



ADUR & WORTHING COUNCILS

Joint Strategic Sub Committee Worthing
12th September 2023
Joint Strategic Sub Committee Adur
27th September 2023

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

1st Quarter Revenue Monitoring Report 2023/24

Report by the Director for Sustainability and Resources

Executive Summary

1. Purpose

- 1.1. This report updates the Joint Strategic Sub Committees with the latest expenditure and income projections for both Adur District Council and Worthing Borough Council for the current financial year 2023/24, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 30th June 2023, 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 2023/24 financial year for the Worthing Borough Council General Fund is a net overspend after reserve transfers of £1.8m and for Adur District Council General Fund is a net overspend after reserve transfers of £254k. A breakdown is set out in section 4.4 of the report.

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

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

3.0 Context

- 3.1 The Joint Strategic Committee last considered the 5-year forecast for 2023/24 to 2027/28 on 5th July 2022.
- 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 by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4.0 Issues for consideration - Revenue 2023/24 Forecast

- 4.1 As part of the 2023/24 budget the Councils committed to savings of £1.333m for Adur District Council and £3.203m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced.
- 4.2 However, the financial landscape has changed due to the impact of the economic downturn, energy prices, rising inflation and interest rates

visible in additional cost pressures falling on the Council. Additional pressures are anticipated when the national pay award is agreed, which is predicted to be higher than the assumed 4.5% built into the 2023/24 budget.

4.3 The ongoing uncertainty around inflation, increased demand on services and energy resources and pricing, it is difficult to have certainty on the estimates and assumptions, the current projections indicate forecast year end overspends against budgets of £1,830k in Worthing and an overspend of £254k in Adur. This includes meeting the challenges of the impact of the inflationary cost pressures, reduced levels of income together with the significant savings requirements to balance the 2023/24 budget. The main factors influencing the level of spend are discussed in detail in section 4.11 of the report.

4.4 The current year-end forecast is comprised of a number of elements as set out in the table below:

	Worthing	Adur
2023/24 Forecast Outturn	Q1	Q1
	£000	£000
Over/(under)spend in operational services – including share from Joint	1,406	427
Net Borrowing requirement: Forecast call on the MRP (provision to repay debt)	476	(84)
Net Interest (increase)/decrease	(288)	(298)
Commercial property income shortfall and cost pressure (excluding business rates)	187	403
Property void allowance	(678)	(750)
Proposed pay award	567	422
Insurance contract renewal	161	135
LCR Unwinding agreement	300	
Net over/(under) spend before Transfer to/(from) Reserves	2,130	254
Transfer to/(from) reserves	(300)	-
Forecast net over/(under) spend	1,830	254

4.5 The key factors underpinning the current financial position include:

- The financial impact of rising inflation and interest rates;
- In Worthing there is a net overspend in the Minimum Revenue Provision (MRP) and interest budgets of £187k and in Adur a net underspend forecast of £382k. The budgets are calculated on both the

historic financing of previous years capital programmes and the impact of financing the current year's capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have increased the expected cost in 2023/24. In Worthing the borrowing position has been affected by the delay in the sale of key assets assumed in the 2023/24 budget which has meant that capital receipts are yet to be realised.

Once the above items are taken into account, the operational position is a net overspend by services of £1.4m in Worthing and £427k in Adur. This projection demonstrates the pressure on the Councils finances as a result of an increase in inflation, increased homelessness caseloads and income levels in some areas still below pre pandemic levels.

4.6 In summary the overall revenue outturn projections reported for Q1 are as follows:

Projected Outturn Summary			
	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2023/24	27,521	10,612	14,189
Forecast Outturn	28,137	10,866	16,319
Projected Forecast over/ (underspend) before Government support packages or any transfer to reserves	616	254	2,130
Reserves Funding		0	(300)
Projected Forecast over/ (underspend) after Government funding and proposed transfer to reserves	616	254	1,830
Projected over/(underspend) percentage	2.24%	2.40%	12.90%

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

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.

