financial strategy are:

	2025/26	2026/27	2027/28	2028/29	2029/30
Average interest yield	4.6%	4.25%	3.9%	3.9%	3.9%

The current assumption is that the capital programme will need to be funded through prudential borrowing where external funding has not been secured either through grant or external contributions. However, the new financial strategy aligns more closely the asset management programme and the capital programme with treasury. Expectations are that this work will have a number of benefits, capital receipts from disposals will help to reduce the overall cost of borrowing and a strong asset management strategy ensures revenue resources are invested efficiently.

Over the previous few months a zero based review of the current capital programme has commenced with projects being considered to determine if they should continue, be deferred or they are no longer a priority and therefore removed from the programme. In addition to this there are limited new bids for the 2025/26 capital programmes. This has had a positive impact on the financing assumptions that sees a reduction in the 2025/26 cost estimate of £100k in Worthing and £80k in Adur. However this has been offset by the revised increase in interest rates projections which increase the cost of new borrowing and the refinancing of low interest loans that mature in the financial year, in Worthing this has reduced the benefit to £30k and in Adur the benefit has increased to £150k. The variable in the level of reduction between Adur and Worthing relates in part to the category of projects removed from the programme and the associated Minimum Revenue Provision period and the level of refinancing required in 2025/26.

Additionally the strategy sets out the intention to increase external funding to benefit both the capital and revenue budgets and help to deliver council priorities.

5.5 Other assumptions

Allowance for additional pressures has been made, in particular for housing pressures relating to the unusually high number of supported accommodation places provided in the area, which place an unfunded burden on the councils.

Work associated with the income generation strategy as set out in section 5.5 will inform further amendments during the autumn as review work is progressed in bereavement, commercial waste, parking and across other commercial fees & charges.

The ongoing work on the organisational design and associated savings programme is assumed as meeting its financial targets.

In addition there are cost pressures built into the MTPS to reflect the council commitments and priorities including the impact of some capital projects where revenue pressures are identified either from capital financing or loss of income. This is more applicable to Worthing where there are some assumptions associated with some key schemes including Grafton, Union Place and Worthing Integrated Care Centre.

To help build reserves there is a predicted contribution for Adur and Worthing. This is important to both rebuild reserve levels in Worthing but also ensure long term stability for both councils.

6. Strategic Reviews

6.1 There are a number of supporting strategies and activities below which are in progress in order to support the development of the 25/26 budget and create greater financial resilience over the longer term. We have developed a number of building blocks through the [Organisational Design](#) programme that strengthen our ability to manage and deliver these shifts in a financially resilient way, develop the skills of managers and staff to manage budgets and contracts better, and the future development of a capabilities pathway for commercial skills.

6.2 Asset Management

A new asset management approach was signed off at the November JSC meeting. The strategy sets out the council's aim to embark on a programme to higher quality, low risk and sustainable estate portfolios, with the intention of aligning the estate to specific goals and objectives (asset tiers). It looks to address the challenges of managing an ageing portfolio, changing community and social needs and the ability to maintain income whilst seeking to reduce costs.

Work has been undertaken to review the assets held by both councils, to categorise into the tiers and propose a group of assets that meet the criteria in the disposal strategy within the short term 3 year timescale. The potential beneficial revenue impact of this has been factored into the MTFs within the Asset Strategy section, represented by both the reduction in debt charges from the capital receipt and the reduction in maintenance costs associated with the assets.

6.3 **New approaches to funding community outcomes**

A report was presented to the October 2024 Joint Strategic Committee on new approaches to funding community outcomes.

The report set out the opportunity for the councils to broaden their approach to external funding and investment based on the successes achieved so far across programmes such as Gigabit, the Worthing Heat Network and Sussex Bay.

As part of the organisation design programme, a new team is being established to take forward a mission-based approach to funding which emphasises the importance of working with partners and communities, joining forces to deliver long term economic, social and environmental outcomes.

The report recommended that projects be assembled into mission-based programmes in order to engage funders more strategically, creating 'containers' for the funding of existing ideas and projects, and for new ones to be developed in pursuit of administration priorities.

The paper also pointed to the opportunity to seek opportunities across the councils' land estate, so that biodiversity net gain developer payments (and other future natural capital financing mechanisms) are directed to local nature restoration initiatives.

Work will start early in the new year to review projects across mission programmes to develop proposals to funders. Adur & Worthing Councils recently partnered with West Sussex County Council and several districts to submit an Expression of Interest to the Nature Towns and Cities Fund to support work to renature our parks and open spaces with communities. The new team will increase the number of such proposal submissions during 2025, aligned to administration priorities.

As such there are no assumptions of income from this strand of activity as yet but these are being developed.

6.4 **Procurement Strategy**

A revised Procurement Strategy was presented to the November 2024 Joint Strategic Committee setting out the councils commitment to steering its spend ever more towards local businesses, and the delivery of social and environmental as well as financial value.

The Councils' procurement team continue to work in detail with services to examine contracts and spend, with major gains identified in emergency and temporary accommodation costs (through new long term lease deals), digital contracts, and repairs and maintenance.

Effective contract management is key to delivering value for money, and detailed reviews are also progressing well in relation to consultant, external legal and agency spend, reducing spend in each area through improved contracting and better workforce planning as a result of recent organisational designs.

Development work in 2025 will include further capability building across the organisation to ensure our contract managers have the skills and tools to strengthen our procurement and contracting practices. Working through a new Business Leaders forum, the Councils will also seek to develop the market in relation to aggregation of buyers and support for small businesses in accessing opportunities.

The procurement strategy included an update on the National Procurement Policy focusing on five areas; value for money; social value sustainability and circular economy; small/medium enterprises and local procurement; commercial and procurement delivery; skills and capabilities for procurement.

The current assumption in the medium term financial strategy is that there will be some additional savings from the important work as the work to date has supported the delivery of the savings in the organisational design programme. The strategy work will continue and further savings will be built into future financial updates.

6.5 Income generation

6.5.0 Commercial income has become increasingly vital to the Councils over the years, and as a result of the recent organisational design process, a new team is being brought together to strengthen our strategic approach. During 2025, strategic work will be undertaken that improve our approach to

- Leveraging the council's brand as local, ethical and sustainable
- Improving our product marketing, and value propositions
- Improving and harmonising the digital and payment experience
- Proactive work to increase the customer base
- Broader marketing to raise awareness of the services we offer

6.5.1 The JSC report in July set out the iterative approach being taken with commercial incomes and the principles of:

- Enabling robust and accurate income projections to ensure greater resilience and avoid any surprises by using data more effectively. It's vitally important that the Councils move to assessing products less on turnover but more on profit and loss.
- To develop our commercial acumen and capability beyond price rises (set against inflation) as we need to adapt to improve customer journeys, boost our marketing presence (including cross-selling of services) and examine how technology will help drive smoother processes.
- Changing our approach in order the Councils can react to the changing market conditions and the ability to act 'in-year' rather than waiting on the cyclical budget setting process. This is an important area where the Councils will need to act differently in order to 'keep up with the market' and, more importantly, compete in the market.

This work is ongoing and this section outlines current progress. The outputs of this are not yet represented in the MTPS as they are not complete and will be added before the next update.

6.5.2 There are a number of independent reviews being undertaken that look to either rebalance income targets and / or are looking at the business cases associated with each product for today's and future markets. These include the following.