	Expenditure	Income	Net Total
Joint	£'000	£'000	£'000
Budget	32,906	(6,302)	26,604
Forecast (after transfer to reserves)	33,253	(6,033)	27,220
Projected Forecast (Under)/ Overspend	347	269	616
Forecast variance % before Government funding	1.06%	-4.27%	2.32%
Adur	£'000	£'000	£'000
Budget	37,420	(27,153)	10,267
Forecast (after transfer to reserves)	37,511	(27,236)	10,275
Authority Projected Forecast (Under)/ Overspend	91	(84)	8
Share of Joint (Under) / Overspend	139	108	247
Authority Projected Forecast (Under) / Overspend	230	24	254
Forecast variance % before Government funding	0.62%	-0.09%	2.48%
Worthing	£'000	£'000	£'000
Budget	71,251	(54,762)	16,489
Forecast (after transfer to reserves)	73,451	(55,201)	18,249
Authority Projected Forecast (Under)/Overspend	2,199	(439)	1,760
Share of Joint (Under) / Overspend	208	161	370
Authority Projected Forecast (Under)/ Overspend	2,408	(278)	2,130
Forecast variance % before Government funding	3.38%	0.51%	12.92%

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 2023/24, 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 across both the Councils' and the Joint account

4.11.1 Commentary on service areas that are forecasting significant variances from budget are presented in appendix 1 of this report, summarised highlights are provided in this section 4.11.

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	Joint (Memo)	Worthing	Adur
	£000	£000	£000
Cross Cutting			
Pay Award	586	215	188
Insurance		161	135
Treasury		187	(382)
Services (detail in appendix 1)			
Waste	30		
Car Parks		274	14
Homelessness		640	148
Bereavement		687	49
Strategic Property		(191)	(347)
Planning and Development		231	189
Other Income		(443)	15
<i>Share of Joint</i>		370	247
Total projected deficit before use of reserves		2,130	254

Further detail on these factors is provided below.

4.11.3 Pay Award and National Insurance contributions

The national pay award offered an increase of £1,925 to each spinal column pay point. This equates to an average increase of 5.7%, which is higher than the 4.5% increase built into the 2023/24 budget. There is a potential for this to be an extra 2% higher, which is the current assumption built into the forecast.

4.11.4 Utilities and Rates

The contract for energy was renewed in October 2022 and the Council was tied into a 6 month substantially higher contract for that period. However, since April 2023 the Council's have moved to variable rates and with the decrease in energy costs, we are expecting the energy budgets to be below those set. These figures at the time of writing this report are not yet available, due to delayed invoicing information from the suppliers.

At the present time we are making an assumption that this will be on budget, but once we have received accurate invoices, we will be able to provide a more informed forecast by the end of quarter 2.

4.11.5 Maintenance

Costs are currently forecast to be kept within budget.

4.11.6 Treasury

Worthing Borough Council has an overspend against the MRP and interest budgets of £476k in Worthing due to the delay in the sale of key sites and associated capital receipts, which has impacted on the level of borrowing needed. For Adur there is a projected underspend of £84k due to the delay in some capital schemes commencing.

Increase in interest rates during the year has also led to higher investment return income for both Authorities.

4.11.7 Waste

There are additional costs resulting from agency spend being incurred to cover vacancies, holiday and sickness. Income is currently expected to be on budget. In addition, the decision to externalise the clinical waste contract to provide a more consistent and reliable service is costing more than the in-house provision. There are also rising costs of fuel, parts, bins and consumables. The cost pressure resulting from both the impact of inflation and an ageing vehicle fleet.

4.11.8 Car Parks

Demand for parking in Worthing Borough is still below pre covid levels and the income is continuing to underachieve against budget.

Car Parks are currently forecasting a net underachievement of budget of £274k due to a combination of drop in demand and delayed ticket price increases. In addition Buckingham Road MSCP is still closed to enable refurbishment works to be undertaken in the town centre car park.

There is a minor shortfall of £14k currently projected in Adur.

Further information is provided in Appendix 1.

4.11.9 Homelessness

Costs pressures continue to be experienced with consistent caseload numbers (individuals, couples and families presenting themselves to the council in immediate housing crisis)

The increase in the demand is projected to increase by 2 per month in Worthing and by 1 in Adur. As a consequence of this the average nightly cost for temporary accommodation has increased from £42 in 2022/23 to £46 (Worthing) and from £46 to £53 (Adur) per night, with the need to use hotel chains and expensive nightly booked self contained accommodation. Cost pressures have been compounded further with some bed and breakfast providers and contracted landlords increasing their prices to meet growing inflationary costs pressures.

4.11.10 Bereavement

The 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 review and budget reset is being undertaken as part of the 24/25 budget process. There has also been a shortfall in income from memorials but work is underway to create an extension to the memorial garden.

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

Further detail is set out in appendix 1.

4.11.11 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 of £678,000 for Worthing and £750,000 for Adur are not made for 2023/24. There are currently vacant properties in each Council's portfolio's where the council picks up associated service costs and rates charges, and one lease under a rent free period.

4.11.12 Planning and Development

As with Bereavement Services the budget shortfall is largely related to the underachievement of income. These income streams are largely demanded and can therefore fluctuate making forecasting difficult to predict. Based

on current performance the forecast outturn position is a shortfall of £230k in Worthing and £189k in Adur.

4.12 Budget variations greater than £20,000

The Council's individual Summary Projected Outturns are reported in Appendix 2a & 3a. The variations greater than £20,000, for this report, 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 *Inflation*

Inflation is still currently the biggest risk on Council finances with the pressure on rising costs across all budget areas, particularly in utilities, fuel, supplies, salaries and construction costs. The forecast outturn positions will be reviewed during the year and adjusted to reflect the changes in actual experience and economic forecasts.

4.13.2 *Demand for housing*

Any increase in demand on Housing services through homelessness caseloads will cause additional cost pressures on the councils finances. With demand levels in excess of the availability of cheaper supply in the form of Council owned accommodation or private leasing, the costs will escalate further as the service is forced to utilise more expensive hotels.

4.13.3 *Financial sustainability*

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

This is a particular issue for Worthing where the level of available reserves (excluding the Business Rates Smoothing Reserve, the Tax Guarantee Reserve and Grants and Contributions) will be reduced significantly. The predicted level of reserves undermines the Council's financial stability and potentially puts Worthing Council in an unsustainable financial position, as set out in the table below:

Worthing Borough Council Available Reserves	Balance at 1.4.23	Projected Transfer In/(Out) 2023/24	Remaining balance
	£	£	£
Capacity Issues Reserve	881,673	(486,153)	395,520
General Fund Working Balance	1,347,348		1,347,348
Property Investment Risk Reserve	450,000		450,000
Building Maintenance Reserve	176,259		176,259
Insurance Reserve	230,244		230,244
Museum Reserve	74,899		74,899
Leisure Lottery & Other	27,766		27,766
Projected overspend 2023/24		(1,829,980)	(1,829,980)
Total	3,188,189	(2,316,133)	872,056

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 31st June 2023 is £1,347,350. This balance is 8.5% of net revenue expenditure (previously, 9.80% in 2022/23) and is in the mid part of the range of 6% -10% set by the Council.

In Adur, the level of reserves are in a slightly healthier position, though the planned draw down for the year would use up the majority of the Capacity Issues Reserve, Overall, the value of useable reserves are set out below:-

Adur District Council Available Reserves	Balance at 1.4.23	Projected Transfer In/(Out) 2023/24	Remaining balance
	£	£	£
Capacity Issues Reserve	441,405	(135,122)	306,283
General Fund Working Balance	1,051,497		1,051,497
Property Investment Risk Reserve	375,674		375,674
Insurance Reserve	82,959		82,959
Projected underspend 2023/24		254,317	254,317
Total	3,188,189	119,195	2,070,730

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 31st June 2023 is £1,051,497. This balance is 9.9% of net revenue expenditure (previously, 9.90% in 2022/23) 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 council will need to plan for protecting and rebuilding reserve levels into the future to ensure we meet the guideline minimum level.

4.14 Corrective action:

4.14.1 As an organisation we are addressing the forecast overspend by initiating a mid year directorate based spending review. During this period of review the following actions will be taken:

1. Vacancy control - recruitment paused whilst the review is undertaken,
2. Identification of areas where costs could be delayed or reduced to help mitigate unavoidable in year cost pressures,
3. Aligning the spending review with the annual planning work to identify any opportunities to accelerate towards our future state in terms of service model or delivery.

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 2023/24 by £217,000. The most significant pressures are due to:

- Void properties (including losses in associated service charges and increased Council Tax liabilities) - £713,000
- Delay in implementation of the rent increase by 6-8 weeks - £75,000
- Employee costs in respect of additional repairs and maintenance support now required which means that a budgeted vacancy saving is unlikely to be achievable - £70,000.