6.5.2.1 Fees and Charges:

This internal review is now well progressed and looks at the rationale and costs associated with all products and services where there is a charge. The MTFS currently assumes that 2.5% will be applied across all lines of business, which aligns with the anticipated increases in matched resources to run these products and services (whether staff, equipment or vehicles) but this assumption will be reviewed and these changes reflected in the final Budget Update. This exercise has assessed the market demand, any competition, feedback received to date on the service, as well as benchmarking against other local authorities providing similar services (where higher increases circa 3.5% are

starting to be seen), to determine percentage increases for 2025/26.

6.5.2.2 Bereavement:

As part of our change policy, a budget was set aside to undertake an independent review of this service due to its specialist and sensitive nature and the dependency on both capital and revenue investment (as part of any business case). Following an open tender exercise, the Councils have recruited an external consultant who is providing an expert view on the service to date, the opportunities for the future and, ultimately, will provide recommendations to inform a commercial business plan going forward. This includes the crematorium and cemeteries. The report is expected to be completed by December 2024, and therefore influencing the strategy / delivery from 2025 onwards. At present assumptions in the MTPS do not reflect this work.

6.5.2.3 Commercial Waste:

Similar to Bereavement, a full review is due to be undertaken to assess the Council's position in this competitive market to inform a targeted sustainable business strategy. The strategy needs to inform which market segments we should be prioritising and how the service needs to adapt and be more flexible to meet customer demands in terms of materials collected and reporting on tonnages of waste and recycling collected. The private sector is more agile in this regard which we need to address to remain competitive. An internal review of the service is currently underway which will inform the scope of targeted work to inform the business strategy.

6.5.2.4 Parking:

As noted at previous JSC meetings, parking income, particularly in Worthing, continues to underperform due to the changing nature of the economy and those wishing to use multi-storey parking. The fees and charges will form part of 5.5.4 but, equally, will also align with strategic and financial considerations in terms of the change in technology and the adaptation of car parks in the future, noting the sustainability and net zero agenda. This internal review is ongoing and will continue to provide challenges and opportunities. The Council commissioned a review in 2019/20 and whilst some of the

recommendations still hold, this will need to be revisited as this report was prior to Covid, and the changes in the modal habits of individuals (and the economy as a whole). At present assumptions in the MTPS do not reflect this work.

6.5.2.5 Beach Huts:

The Council continues to receive strong interest in this product and still holds a waiting list, however a full product review is planned to determine the long-term future of how the Council provides these in the future. In 2025/26, the Council will trial a 'pay as you go' model to provide a new option for residents and visitors wishing to have a 'day by the sea'. This option will be considered in line with the more traditional annual offerings and a business case will be drawn together that will likely come into effect from 2026/27 onwards. For this product there is a direct link between the quality of asset, the experience provided and the associated cost. Any new business case will be viewed from a full cost recovery basis.

6.5.3 All of the reviews listed above will have a bearing on the budget for 2025/26, with some more than others, however all will assist with the medium term financial planning as the expectation is greater assurance and robustness will be built into the business cases associated with all. Equally, it should be noted that there is a dependency and alignment with some of the decision-making, such as with the asset management strategy as most products are dependent on the effectiveness of the asset and therefore the ability or level, to charge for the asset (for example parking and beach huts).

6.5.4 There are opportunities that are still untapped, whether that is better use of our land, our assets or our people or indeed the council brand as a long term and reliable public body. Examples being explored to provide additional income include further advertising space and coastal activity licences. As part of this exploration, the Councils have a number of successful examples of how initial investment has unlocked further income potential, therefore the councils will explore partnering with others in relation to income opportunities as part of generating 'new income'.

6.5.5 In order to realise the above, and those further detailed in the July JSC paper, there are a number of developments underway to improve the income generating approach, notably:

- Establishment of a new team: as part of organisational redesign, a team will be developed that will provide direct and indirect support to all commercial product owners across the Councils. This will provide a consistency in analysis and approach, including the opportunity to quickly replicate good practice (including the use of digital / tech) and also spot practice that can be improved. The intention is the new team will be able to advise on changes ‘in year’ to ensure the Councils continue to provide value for money in the market.
- Point-of-sale purchasing: aligned to the previous point, the Councils have adopted Book, Pay, Notify as a system but this needs to be developed and improved to ensure the Councils can provide a seamless customer experience. Where possible, those products that demand ‘quick transactions’ will be transitioned onto the new system that allows customers an easier interface but, for the Councils, an understanding of income levels and a greater depth of data to analyse and improve products. This model is now expected in day to day life, and in day to day transactions, therefore the Councils need to improve in this area to keep pace.
- Flexible pricing: as previously described in the JSC paper in July, the Councils will develop and establish a mechanism to allow for pricing changes, including those that are required ‘in year’. This won’t be the case for all products, however where there are changes in demand or the change in the seasons the Councils need to, at least, have the ability to make these changes.

6.6. These interconnected reviews showcase our commitment to redesigning how we operate, aligning with our principles of adaptability, participation, and resilience. The asset strategy, procurement innovations, and new funding approaches collectively ensure that we deliver long-term value for our communities and achieve financial sustainability

7. **Managing demand**

7.1 Housing demand - Housing Services has long been an area of significant challenge and focus. Demand on housing teams across the country continues to increase with a continuing squeeze on the options to prevent homelessness. We are seeing extraordinary demands on the service at a time of significant budget pressures. In addition to the requirements of the Homeless Reduction Act increasing the need for a greater focus on prevention and relief of homelessness, in recent years we have seen a

significant increase in numbers of households on the respective councils housing registers and in temporary accommodation.

The single largest pressure is meeting the accommodation needs for those facing homelessness in priority need. We have a duty to accommodate these households and are increasingly reliant upon the most expensive solution of nightly paid accommodation to meet this need.

There are a number of areas that we can influence and control to have a positive impact on our demand, costs and the service we are able to offer. The cross-cutting challenges facing Adur & Worthing Councils are deeply interconnected, with issues like temporary accommodation, void council properties, benefits overspend, and debt management influencing one another.

The key areas of focus include:

- Temporary Accommodation Costs
 - Increasing the number of owned temporary accommodation units
 - Increasing the rent for our owned Temporary Accommodation
 - Shifting providers to longer term lease arrangements and away from nightly paid provision for reduced cost
 - Focus on outstanding homeless decisions and discharge of duty decisions where appropriate
- Renewed focus on homelessness prevention with a redesigned service with seven Homeless Intervention and Prevention Officers, aligning the work of the homeless service with the Proactive team and Social Prescribers for wrap around support of those at risk of homelessness
- Voids management
 - Priority assessment of void properties to match needs of management moves and homeless households alongside long term voids with CTax costs and larger family homes
 - Improved contract management especially asbestos survey and removal works
 - Process to identify recharge possibility when notice given

In addition to this work we are also reviewing the grant allocation which is received from MHCLG to ensure that we are getting the appropriate amount. Critical to this will be ensuring that we focus on prevention cases and capturing evidence to show this within the data

8. Engagement and Communication

- 8.1 The financial strategy, and the strategic reviews underway, involve a wide range of leaders and managers in a range of working groups, with the Organisational Leadership Team engaged in practical sessions, such as budget management and contract management workshops. Wider staff are being engaged through budget briefings and lunch & learns, as well as a new intranet hub on our organisational design.
- 8.2 Regular all-staff briefings are provided by the Chief Executive to keep the whole workforce informed.
- 8.3 A set of cabinet member working groups are enabling ongoing input and challenge into the process, and a new Joint Overview and Scrutiny Budget Working Group is being established.
- 8.4 As our approach to external funding and proposition development is progressed, significant partnership development and community engagement will be required to maximise opportunities.
- 8.5 Our work to engage local partners, central government departments and key statutory agencies is developing well through a number of programmes and projects, and this will continue to be key to successful development of new opportunities, and new approaches to funding and investment.
- 8.6 We have launched a budget campaign with our residents and partners to help our communities better understand how we are funded, our financial challenges and how we spend our money to improve lives for our people and places so they can see the impact the Councils' funding has.