- 4.15.3 In contrast, a review of the depreciation policy last financial year has reduced the annual charge to the revenue budget by £630,000. This will offset some of the cost pressures above.

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 1st quarter of the revenue budgetary cycle, we continue to see the financial impact of the increase in inflation on the Councils.
- 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 £2.130m and an overspend in Adur of £0.254m, which includes the councils share of the estimated £0.616m overspend within the Joint Service.
- 6.3 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 2023/24

https://democracy.adur-worthing.gov.uk/documents/s9818/2023.02.07%20-%20JSC%20-%20Final%20Revenue%20Budget%20Estimates%20for%202023_24.pdf

Adur District Council Budget Estimates 2023/24 and Setting of the 2023/24 Council Tax

https://democracy.adur-worthing.gov.uk/documents/s9812/2023.02.02%20-%20Adur%20Executive%20-%20Revenue%20Budget%202023_24.pdf

Worthing Overall Budget Estimates 2023/24 and Setting of 2023/24 Council Tax

https://democracy.adur-worthing.gov.uk/documents/s9774/2023.02.01%20-%20Worthing%20Exec%20-%20Budget%20Estimates%202023_24%20and%20setting%20of%20the%202023_24%20Council%20Tax.pdf

Financial Performance 2022/23 - Revenue Outturn

https://democracy.adur-worthing.gov.uk/documents/s10814/2023.07.11%20-%20JSC%20-%20agenda%20item%206%20-%20Revenue%20outturn%202022_23.pdf

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Sustainability & Risk Assessment

- 1. Economic**
Matter considered and no issues identified
- 2. Social**
 - 2.1 Social Value**
Matter considered and no issues identified
 - 2.2 Equality Issues**
Matter considered and no issues identified
 - 2.3 Community Safety Issues (Section 17)**
Matter considered and no issues identified
 - 2.4 Human Rights Issues**
Matter considered and no issues identified
- 3. Environmental**
Matter considered and no issues identified
- 4. Governance**
Matter considered and no issues identified

Quarter 1 Budget Monitoring - Commentary on Services with significant outturn forecast to budget variances

This information supplements the information in the 1st 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 Car 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 is still closed for refurbishment and not expected to open until December 2023 and there are a number of bays closed at Liverpool gardens while works are completed on the former mobility shop section. 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.

In Adur, the parking income is showing a small deficit of £14k.

1.2 Homelessness

There continue to be cost pressures associated with homelessness within both Adur and Worthing, current forecast outturn overspend positions have increased from those in 2022/23 and this is despite an additional £381k (Adur) and £748k (Worthing) 2023/24 budgets respectively. Since 2020/21 the budgets have seen £566k and £1m increases to the respective Adur and Worthing budgets to fund the ongoing additional pressures 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 does not increased in line with the private sector rent prices
- 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,

Worthing is seeing an increase in demand, the average caseload for 2022/23 was 308 increasing to a projected 334 in 2023/24. The outturn forecast includes an assumed increase in caseload of 2 cases per month for the remainder of the year.

In Adur the average caseload for 2022/23 was 89 increasing to a projected 100 in 2023/24. The outturn forecast includes an assumed increase in caseload of 1 cases per month for the remainder of the 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 £46 per night in Worthing and from £46 to £53 in Adur.

1.3 Bereavement Services

Worthing cemetery income is currently expected to exceed the income budget by £40,000 (15% overachievement).

The crematorium is forecasting an overall shortfall against the service income budgets of £712,000.

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 Autumn, when plots can start to be sold off plan.

Overall the Bereavement Services budget in Worthing is predicting a net deficit against the budget of £672,000, which reflects 20% of the £3.3m Income budget.

In Adur there is a predicted shortfall of Burial income against a budget of £49k.

1.5 Strategic and Commercial Property

Within Worthing investment property and core estate portfolio the forecast is a net income surplus of £491,000 assuming that the transfer of the void allowance of £628,000 to the Property Investment Risk Reserve is not made in 2023/24. This is due to a combination of void periods and the re-letting of some properties with agreed rent free periods. Rent free periods are normal commercial practice and allow us to capture a greater rent in the future whilst the occupier pays business rates and all other outgoings during that period.

In Adur investment property and core estate portfolio the forecast is a net income surplus of £347,000 assuming that the transfer of the void allowance of £750,000 to the Property Investment Risk Reserve is not made in 2023/24. This is due to a couple of void properties (York Road and Eskan Court), whilst empty the Council is responsible for the business rates and all other outgoings until they are relet.

In both Councils the core estate portfolios are forecast to be marginally over budget at this early stage of the year.

1.6 Planning and Development

In Adur and Worthing the projected outturn is an overall net overspend of £189,000 and £230,000 respectively within Planning and Development. A breakdown of the variation in the service budget is provided below:

	Worthing Net Total	Adur Net Total
Building Control	£78,000	£91,000
Development Control	£100,000	£50,000
Land Charges	£52,000	£48,000
Total	£230,000	£189,000

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 the first few months of the year have seen a reduction in the number of applications received. This has been compounded by no new major developments being submitted. However, there are some larger schemes that will be submitted; Union Place in Worthing, will boast fee

income as the application will attract large planning fees and will help to reduce the current shortfall.

The Government has also announced a significant increase in planning fees and funding to increase the number of planners to tackle resource issues for planning authorities. Draft regulations to introduce a national fee increase of 35% for major applications and 25% for all other applications were laid on 20 July.

1.7 Place and Economy

Worthing is forecasting an overspend in its concession budget. The Worthing Observation Wheel has not returned to the seafront, instead a Carousel has taken the plot for the summer period but the fee is substantially lower (£65k) than the budget and previous income received from the wheel. In addition, business rates are payable on the site, which the Council has to pick up when there is no operator on the site.

1.9 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 £187k 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 and if the sales complete earlier the forecasts will be recalculated.

Interest receivable from treasury investments is forecast to be above budget due to the higher than forecast base rates available in the market.

In Adur the position is different with a predicted overall underspend in the treasury management budgets of £298k. The decision to use internal funds rather than borrowing which is reflected in the underachievement in the interest receivable forecast offset by the underspend against the budget for interest payable on borrowing.

The breakdown is provided in the following table.

Treasury Management (under)/overspends	Worthing	Adur
	£000	£000
Minimum Revenue Provision	476	(84)
Interest from Investment Income	(210)	51
Interest payable on borrowing	(79)	(349)
Total	187	(298)

**WORTHING BOROUGH COUNCIL SUMMARY - 1ST
QUARTER PROJECTED OUTTURN 2023/24**

APPENDIX 2a

Actual Previous year 2022/23	WORTHING CABINET MEMBER PORTFOLIOS	Current Estimate 2023/24	Projected Outturn to 31st March 2024	Forecast Over/ (Under)
4,898,300	CM for Environment	3,999,240	4,703,970	704,730
930,829	CM for Community Wellbeing	824,280	824,280	0
5,120,413	CM for Citizen Services	4,304,920	4,945,390	640,470
128,178	CM for Climate Emergency	119,700	119,700	0
4,438,618	CM for Culture & Leisure	3,835,040	3,835,040	0
985,506	Leader	831,510	831,510	0
3,127,961	CM for Regeneration	2,432,060	2,809,950	377,890
(2,724,355)	CM for Resources	(240,010)	(308,841)	(68,831)
0	Holding Accounts	382,350	382,350	0
16,905,450	Total Cabinet Member	16,489,090	18,143,349	1,654,259
(4,198,163)	Credit Back Depreciation	(4,804,180)	(4,804,180)	0
1,693,450	Minimum Revenue Provision	2,417,780	2,893,501	475,721
	Non ring fenced grants	0	0	0
14,400,737		14,102,690	16,232,670	2,129,980
(40,791)	Government Grant funding	0	0	0
	Transfer to/from reserves			
(44,610)	Contribution to/(from reserves)	86,250	86,250	0
(1,308,786)	Transfer from reserves to fund specific expenditure (inc carry forwards)	0	(300,000)	(300,000)
778,101	Net Underspend/(Overspend)	0	(1,829,980)	(1,829,980)
	Recommended For Transfer To/(From) Reserves			
13,784,651	Total Budget requirement before External Support from Government	14,188,940	14,188,940	-