9. Financial Implications

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

10. Legal Implications

- 10.1 The Councils are required to set a robust budget under the Local Government Act 2003. This report provides an update to the Councils in achieving this aim for the 2025/26 budget.

- 10.2 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.
- 10.3 s1 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.

Background Papers

[New Financial Strategy](#) - Joint Strategic Committee 17 July 2024

[Financial Strategy and Budget Update 2025/26](#) - Joint Strategic Committee 1 October 2024

[Strategic Property \(non residential\) Asset Management Plan 2024/Asset Strategy](#) - Joint Strategic Committee 12 November 2024

Sustainability & Risk Assessment

1. Economic

The work of the councils is vital in support of the local economy and its ability to respond to the challenges and opportunities presented in the context of post-covid recovery, cost of living, and climate. New opportunities are expected from a new government in housing, net zero and devolution which the councils must be ready to respond to.

2. Social

2.1 Social Value

The councils' new procurement strategy will reaffirm commitment to local purchasing where possible, and the delivery of social value through contracts, including the assembly of contract opportunities with local partners. The Worthing Heat Network is an example of a project creating local jobs and value through corporate social responsibility funding support.

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 is being developed with regard to the councils' carbon neutral and biodiversity commitments, creating financial capacity for higher energy bills as we move off gas to low carbon heating through the heat network, and leveraging external funding for biodiversity projects.

4. Governance

Matter considered and no issues identified.

Appendix 1

Joint Committee - Medium Term Financial Plan					
	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Base Budget	26,234	26,234	26,234	26,234	26,234
External Economic Factors					
Inflation:					
Pay	1,220	2,028	2,778	3,624	4,430
Impact of National Insurance increase	413	423	434	445	456
Costs	127	231	337	445	555
Income	(148)	(270)	(394)	(521)	(650)
Contracts & Long term commitments					
Impact from triennial pension Review	-	230	231	231	231
Investment in Services	100	102	104	106	108
Organisation Re-design	(1,830)	(1,867)	(1,904)	(1,942)	(1,981)
	26,116	27,111	27,819	28,621	29,382
Allocation to Adur and Worthing Budgets:					
Adur District Council	10,575	10,575	10,575	10,575	10,575
Worthing Borough Council	15,659	15,659	15,659	15,659	15,659
Total Allocation	26,234	26,234	26,234	26,234	26,234
(Surplus) / Shortfall in Resources	(118)	877	1,585	2,387	3,148
Savings required in each year	(118)	995	709	802	761

Adur District Council - Medium Term Financial Plan

	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Base Budget	11,102	11,102	11,102	11,102	11,102
External Economic Factors					
Inflation					
Pay	516	857	1,198	1,568	1,950
Costs	172	313	457	604	754
Income	(153)	(278)	(406)	(536)	(669)
Impact of National Insurance Increase	169	173	176	180	183
Interest from Investments	42	115	44	(45)	(136)
Commercial Income Strategy					
Additional Income from existing product lines	-	-	-	-	-
New product initiatives	-	-	-	-	-
Review of Planning income	300	300	300	300	300
External funding development	-	-	-	-	-
Capital Strategy					
Financing of Capital programme:					
Interest on borrowing	207	257	286	310	329
Minimum Revenue Provision (debt repayment)	(250)	(149)	(87)	(1)	79
Fleet strategy					
Interest on borrowing	26	77	120	144	154
Minimum Revenue Provision (debt repayment)	-	105	218	329	386
Digital strategy					
Interest on borrowing	9	16	20	23	25
Minimum Revenue Provision (debt repayment)	(20)	(48)	(24)	(49)	(102)
Asset Strategy					
Revenue impact - capital receipt on asset rationalisation	(52)	(127)	(149)	(149)	(149)
Repairs and maintenance	(9)	(24)	(29)	(29)	(29)
Housing Strategy					
Cost pressures from Housing (including Supported Accommodation)	300	300	300	300	300

Contracts & Long term commitments					
Impact from Pension Review	(95)	83	84	84	84
Allowance for Committed Growth items	106	87	106	86	106
Removal of contingency budgets	(300)	(300)	(300)	(300)	(300)
Organisation Re-design	(732)	(747)	(762)	(777)	(792)
Reserves					
Increase to the Strategic Property Management provision	100	150	200	300	400
Provision to build reserves	150	200	300	400	500
Provision for investment in services	100	123	146	200	250
Budget requirement before central funding	11,688	12,586	13,300	14,043	14,724
Funding					
Business Rates	2,337	2,813	2,833	2,854	2,873
Council Tax	7,819	7,993	8,170	8,352	8,538
Other Grants:					
Lower Tier Services Grant / Revenue Support Grant	80	80	80	80	80
Extended Producer Responsibility Payment	563				
Funding guarantee	450	450	450	450	450
Collection fund surplus/deficit (-)	(162)				
Total income from grants and taxation	11,087	11,336	11,533	11,736	11,941
Amount required to balance the budget	601	1,250	1,767	2,307	2,784
Annual Savings to be found	601	649	516	541	476

Worthing Borough Council - Medium Term Financial Plan					
	2025/26	2026/27	2027/28	2028/29	2029/30
	£000	£000	£000	£000	£000
Base Budget	15,225	15,225	15,225	15,225	15,225
External Economic Factors					
Inflation					
Pay	770	1,280	1,788	2,287	2,794
Costs	448	815	1,190	1,572	1,962
Income	(375)	(682)	(995)	(1,315)	(1,641)
Impact of National Insurance increase	281	286	292	298	304
Interest from Investments	76	187	81	(59)	(206)
Commercial Income Strategy					
Additional Income from existing product lines	-	-	-	-	-
New product initiatives	-	-	-	-	-
Planning Income reset	300	300	300	300	300
External funding development	-	-	-	-	-
Capital Strategy					
Financing of Capital programme:					
Interest on borrowing	226	447	481	503	543
Minimum Revenue Provision (debt repayment)	426	638	792	951	1,060
Fleet strategy					
Interest on borrowing	46	136	213	257	274
Minimum Revenue Provision (debt repayment)	-	186	388	584	687
Digital strategy					
Interest on borrowing	3	11	17	21	23
Minimum Revenue Provision (debt repayment)	64	100	132	114	83
Asset Strategy					
Revenue impact - capital receipt on asset rationalisation	(21)	(453)	(865)	(865)	(865)
Repairs and maintenance	(3)	(95)	(185)	(185)	(185)
Commercial Property	-	-	-	-	-
Impact of council commitments and long term obligations	770	858	856	854	852
Housing Strategy					
Cost pressures from Housing (including Supported Accommodation)	1,000	1,000	1,000	1,000	1,000