Appendix 2b

Movements in Earmarked Reserve Accounts

WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2022/23	Estimated Transfers Out 2022/23	Estimated Transfers in 2022/23	Projected Closing Balance 2022/23
		£	£	£
REVENUE GRANT RESERVES				
Capacity Issues Reserve including approved Carry Forward budgets	881,673			
Hardship Fund Contribution (11/01/22 JSC/77/21-22)		-100,000		
Foodbank - (£100k from unused Hardship contribution & Treasury)				
Resourcing of community engagement, inclusion and participation activities (JSS-C(W)/4/22-23 5 July 2022) - Big Cleanup		-15,000		
Business Development Fund		-29,080		
Local Plan examination costs		-42,073		
LCR Caravan Club Agreement		-300,000		
Worthing carry forwards from 2022/23 underspends			-	
Budgeted contribution (to)/from revenue			-	
Balance	881,673	-486,153	0	395,520
Insurance Reserve	230,244			230,244
Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	27,766			27,766
Museum reserve	74,899			74,899
Business Rates Smoothing Reserve	2,491,626			2,491,626
Local Tax Income Guarantee	264,949			264,949
Property Investment Risk Reserve	450,000			450,000
Building Maintenance Reserve	176,259			176,259
Place Project	82,711			82,711
Wellbeing Grant funded Employee exit cost reserve	68,150			
Grants & Contributions sub total	754,421	0	0	754,421
Projected Underspend/ (Overspend) (Reserve to be identified at outturn).		-1,829,980		-1,829,980
				0
				0
General Fund Working Balance	1,347,348			1,347,348
TOTAL	7,604,465	-2,316,133	0	4,465,761

**ADUR DISTRICT COUNCIL SUMMARY - 1ST QUARTER
PROJECTED OUTTURN 2023/24**

APPENDIX 3a

Actual Previous year 2021/22	ADUR EXECUTIVE MEMBER PORTFOLIOS	Current Estimate 2022/23	Projected Outturn to 31st March 2023	Forecast Over/ (Under)
3,611,352	CM for Environment & Leisure	3,364,830	3,439,857	75,027
1,531,276	CM for Communities & Wellbeing	1,332,300	1,332,300	0
2,329,295	CM for Adur Homes & Customer Services	1,887,080	2,035,160	148,080
704,985	Leader	704,630	704,630	0
1,982,718	CM for Regeneration & Strategic Planning	2,028,950	1,871,140	(157,810)
721,607	CM for Finance & Resources	681,210	954,563	273,353
0	Holding Accounts	268,270	268,270	0
10,881,233	Total Cabinet Member	10,267,270	10,605,920	338,650
(1,541,257)	Credit Back Depreciation	(1,625,520)	(1,625,520)	0
1,875,637	Minimum Revenue Provision	1,969,970	1,885,637	(84,333)
	Non ring fenced grants	0	0	0
11,215,613		10,611,720	10,866,037	254,317
-470979	Government Grant funding	0	0	0
	Transfer to/from reserves			
0	Contribution to/(from reserves)	0	0	0
0	Budgeted contribution to/(from) Reserves	0	0	-
(992,117)	Transfer from reserves to fund specific expenditure (inc carry forwards)	0	0	0
0	General Fund Working balance	0	0	0
(10,166)	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	0	(254,317)	(254,317)
9,742,351	Total Budget requirement before External Support from Government	10,611,720	10,611,720	-

Appendix 3b

Movements in Earmarked Reserve Accounts

ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2023/24	Estimated Transfers Out 2023/24	Estimated Transfers in 2023/24	Projected Closing Balance 2023/24
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets	441,405			
New Salts Farm Lancing (JSC/047/20-21 8 September 2020)		-2,199		
Shoreham Centre Decarbonisation (JSC/34/21-22 7 Sept 2021)		-118,000		
Business Development fund		-14,923	-	
Balance	441,405	-135,122	0	306,283
Insurance Fund	82,959	0	0	82,959
Business Rates Smoothing Reserve	1,765,540	0	0	1,765,540
Local Tax Income Guarantee	59,666	0	0	59,666
Property Investment Risk Reserve	375,674	0	0	375,674
Risk Reserve Exit cost	68,150	0	0	68,150
Grants and Contributions held in Reserves	913,667	0	0	913,667
Projected Underspend/(Overspend) (Reserve to be identified at outturn)		254,317	0	254,317
Projected Underspend/(Overspend) HRA (Reserve to be identified at outturn)		0		0
General Fund Reserve	1,051,497	0	0	1,051,497
TOTALS	5,672,224	119,195	0	5,791,419