Contracts & Long term commitments					
Worthing Heat Network	141	141	141	141	141
Culture and leisure contracts	(70)	(70)	(70)	(70)	(70)
Impact from Pension Review	(195)	137	138	138	138
Allowance for Committed Growth items	160	160	160	160	160
Removal of contingency budgets	(150)	(150)	(150)	(150)	(150)
Organisation Re-design	(1,098)	(1,120)	(1,142)	(1,165)	(1,189)
Reserves					
Increase to the Strategic Property Management provision	100	150	250	350	450
Provision to build reserves	500	550	650	750	850
Provision for investment in services	90	160	260	360	460
Budget requirement before central funding	18,715	20,197	20,947	22,056	23,000
Funding					
Business Rates	3,597	3,543	3,532	3,532	3,528
Council Tax	10,878	11,139	11,407	11,682	11,963
Other Grants:					
Lower Tier Services Grant / Revenue Support Grant	116	116	116	116	116
Extended Producer Responsibility Payment	975				
Funding guarantee	600	600	600	600	600
Collection fund surplus/deficit (-)	19				
Total income from grants and taxation	16,185	15,398	15,655	15,930	16,207
Amount required to balance the budget	2,530	4,799	5,292	6,126	6,793
Annual Savings to be found	2,530	2,269	492	834	667

This page is intentionally left blank



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10 December 2024

Key Decision [Yes]

Ward(s) Affected:

Adur Homes Whole Block Repairs - Phase 1

Report by the Director for Housing and Communities

Officer Contact Details:

Keith Meredith

Head of Property Services, Adur Homes

07795 127531

keith.meredith@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. As part of our Adur Homes Improvement Plan, officers have been developing a maintenance programme, which is a critical part of providing residents with decent homes.
- 1.2. Ten existing Adur Homes blocks have been identified as requiring essential and urgent repairs.
- 1.3. The Councils are asked to approve a contract with a main contractor to carry out multiple and varied repairs to the ten blocks.
- 1.4. Following surveys carried out at Warren Court in Lancing, The 'RAFA' blocks and Aston House in Shoreham, essential repairs and remedial work is required across these blocks. For efficiency it is proposed that all the work is instructed under one contract with a Principal Contractor who will manage the subcontract packages of work, the sequencing and programming, together with the necessary resident liaison.

2. Recommendations

- 2.1. Approve the allocation of £5m from the previously approved Adur Homes Investment Programme budget for a 'Whole Blocks' repairs project, covering ten existing Adur Homes blocks in phase 1, to include site investigations and professional fees.
- 2.2. To appoint the multidisciplinary consultants to provide pre-contract services, site investigations and cost advice.
- 2.3. To commit to the principle of the repair and improvement of Adur Homes properties using a phased approach and Whole Block contracts, with one Principal Contractor where necessary.
- 2.4. To note that the phase 1 blocks have been identified on the basis of existing, historic information and investigations, however the production of new building conditions surveys may identify further urgent works in other properties.

3. Context

Adur Homes Investment Programme

- 3.1. In November 2022, following the death of two-year-old Awaab Ishak in a damp and mouldy flat in Rochdale, the Government ordered Councils to check their housing stock. A subsequent review was undertaken into Adur Homes' stock.
- 3.2. Following this review, In February 2023 Adur District Council (ADC or 'the Council') referred itself to the Regulator of Social Housing (the Regulator), following the completion of its review. Since this time, ADC has been providing regular reports to the Regulator on the progress of the Adur Homes Improvement Programme, which also includes the investment in homes
- 3.3. As a result of this, the team has been developing an investment programme for Adur Homes to cover the works required to maintain and improve our housing. As such, the overall Capital budget has been set at £19.3m for 2024/25 financial year and forecast for the next two years at £9m per year for 25/26 and 26/27 respectively.
- 3.4. Budgets for the Adur Homes Investment Programme have been agreed for this financial year and forecast for the next two financial years.

3.5. Capital budgets have been identified for improvements to safety, security, accessibility and compliance with the Decent Homes standards, over the next three years.

4. **Warren Court - Structural Reports**

4.1. Warren Court consists of four, three storey blocks, and is located on Sompting Road, close to Lancing railway station.

4.2. In May 2020 ADC appointed Philip Goacher Associates, Structural Engineers to undertake a structural survey on the condition of existing communal walkways and private balconies, and their railings.

4.3. The report provided by Philip Goacher Associates, issued in July 2020 identified numerous building defects as summarised below.

4.4. In February 2024 ADC re-appointed Philip Goacher Associates to re-inspect the properties.

4.5. It was also noted that since their original report of July 2020, no repairs of the highlighted building defects had been undertaken. This remains largely unchanged, however ADC's surveyors carry out regular inspections and re-pointing has been carried out to the south-facing walls. Day to day repairs reported by residents continue to be carried out.

4.6. **Arising Issues**

4.6.1. Warren Court: Railing to 24 private balconies and walkways: height, condition. Fixings, replacement and asbestos removal, private Balconies and Communal Walkway Structural Conditions: surfaces, concrete, soffits. Warren Court - Other Building Defects: repointing, structural aspects around windows, communal windows, lintels, soffits and fascias, concrete repairs, aspects of the roofs, asbestos removal

4.6.2. RAFA Blocks (Arundel Court, Broadway Court, Kingston Court, Osbourne Court and Penston Court - collectively known as the 'RAFA blocks' which are located off Stoney Lane and Wilmot Road in Shoreham - Communal Walkways: condition of railings and walkways, concrete and brickwork repairs, rainwater outlets. Redecorating, asbestos removal

4.6.3. Aston House Conditions: We do not currently have an up to date, formal conditions survey for Aston House however Building Surveyors, Michael Dyson Associates have produced their draft final data and

report and this is being reviewed. In the meantime it is noted that through various visual inspections of the block the private balconies are in poor condition as well as asbestos removal issues.

5. Issues for consideration

5.1. Proposed Works

- 5.1.1. It is proposed that ADC procures one Principal contractor to carry out all of the external and communal works required at Warren Court, RAFA blocks and Aston House.
- 5.1.2. This is considered to be the most efficient approach to procuring all of the complex aspects of work that are required and will save on project preliminary costs.
- 5.1.3. The final scope of the work will be informed by a detailed study carried out by a multidisciplinary consultant, in advance of entering into the contract.
- 5.1.4. The scope of the multidisciplinary consultant's appointment will include:
 - Intrusive investigations and surveys as recommended by Philip Goacher Associates and as identified following visual inspections.
 - Updated asbestos surveys where required.
 - Ground Penetrating Radar (GPR) surveys (to identify exact locations of services).
 - Royal Institute of Chartered Surveyors (RICS) Building Surveyor's advice.
 - Ecological advice (if bird or bat nesting is identified).
 - Preparation of the scope of works for each block.
 - Cost planning and consultancy including the production of a RICS pre-tender estimate of costs.
 - Architectural services including the production of Planning drawings and the submission of Planning Applications.
 - Building Control applications.
 - Preparation of contract documents and specifications.
 - Principal Designer duties under CDM Regulations.

- Liaising with the Council and the selected contractor to agree programming and sequencing of the works.
 - Agreement of the Construction Phase Plan (CPP) and safe methods of work, with the Council and the Contractor.
 - Participation in resident consultation if required.
- 5.1.5. As the Council's appointed multidisciplinary consultant, they would work with the selected contractor and the Council to identify innovative and cost effective technical solutions to remediating existing building defects. Where materials can be repaired or reconditioned then these options will be considered.
- 5.1.6. The brief to the multidisciplinary consultant and the selected contractor will be to seek not only efficiencies in the capital costs but reductions in ongoing revenue expenditure relating to repairs and maintenance.
- 5.1.7. It is anticipated that the detailed investigations by the multidisciplinary consultant will recommend the following works are carried out to the ten blocks:
- Replace cantilever private balconies with a steel, powder coated, composite system supported by columns (Warren Court and Aston House). All options will be investigated including the full replacement.
 - Replace communal walkway railings, repair defects and install steel, powder coated, composite steel columns to support failing structures (Warren Court and RAFA blocks).
 - Remove asbestos from soffits, facias, bitumen coverings and communal cupboards.
 - Carry out concrete and render repairs to prevent further sections falling away and redecorate.
 - Remove vegetation such as ivy and moss from walls and drainage systems.
 - Repair and replace rainwater goods where damaged and failing.
 - Replace residents' private windows where beyond repair and failing.
 - Install fire-rated windows to communal areas.
 - Replace glazed curtain walling in the stairwell link at Warren Court.

- Carry out repointing to brickwork where necessary.
- Repair lintels around windows and doors.
- Install secure communal entrance doors with audio door release and key fob entrance system.
- Repair steps, pathways and handrails to block entrances.
- Repair communal staircases.
- Make good and redecorate communal areas following all other works to include fire-rated wall finishes.

5.1.8. The successful Contractor will be required or make provision to:

- Perform the role of Principal Contractor under CDM Regulations.
- Carry out any outstanding ground/site investigations.
- Design the piling works for the new balcony columns, using a specialist subcontractor.
- Complete the design of the steelwork including connection details, using a specialist subcontractor.
- Write to all residents in a block where works are to be undertaken introducing the contractor, explaining what works are happening, and when, and giving a lead contact for residents to call during the works.
- Carry out all the building works including supervising the site and handling any residents' complaints.
- Issue record drawings for the contractor-designed and completed works, to be stored on the Health & Safety File.
- Ensure works are completed to the specified standard.

5.1.9. Appointing a single Principal Contractor to manage the packages of work required will bring financial efficiencies and reduce preliminary costs for items such as scaffolding and welfare facilities for operatives.

5.1.10. The Principal Contractor will be responsible for all subcontractors and for health and safety on site under CDM Regulations.

5.1.11. Residents will have one point of contact with one contractor to liaise with over access visits, works and any concerns that they may have.

5.2. **Safety and Quality Standards**

- 5.2.1. The Regulator of Social Housing has set out its requirements for Registered Providers (RPs) of Social and Affordable Housing, such as Local Authorities and Housing Associations.
- 5.2.2. Housing providers must ensure that tenants' homes meet the standard set out in the Government's Decent Homes Guidance (DHG) and continue to maintain their homes to at least this standard.
- 5.2.3. The DHG refers to 'Key Building Components' which are described as *"those which, if in poor condition, could have an immediate impact on the integrity of the building and cause further deterioration in other components. They are the external components plus internal components that have potential safety implications"*.
- 5.2.4. Components listed include external walls, windows, doors and roofs.
- 5.2.5. The guidance goes on to state that *"If any of these components are old and need replacing, or require immediate major repair, then the dwelling is not in a reasonable state of repair and remedial action is required."*
- 5.2.6. It has been identified in previous, historic surveys that various elements of the blocks are old, have not been appropriately maintained, and have reached the end of their service life.
- 5.2.7. The DHG also makes reference to inadequate insulation from noise and states *"Landlords should ensure reasonable insulation from these [noise] problems through installation of appropriate acoustic glazing in line with the current Building Regulations"*.
- 5.2.8. Where windows and window surrounds are failing in these blocks, they are unlikely to meet the standard for insulation from noise and should be repaired or replaced accordingly.

5.3. **Health and Safety**

- 5.3.1. RPs must identify and meet all legal requirements that relate to the health and safety of their residents, visitors and the community as a whole.
- 5.3.2. An RP is obliged to ensure that all required actions arising from health and safety assessments and conditions surveys are carried out within appropriate timescales.

5.3.3. Given the poor state of repair of these blocks, the Council's in-house surveyors are carrying out regular safety inspections, which use up both time and resources.

5.4. **Building Regulations**

5.4.1. As part of the Whole Block (phase 1) works an application will be made to Building Control prior to contract. In consultation with the Building Control Officer (BCO) requirements under the current Regulations will be included in the Principal Contractor's scope of works.

5.5. **Alternative Options**

5.5.1. The potential to let separate contracts to cover the required work has been considered, however it is recommended that the appointment of a Principal Contractor to manage the sequence and the programme of works would be a more efficient solution which would be less resource intensive for the Council and would reduce preliminary costs.

5.5.2. A single point of contact for residents will help with the management of the work and resident satisfaction.

5.6. **Do Nothing**

5.7. It is not an option for the Council to 'do nothing' about the disrepair of its housing stock.

5.8. If nothing is done to address the issues identified, the Council could be found to have:

5.8.1. Failed to comply with all relevant legal legislation and codes of practice.

5.8.2. Not to have applied its own policies and procedures.

5.8.3. Delayed unreasonably in dealing with the matters of disrepair, security and health and safety.

5.8.4. Behaved unfairly, unreasonably or incompetently in its obligations to residents and the community.

6. **Engagement and Communication**

6.1. There are 20 leaseholders across the 10 blocks. The works to private balconies, communal walkways, external buildings, drainage, communal stairs, landings and windows will all affect the leaseholders under S20 of the Landlord and Tenant Act 1985. The procedures

prescribed under the Act will be adhered to in consultation with the Council's Leasehold and Right to Buy Manger.

- 6.2. A 'meet the contractor' event will be held for residents when a contractor has been appointed. This strategy has been used to good effect when developing the Small Sites new-build projects, where neighbours who were living in very close proximity were invited to meet representatives of the relevant contractor in a community space.
- 6.3. The Principal Contractor will provide a single point of contact for residents during the period of the works.

7. Financial Implications

7.1. Adur Homes Investment Programme Budgets

- 7.1.1. Previously approved capital budgets will be drawn down to fund the Whole Block Works Phase 1 in consultation with the Council's finance department. The proposed works do not require any additional capital funding.
- 7.1.2. The full detailed works and associated costs need to be identified and cost estimates produced and to obtain this, the first element of works need to be approved, this being as detailed in 5.1.4 above.
- 7.1.3. The current estimate for the overall works is around £5m but as stated this will be confirmed following the appointment of the multi-disciplinary consultant to undertake the scoping and costing exercise and this is estimated at £150,000. The requirement for a multi-disciplinary consultant has been submitted via a separate [report](#)

7.2. Financial Efficiencies of a Main Contract

- 7.2.1. The appointment of a Principal Contractor to manage the works will reduce costs associated with the hire of scaffolding, welfare facilities for operatives, and Contract Administration.
- 7.2.2. The Council resources that would be required to manage multiple contracts would be significant and would place undue burden on staffing budgets.

7.3. Maintenance and Resource Savings

- 7.3.1. The repair and replacement of key structural elements will reduce the requirement for ongoing patch repairs and temporary protection.

7.3.2. As noted at 4.5 above, at present Council resources are being used in carrying out regular inspections on unsafe structures.

7.4. Leaseholder Recharges

7.4.1. There are currently 20 leasehold properties across the 10 blocks.

7.4.2. Leaseholders are obliged to contribute to essential works required in communal areas and to the external fabric of the building.

7.4.3. An assessment of the amount of work and associated cost that may be recharged to Leaseholders will be carried out pre-contract.

7.5. Disrepair Claims

7.5.1. If a landlord fails to fulfil their obligations under the Landlord and Tenant Act, tenants and leaseholders have the right to take legal action. This action can compel a landlord to make the necessary repairs and, in some cases, provide compensation for any suffering caused by the disrepair.