HOUSING REVENUE ACCOUNT SUMMARY

Appendix 4a

	ORIGINAL BUDGET	FORECAST ACTUAL	VARIANCE
	£	£	£
EXPENDITURE			
General Management	4,102,590	4,154,060	51,470
Special Services	796,020	823,360	27,340
Rent, Rates, Taxes & Other Charges	64,010	116,250	52,240
Repairs & Maintenance	3,142,880	3,114,952	(27,928)
Bad/Doubtful Debt	50,000	50,000	0
Capital Financing Costs			
Depreciation and Revenue Contribution to Capital	4,421,760	3,788,165	(633,595)
Interest charges	2,304,920	2,304,920	0
TOTAL EXPENDITURE	14,882,180	14,351,707	(530,473)
INCOME			
Dwelling Rents	(13,330,160)	(12,794,000)	536,160
Non-Dwelling Rents	(537,320)	(526,250)	11,070
Heating and Other Service Charges	(706,760)	(506,480)	200,280
Leaseholder's Service Charges	(307,940)	(307,940)	0
Interest Received	0	0	0
TOTAL INCOME	(14,882,180)	(14,134,670)	747,510
NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE	0	217,037	217,037

HRA Major Variances

Appendix 4b

	(Under)/ Over Spends £'000
<u>Variations in Income and Running Costs:</u>	
Dwelling Rent & Service Charge void loss	736
Garage Rent void loss	13
Staff costs	52
Council Tax - increased costs due to extended void periods.	52
Repairs & Maintenance - responsive and void works	(28)
Repairs & Maintenance - planned maintenance contracts	0
Leasehold Service charges	0
Provision for Bad Debts	0
Other	25
TOTAL VARIATION IN RUNNING COSTS:	851
<u>Variations in Treasury Management and Capital Costs:</u>	
Interest payable	0
Depreciation	(634)
Interest receivable	0
TOTAL VARIATION IN TREASURY MANAGEMENT AND CAPITAL COSTS:	(634)
TOTAL VARIATION:	217

1.0 Budget Context

The HRA budget for 2023/24 was set as a balanced budget, i.e. with the assumption that in-year expenditure would equal in-year income and neither a surplus nor deficit would be added to nor drawn from reserves.

This net zero budget for 2023/24 is based on the following key assumptions:

1.1 Income

- Rental Income was increased by the maximum allowable by central government - 7% for General Needs properties and 11.1% for Sheltered properties.
- Dwelling void loss budget for 83 properties (3.3% of total stock) vacant for the full year, in addition to the decanted Ashcroft flats and further decants for Inner Rooms fire safety works.
- Garage void loss budget of 340 units (32% of total stock) vacant for the full year, to allow for Small Sites developments.
- Removal of £28k investment interest income budget due to depletion of reserve levels.

1.2 Repairs

- A further £135k was added to the budget for planned maintenance and compliance requirements, with general inflation assumed at 8%.

1.3 Staffing Costs

- A pay award estimated at 4.5% (£129k).
- A vacancy provision of 5% (£126k)
- Additional temporary staff budget approved for repair & maintenance works (£98k).

1.4 Other

- Reduction in central support costs charged to the HRA (£79k).
- The Depreciation budget was set at the same level as 2022/23. At the time of setting this budget, work was underway to review the depreciation policy with the expectation that a reduction in cost may be seen. As the outcome of that review was as yet unknown, the budget was neither increased or decreased for 2023/24. We now know that the outcome of the review is a significant reduction in costs.