7.5.2. Any such legal brought about by residents would represent a further cost to the Council.

7.6. Complaints to the Housing Ombudsman

7.6.1. Any complaints that are upheld by the Ombudsman may lead to fines payable to residents.

8. Legal Implications

8.1. Under Section 111 of the Local Government Act 1972, the Council has the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.

8.2. Section 3(1) of the Local Government Act 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.

8.3. Section1 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.

- 8.4. Any procurement arising from the recommendations in this report must be in accordance with the Council's Contract Standing Orders and the Public Contract Regulations 2015.
- 8.5. Under the Landlord and Tenant Act 1985, as well as a number of additional housing standards and regulations, landlords are obliged to:
 - 8.5.1. Keep the exterior of the property in good repair, including the structure and exterior finishes.
 - 8.5.2. Maintain all 'installations' for the supply of water, gas, electricity, sanitation, and drainage.
 - 8.5.3. Treat any health-threatening issues such as dampness and mould growth or unsafe structures.

These responsibilities are not just limited to the physical aspects of the building. The living conditions within the property must be conducive to safety and health and fit for human habitation at the beginning of the tenancy and throughout. This includes ensuring that the property is free from anything that could cause injury or illness, including harmful substances such as asbestos.

- 8.6. Section 20 of the Landlord and Tenant Act 1985 (as amended) provides that a landlord must consult leaseholders who are required under the terms of their lease to contribute to costs incurred through their service charges where any one leaseholder's contribution will be over £250. As part of the Whole Block works leaseholders will be notified of contract tenders.

Background Papers

- DCLG - A Decent Home: Definition and guidance for implementation
- National Housing Federation (NHF) Key measures of the Social Housing Regulation Act

Sustainability & Risk Assessment

1. Economic

- 1.1. The physical and aesthetic improvements to the blocks will help regenerate the estates in which they are located. It has long been understood that regeneration of housing and infrastructure has an economic benefit to communities.

2. Social

2.1. Social Value

- 2.1.1. The appointment of a multidisciplinary consultant will progress the Investment Programme which in turn will:

- Improve health and safety including fire risk
- Improve accessibility
- Improve security
- Improve appearance
- Regenerate the areas in which the blocks are situated
- Support the reduction of crime
- Support the reduction of antisocial behaviour (see 2.3 below)
- Foster a sense of community

- 2.1.2. Consultants will be assessed against their Social Value policies as part of the procurement process.

- 2.1.3. It is intended that the consultancy services and construction works will be procured via the CHIC framework.

- 2.1.4. CHIC supports an independent charity named Communities and Housing Investment in People (CHIP).

- 2.1.5. CHIP's Community Chest Fund offers grants to local community groups for projects which will make a positive difference to people's lives. There may be the opportunity for the Council to bid for funding for any established projects in the District.

2.2. Equality Issues

- 2.2.1. As previously stated in this report Adur Homes Investment Programme budgets have been identified for improvements to safety, security, accessibility and compliance with the Decent Homes standards, over the next three years.

2.2.2. The Equality and Human Rights Commission has published a briefing entitled "*Following Grenfell: the right to adequate and safe housing*" this report states "*The right to adequate housing is one of the most well-recognised economic and social rights internationally. It is central to human dignity and without it, it is effectively impossible to exercise a range of other human rights, including family life, privacy, and health.*"

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

2.3.1. The introduction of improved security measures to homes such as safe and secure communal entrance doors, door entry systems and replacement windows and doors to homes and communal areas will support the safety and security of residents.

2.3.2. The Adur & Worthing Safer Communities Strategy 2021-2024 Priority 4 is to "*Increase community cohesion and reduce Anti-Social Behaviour (ASB) and hate crime*".

2.3.3. In March 2023 The Home Office published a report entitled "*Anti-social behaviour: impacts on individuals and local communities*". The report found that "*Those living in the most deprived areas were more likely to have experienced or witnessed ASB in the last 12 months compared to those in less deprived areas.*"

2.3.4. Housing that is in a visibly poor condition is known to lead to a perception of deprivation in the community. The physical and aesthetic improvements to these blocks will improve perceptions and help to improve community cohesion.

2.3.5. Estate improvements would benefit the whole community and not just the residents of specific blocks.

2.3.6. Arson is a common cause of fire and therefore it is recommended that secure entry doors are fitted to blocks of flats to prevent unauthorised entry.

2.4. **Human Rights Issues**

2.4.1. UK courts have accepted that international human rights treaties can be used as an aid to interpretation of relevant domestic laws (such as the Housing Act, the Human Rights Act or secondary legislation about the provision of suitable temporary accommodation).

2.4.2. The 'Following Grenfell' report mentioned above at point 2.2.2 has stated "*Crucially, the fundamental human rights principles of human*

dignity and nondiscrimination require the right to housing to be ensured to all people irrespective of income, access to economic resources or any other ground of discrimination. They also require that housing is not simply equated with the shelter provided by having a roof over one's head, but is seen as adequate housing, that is, somewhere you can live in security, peace and dignity."

- 2.4.3. The UN Committee on Economic, Social and Cultural Rights has set out seven key elements of the right to safe and adequate housing. One of these key elements is "*Habitability*", meaning that residents must be provided with adequate space, protected from cold, damp, rain, wind or other threats to health or structural hazards to guarantee their physical safety.

3. Environmental

- 3.1. Specialist pre-contract advice will be sought from an ecologist before any work takes place that may affect wildlife or the environment.

4. Governance

- 4.1. The Adur & Worthing Councils - Housing Strategy states:

"the Council remains committed to high levels of investment into maintaining and improving the condition of our housing stock, following best practices in investment and management"

- 4.2. These proposals align with the following Council policies and procedures:

- Adur & Worthing Councils - Housing Energy Conservation Act Report 2021
- Adur District Council - Fire Safety Policy (Housing)
- Adur & Worthing Councils - Risk and Opportunity Management Strategy 2024 to 2025
- Adur & Worthing Councils and Adur Homes Asbestos Policy
- Adur Homes - Asbestos Management Plan - Rev 3.1



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
10 December 2024

Key Decision [Yes/No]

Ward(s) Affected: All in Adur

Adur Homes AH- Appointment of a Multi Disciplinary Consultant

Report by the Director for Housing & Communities

Report Author: Head of Property Services, Adur Homes

Officer Contact Details:

Keith Meredith

Head of Property Services, Adur Homes

07795 127531

keith.meredith@adur-worthing.gov.uk

Executive Summary

1. Purpose

- 1.1. As part of our Adur Homes Improvement Plan, officers have been developing a maintenance programme, which is a critical part of providing residents with decent homes.
- 1.2. As part of this programme this paper sets out a proposal to use what is referred to as a 'multi disciplinary consultant' (MDC) to project manage a minimum of 8 contracts over a 3 year period of time with the added extension options included.
- 1.3. The MDC role which broadly includes pre-contract design, undertaking surveys, and cost planning and further details are detailed in 4.3 below.

- 1.4. The paper details the role of this consultant and sets out the options for Members to consider. It proposes the appointment of one Multi Disciplinary Consultant to manage the contracted packages of work with the appointed contractor(s). This work will be required for the purposes of obtaining key information to inform the overall scope of work and tender documents and subsequent contract management.

2. Recommendations

- 2.1. To approve the appointment of a multi disciplinary consultant for an initial 3 year period for the essential contract professional services required for the development, procurement and management of contracts entered into.
- 2.2. To authorise the spend in respect of the MDC to cover 8 work areas detailed in section 3.3 over a 3 year period. The spend is in accordance with procurement consortium tender price of 4.24% of full contract value and detailed further in section 7.3.

3. Context

Adur Homes Investment Programme

- 3.1. In November 2022, following the death of two-year-old Awaab Ishak in a damp and mouldy flat in Rochdale, the Government ordered Councils to check their housing stock. A subsequent review was undertaken into Adur Homes' stock.
- 3.2. Following this review, In February 2023 Adur District Council (ADC or 'the Council') referred itself to the Regulator of Social Housing (the Regulator), following the completion of its review. Since this time, ADC has been providing regular reports to the Regulator on the progress of the Adur Homes Improvement Programme, which also includes the investment in homes.
- 3.3. As part of this work, the team has been developing an investment programme for Adur Homes required to maintain and improve our

housing. As such, the overall Capital budget for this investment programme has been set at £18.4m for 2024/25 financial year and forecast for the next two years at £9m per year for 25/26 and 26/27 respectively. The work areas for the initial contracts that are required under this first wave cover Heating & Hot Water Maintenance and Repairs, major structural repairs to 10 blocks, window and door replacement/repair, kitchen & bathroom replacements, asbestos removal, Legionella testing, roof replacements, Electrical compliance testing, door entry repairs/servicing and boiler/heating upgrades with a combined three year forecast of £20.1m

- 3.4. As part of our contract programme, costs have been built in for Professional Services at £2.2m, £1.1m and £1.1m respectively for the next three financial years based on previous years costs to these work areas and a service provided centrally by Technical Services.
- 3.5. Each contract will require various levels of professional and technical advice and services including but not limited to procurement, tendering, pre-tender estimates, Building Control submissions, Health & Safety, Construction Design & Management, Quantity Surveying, project management, and planning.

4. Proposed Services

- 4.1. A multi-disciplinary consultancy (MDC) is one that consists of multiple departments, each one specialising in a particular discipline within the construction industry. These multi departments pull together to create a single team of different disciplines or fields of expertise to ensure a project whether that be a maintenance, refurbishment or new build project, however large or small, runs as smoothly as possible from inception through to completion.
- 4.2. At the very outset of each project the MDC will decide which disciplines are required to meet the brief and deliver the project in addition to what stage each discipline will be required in order to meet the programme.
- 4.3. Having a multi-disciplinary team in place has several benefits over what would normally be a fragmented process that has been previously associated with the construction industry in recent decades. For example, there is one single point of responsibility, one integrated team all providing the flexibility to scale up or down to meet the brief throughout the various stages of the project. By having this versatility, multi-disciplinary teams can also undertake multiple projects at the same time and have the ability to report to the client in one step across

all the projects and the various stages that have been completed as well as how the programme is looking moving forward.

- 4.4. All these factors in the long term will save time and money as the one team has the skills, knowledge and experience to multitask therefore making them efficient in what they do. This will be key in delivering the number of contracts the Council is looking to complete over the planned 3 year period.
- 4.5. It has been identified within the overall budget for the Adur Homes Investment Programme but the services of the consultant will be on an as used basis, valued on the contract value and duration based on a percentage of the contract value.
- 4.6. In addition, the scope of the multidisciplinary consultant's appointment will include covering the areas of work illustrated in 3.3 above:
 - 4.6.1. Intrusive investigations and surveys as recommended and as identified following visual inspections.
 - 4.6.2. Updated asbestos surveys where required.
 - 4.6.3. Ground Penetrating Radar (GPR) surveys (to identify exact locations of services).
 - 4.6.4. Royal Institute of Chartered Surveyors (RICS) Building Surveyor's advice.
 - 4.6.5. Ecological advice (if bird or bat nesting is identified).
 - 4.6.6. Preparation of the scope of works.
 - 4.6.7. Careful cost planning and consultancy including the production of a RICS pre-tender estimate of costs, based on their knowledge of the market.
 - 4.6.8. Architectural services including the production of Planning drawings and the submission of Planning Applications.
 - 4.6.9. Building Control applications.
 - 4.6.10. Preparation of contract documents and specifications.
 - 4.6.11. Principal Designer duties under CDM Regulations.
 - 4.6.12. Liaising with the Council and the selected contractor to agree programming and sequencing of the works.

- 4.6.13. Agreement of the Construction Phase Plan (CPP) and safe methods of work, with the Council and the Contractor.
- 4.6.14. Participation in resident consultation if required.
- 4.6.15. Regular reporting to the Adur Homes.
- 4.7. This proposal is made as a safeguard to ensure all aspects of the contract management are resourced with the level of expertise and professional capacity as necessary.

5. Issues for consideration

- 5.1. The comparative solution is to provide these services in-house.
- 5.2. The in-house team does not have the skills or capacity to undertake the full professional services.
- 5.3. To employ suitable professional individuals to cover all aspects of this work will not only prove difficult due to the employment market for surveyors and professional services of this nature but will not be financially viable to do so as it will require over and above the establishment to fulfil all the roles required.
 - 5.3.1. A Council Surveyor is on grade 8 with a maximum salary of £49,764 (inc the 2024 pay rise) and with on costs totals £63,799
 - 5.3.2. This will impact the establishment as this will mean at least 5 additional surveyors with the relevant experience and skills, would be required to manage these areas of work alone, an additional resource over and above the current approved establishment of 2.
- 5.4. Direct employment of these services will incur additional costs due to absence cover and overhead recovery and the Council will be required to cover sickness, pension and other direct costs.
- 5.5. Previous contract cost of this nature that were managed by internal corporate teams attracted a 12% charge, so another comparison would be that this would cost in the region of £2.4m
- 5.6. Without the relevant resource, capacity or consultants appointed, the Council will not be able to fully identify all the work that is essential to meet the Investment Programme as part of the Improvement plan and will not be in a position to obtain the necessary permissions required to carry out the works under each contract.

- 5.7. The appointment of one, multidisciplinary consultancy firm is considered to be the most efficient approach to procuring all of the professional services that are required and will save internal resources.
- 5.8. It is proposed that the multidisciplinary consultant is appointed as they will be able to resource all elements of work as and when required providing a full 100% service cover via the Communities & Housing Investment Consortium (CHIC) framework. This is considered an efficient and effective procurement route.

6. Engagement and Communication

- 6.1. The Deputy Leader of the Council, Councillor Lee Cowen has been fully briefed by the Assistant Director - Housing and Homelessness Prevention
- 6.2. The Head of Property Services, Adur Homes has liaised with internal stakeholders within the Council's Finance, Procurement and Adur Homes Departments. The Assistant Director of Housing and Homelessness prevention has also been fully briefed.
- 6.3. The Housing Regulator has been informed of this approach to manage the capital investment works and is satisfied with this approach being taken.
- 6.4. For some of these works i.e. structural, roofing, communal areas and other block related works will be eligible for cost recovery from any leaseholders owning properties within the block, therefore all contracts entered into following this appointment, will undertake the relevant Section 20 consultation process with leaseholders where necessary, to consult with leaseholders and the works and costs to enable a full apportioned cost recovery of the works.

7. Financial Implications

- 7.1. As detailed above in relation to the scope of works and the sections below illustrating the costs, the Committee is asked to approve the appointment of a multi disciplinary consultant as part of the Adur Homes Improvement Programme to manage the procurement, appointment and management of appropriate contractors to fulfil Adur Homes capital investment programme.