2.0 Current Year Potential Variances

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

Service Area	Budget Assumption	Latest Estimate	Forecast Variance
Rental Income	General Needs 7% increase Sheltered 11.1% increase	Delay in implementation of rent increase due to system and administration issues.	£ 75,000
Dwelling Voids (excl. decants)	83 voids per year (3.3% of total stock) Average loss of £9,000/wk	Current voids at end Aug = 122 (4.8% of total stock) Average loss of £13,200/wk	£ 360,000
Garage Voids	340 voids per year Average loss of £4,200/wk	Current voids at end Aug = 354 Average loss of £4,400/wk	£ 10,000
Service Charges	Proportionate to rental income	Void loss has a proportionate effect on service charge income.	£ 200,000
Repairs & Maintenance	Contract inflation of 8%	Continued higher volume of Fire Risk Assessments than budgeted.	£ 23,000
Staffing Costs	Pay award of 4.5% = £129k	Most recent proposal was a flat rate increase of £1,925 per head. Likely to equate to an average of 6% = £172k. However due to vacancies a material variance is not expected.	£ 0
Staffing Costs	Vacancy provision of 5% = £126k	This is unlikely to be achieved due to the recruitment of temporary repairs & maintenance staff which are additional to the establishment.	£ 126,000
Capital Financing	Depreciation Budget = £4,422k	The depreciation policy review was completed in 2022/23 and agreed with external auditors. Annual costs are now expected to be £3,788k.	(£ 634,000)
Other		Other minor variations	£ 57,000
POTENTIAL OVER SPEND			£ 217,000
BALANCED BUDGET			£ 0
POTENTIAL IMPACT ON RESERVES			<u>£ 217,000</u>

3.0 Reserve Balances

- The HRA general and earmarked reserves have been drawn upon in recent years in order to maintain service levels when the government's rent reduction policy required a 1% per annum reduction between 2016/17 and 2019/20.
- Since the 2020/21 budget, rents can be increased by a maximum of CPI + 1%. However, for the 2023/24 budget, central government capped the CPI+1% regulation to 7% for General Needs properties. This was in response to higher than expected inflation rates (10.1% at Sep22) and concerns over cost of living pressures. Despite this, 2023/24 is the first year since 2016/17 that a balanced budget could be set.
- These rent policies and ongoing cost pressures have reduced the level of reserves significantly over the last seven years. The table below sets out the reserve balances as at 1st April 2023. These amounts have been revised following the backdated effect of the amended depreciation policy, which has increased the level of revenue reserves available.

HRA Reserves	Opening Balance 23/24	Spent & Committed to date	Latest Balance
General Reserve	£ 1,079,418	£ 0	£ 1,079,418
Discretionary Assistance Fund	£ 1,471	£ 0	£ 1,471
New Development Reserve [committed to Southwick development]	£ 30,900	£ 30,900	£ 0
Business Improvement Reserve	£ 84,176	£ 0	£ 84,176
	£ 1,195,965	£ 23,490	£ 1,165,065

Q1 Variations

Appendix 5

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Director of Housing & Communities				
Housing Needs		148	640	Homelessness cost pressures continue to increase
	-	148	640	
Director of Sustainability and Resources				
Parking Services		14	274	Delay in price increases (to June) plus decision to not progress free car park charging
Environmental Services (Waste)	30			Mainly due to Agency staff costs in Cleansing plus increased costs from the Medisort Clinical contract (offset partly by Contingency budget In CM)
Bereavement Services (Cemeteries & Crematorium)		49	687	Continuing pressure on income -- budget reset in progress and £500k being built into next year's budget for Worthing
Insurance		135	161	New contract tenders were higher than budgeted
Finance: Treasury Interest		(298)	(288)	Interest from Investment income due to higher Interest Rates
Finance: Treasury MRP		(84)	476	Shortfall largely due to the impact of the delay in the sale of key sites which were estimated to reduce borrowing costs
	30	(185)	1,309	

Director for Place				
Regeneration (IP & Estates)		(347)	(491)	Net impact of the position in Investment Properties income which is showing a slight shortfall, offset by the budgeted void allowance to contribute towards reserves
Regeneration (Major Projects)			300	Unwinding of LCR agreement
Place and Economy (Economic Development)			65	Concession income previously Worthing Wheel replaced by the current Carousel contract which receives a lower value of rental income
Planning and Development (Building Control)		91	78	Shortfall projected to continue in Building Control fee income in line with 22/23
Planning and Development (Development Control)		50	100	Current projections for Planning fee income is lower than the budget due to fewer large scale development planning application being received / expected to be received
Planning and Development (Land Charges)		48	52	Shortfall projected to continue in Land Charges fee income in line with 22/23
	-	(158)	104	
Cross Cutting services				
Maintenance				
Pay Award - Latest offer	586	188	215	Pay award over the budgeted amount plus increased costs re post regradings following commitment to review all posts upto a Grade 5
Other Income		15	(508)	
	586	202	(294)	
Allocation of Joint Variance		247	370	Share of joint services allocated 40:60 to Councils
Total Variance	616	254	2,130	