- 7.2. The costs of this service will be included within the Capital expenditure and allocated to each works programme accordingly and will be expended dependent on the following:
- 7.2.1. Quantity of surveys, inspections and tests that are required to inform the scope of work.
 - 7.2.2. Whether ecological advice is required.
 - 7.2.3. How many Planning and Building Control applications are required by those departments.
 - 7.2.4. How long the pre-contract period takes to complete. Delays could occur through the Planning or other processes required for a compliant scheme.
- 7.3. The costs associated with this type of agreement will depend on the percentage fee applied that in turn relates to the value of contracts being managed and will decrease as the overall work value increases to provide economies of scale and savings.
- 7.3.1. As the table below illustrates, the higher the overall contract value is the lower the percentage fee that is applied.

VALUE OF WORKS	CONSOLIDATED % FEES
£0 - £50k	17.98%
£50,000 to £250,000	16.64%
£250,000 to £500,000	13.41%
£500,000 to £1,000,000	10.01%
£1,000,000 to £5,000,000	6.99%
£5,000,000 to £10,000,000	4.99%
£10,000,000 +	4.24%

- 7.3.2. With a budgeted 3 year spend across 8 work categories of £20.1m this would equate to a forecast spend of £852.2k using the consortium's tender price schedule of 4.24%.
- 7.3.3. In the initial stages while the contracts are developed and set up over the coming 12 months, the percentage fee may be slightly higher as based on a lower contracted value.

- 7.4. The appointment of a multidisciplinary consultant will enable the procurement of contracts to progress and the essential investment and repairs works to be undertaken.
- 7.5. If a landlord fails to fulfil their obligations under the Landlord and Tenant Act, to invest, upgrade and meet regulations and standards, tenants and leaseholders have the right to take legal action. This action can compel a landlord to make the necessary repairs and, in some cases, provide compensation for any suffering caused by the disrepair.
- 7.6. Any such legal brought about by residents would represent a further cost to the Council.
- 7.7. Any complaints that are upheld by the Ombudsman may lead to fines payable to residents.

8. Legal Implications

- 8.1. Under Section 111 of the Local Government Act 1972, the Council has the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.
- 8.2. s1 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.
- 8.3. Under the Public Contract Regulations 2006 (SI 2006/5) where a Public Authority is to enter into a contract for the supply of goods & services, and the value of those goods and services exceeds a financial limit of £173,934, any procurement exercise to contract for those goods and services must be conducted in accordance with the Regulations and a failure to do so may be declared upon receipt of a procurement challenge, anti-competitive and in breach of the Regulations.

It is proposed that the Council appoints consultants via the CHIC framework as an efficient and compliant procurement route.

- 8.4. Section 11 of the Landlord and Tenant Act 1985 as well as various housing standards and regulations, requires landlords to:

- 8.4.1. Keep the exterior of properties in good repair, including the structure and exterior finishes.
- 8.4.2. Maintain all installations for the supply of water, gas, electricity, sanitation, and drainage.
- 8.4.3. Treat any health-threatening issues such as dampness and mould growth or unsafe structures.
- 8.4.4. These responsibilities are not just limited to the physical aspects of the building. The living conditions within the property must be conducive to health, safety and wellbeing. This includes ensuring that the property is free from anything that could cause injury or illness, including harmful substances such as asbestos.

Background Papers

- DCLG - A Decent Home: Definition and guidance for implementation
- National Housing Federation (NHF) Key measures of the Social Housing Regulation Act

Officer Contact Details:-

Keith Meredith
Head of Property Services, Adur Homes
07795 127531
keith.meredith@adur-worthing.gov.uk

Sustainability & Risk Assessment

1. Economic

- 1.1. The physical and aesthetic improvements to the properties, which will follow the appointment of a multidisciplinary consultant, will help regenerate the estates in which they are located. It has long been understood that regeneration of housing and infrastructure has an economic benefit to communities.

2. Social

2.1. Social Value

- 2.1.1. The appointment of a multidisciplinary consultant will progress the Investment Programme which in turn will:

- Improve health and safety including fire risk
- Improve accessibility
- Improve security
- Improve appearance
- Regenerate the areas in which the blocks are situated
- Support the reduction of crime
- Support the reduction of antisocial behaviour (see 2.3 below)
- Foster a sense of community

- 2.1.2. Consultants will be assessed against their Social Value policies as part of the procurement process.

2.2. Equality Issues

- 2.2.1. As previously stated in this report Adur Homes Investment Programme budgets have been identified for improvements to safety, security, accessibility and compliance with the Decent Homes standards, over the next three years.

- 2.2.2. The Equality and Human Rights Commission has published a briefing entitled "*Following Grenfell: the right to adequate and safe housing*" this report states "*The right to adequate housing is one of the most well-recognised economic and social rights internationally. It is central to human dignity and without it, it is effectively impossible to exercise a range of other human rights, including family life, privacy, and health.*"

2.3. Community Safety Issues (Section 17)

- 2.3.1. The appointment of a multidisciplinary consultant will progress the introduction of improved security measures to homes such as safe and

secure communal entrance doors, door entry systems, replacement windows and doors to homes and communal areas, and will support the safety and security of residents as well as new kitchen & bathrooms.

- 2.3.2. The Adur & Worthing Safer Communities Strategy 2021-2024 Priority 4 is to *“Increase community cohesion and reduce Anti-Social Behaviour (ASB) and hate crime”*.
- 2.3.3. In March 2023 The Home Office published a report entitled *“Anti-social behaviour: impacts on individuals and local communities”*. The report found that *“Those living in the most deprived areas were more likely to have experienced or witnessed ASB in the last 12 months compared to those in less deprived areas.”*
- 2.3.4. Housing that is in a visibly poor condition is known to lead to a perception of deprivation in the community. Physical and aesthetic improvements to these blocks will improve perceptions and help to improve community cohesion.

2.4. **Human Rights Issues**

- 2.4.1. UK courts have accepted that international human rights treaties can be used as an aid to interpretation of relevant domestic laws (such as the Housing Act, the Human Rights Act or secondary legislation about the provision of suitable temporary accommodation).
- 2.4.2. The ‘Following Grenfell’ report mentioned above at point 2.2.2 has stated *“Crucially, the fundamental human rights principles of human dignity and nondiscrimination require the right to housing to be ensured to all people irrespective of income, access to economic resources or any other ground of discrimination. They also require that housing is not simply equated with the shelter provided by having a roof over one’s head, but is seen as adequate housing, that is, somewhere you can live in security, peace and dignity.”*
- 2.4.3. The UN Committee on Economic, Social and Cultural Rights has set out seven key elements of the right to safe and adequate housing. One of these key elements is *“Habitability”*, meaning that residents must be provided with adequate space, protected from cold, damp, rain, wind or other threats to health or structural hazards to guarantee their physical safety.

3. **Environmental**

- 3.1. Specialist pre-contract advice will be sought from an ecologist before any work takes place that may affect wildlife or the environment.

4. Governance

- 4.1. The Adur & Worthing Councils - Housing Strategy states:

“the Council remains committed to high levels of investment into maintaining and improving the condition of our housing stock, following best practices in investment and management”

- 4.2. These proposals align with the following Council policies and procedures:

- Adur & Worthing Councils - Housing Energy Conservation Act Report 2021
- Adur District Council - Fire Safety Policy (Housing)
- Adur & Worthing Councils - Risk and Opportunity Management Strategy 2024 to 2025
- Adur & Worthing Councils and Adur Homes Asbestos Policy
- Adur Homes - Asbestos Management Plan - Rev 3.1