



ADUR & WORTHING COUNCILS

Joint Strategic Committee
7th December 2023

Joint Overview and Scrutiny Committee
30th November 2023

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

2024/25 Budget update

Report by the Director for Sustainability & Resources

Executive Summary

1. Purpose

1.1 This report provides members with a progress report on the delivery of our financial strategy for 2024/25, along with details of the proposals that will help deliver a balanced budget for the next financial year and beyond.

The following appendices have been attached to this report for consideration by Members:

- (i) **Appendix 1** 5 year forecasts
- (ii) **Appendix 2** Committed growth items; and
- (iii) **Appendix 3** Summary of savings proposals (exempt).

1.2 Members will note that the proposals at Appendix 3 have been considered in advance of the Chancellor's Autumn statement and the provisional settlement, expected on or just before 20th December. As such they are proposed for approval but we anticipate a further review following these key announcements. Whilst the proposals remain undetermined and open to review and because the Appendix contains commercially sensitive information relating to the financial and business affairs of the Council, the information at Appendix 3 is exempt pursuant to Schedule 12A Paragraph 3 of the Local Government Act 1972

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 2024/25 which impact on the Joint Strategic Committee.

2. Recommendations

- 2.1 The Joint Overview and Scrutiny Committee to consider the report and make comment on the savings proposals to the Joint Strategic Committee.
- 2.2 The Joint Strategic Committee is recommended to:
 - (i) Note the current 5 year forecasts at Appendix 1;
 - (ii) Note the committed growth items as set out in Appendix 2; and
 - (iii) Approve the proposed savings as set out in Appendix 3.

3. Context

- 3.1 Adur District Council and Worthing Borough Council's spend respectively £22m and £39m each year on delivering a wide range of essential services. Core services include Housing, Waste & Cleansing, Parks & Foreshore, Planning & Building Control, Sustainability, Environmental Health, Community Safety & Wellbeing, Elections & Democratic Services, and Economic Development.

Over the last decade or more, central government support has significantly reduced, such that central government grant funding forms just 2% of the Councils' incomes. The situation in each Council is a little different, but broadly Council Tax income makes up around 30% of council income, and Business Rates about 10%. This leaves well over half of the required budgets to be found elsewhere, and both Councils' strategies in recent years have been, by necessity, to grow both commercial income, and income from investment property. Around 38% of Worthing's budget comes from fees & charges with 25% from financing & investment income, and in Adur the proportions are 23% and 29% respectively.

The financial strategy has been successful in recent years with income from these sources of funding increasing by between 1% and 4% per year which has enabled the councils to successfully maintain service levels. As has been widely reported nationally, many Councils are now reaching the limits of what is possible to reduce costs and raise income, while broadly maintaining service levels, and this is now the case for both Adur District and Worthing Borough even with the benefit of the shared services meaning that service delivery is integrated with operating costs shared across the two councils.

- 3.2 The operating context for local government is currently the most difficult that the sector has ever had to deal with. The impact of long term and

ongoing reduction in funding, combined with the wider economic pressures of inflation and higher interest rates are now combining to create a financial situation which is extremely challenging. When combined with a housing crisis that has seen increased cost pressures this means that the councils need to take significant action in order to continue to deliver good services while responsibly managing our finances.

- 3.2 This report outlines a number of short and long term changes to our budget strategy which will help develop a more resilient long term position as well as managing in-year and immediate pressures. These changes also reflect the fact that this report is less detailed than previous December budget updates, which reflects the fact that officers anticipate material impacts from the Autumn statement and/or the grant settlement due before Christmas which will affect our budget position. Rather than develop options that do not reflect these impacts this paper instead provides an update that builds on the strategy outlined previously and outlines to members the work which will be carried out between now and final budget proposals to both cabinets.
- 3.3 In developing these proposals officers have continued to seek to maximise the positive impact of the shared service for the finances of both councils while also ensuring the different priorities of both administrations are delivered.
- 3.4 This is made more challenging by the fact that Adur and Worthing do have different pressures and financial capacity and the way in which these are addressed is discussed in this paper. The key differences are:

	Adur	Worthing
Rapid growth in housing needs	<p>Demand for Temporary Accommodation has risen here by 98% over a three year period. By March 2025 we project a further rise of 42 %.</p> <p>Nightly average cost of accommodation is £42 per night (Sept 23).</p>	<p>Demand for Temporary Accommodation (TA) is greater here and has risen more rapidly, with the numbers of households in TA having risen by 157% over a three year period. By March 2025 we project a further rise of 38%.</p> <p>Nightly average cost of accommodation is £49 per night (Sept 23).</p>

	Shortfall between Local Housing Allowance (LHA) - rate we can claim - and market rents for a 2 bed property = £321.00	Shortfall between Local Housing Allowance (LHA) - rate we can claim - and market rents for a 2 bed property = £578.00
Growth in funding gap with respect to supported accommodation	There are some pressures here around Housing Budget overspend, which are not as significant, which also includes the Housing Revenue Account.	Significant pressures here due to overspend in the Housing Benefit budget due to levels of subsidy that can not be claimed for some types of supported accommodation in the private sector.
Impact of increases in interest rates	The impact of higher interest rates increases the cost of borrowing to finance the capital programme.	As in Adur, higher interest rates increase the cost of borrowing. The impact in Worthing is greater due to the larger capital programme.
Commercial income	Over 20% of the funding for the Adur budget comes from fees and charges. The largest commercial income streams derived from parking and garden waste.	Nearly 40% of the Worthing budget is funded from income received from fees and charges. The largest commercial streams come from Bereavement and Parking services.

3.5 The Joint Strategic Committee considered the outline 5-year forecast for 2024/25 to 2028/29 and the Budget Strategy on 11th July 2023, which was subsequently adopted by each full Council. At this stage in the budget cycle, the report identified the following cumulative shortfalls in funding for the respective General Funds:

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
Adur	941	1,606	2,388	3,137	3,855
Worthing	2,754	4,024	5,490	6,640	8,299

We have refreshed the format of the MTFs here to reflect three different types of assumptions and projections:

- External or macro economic factors such as cost of borrowing, inflation and interest rates.
- Assumptions around fixed long term obligations such as delivery of the WICC for Worthing or purchase of key sites such as New Salts Farm and Pad Farm in Adur.
- Assumptions with respect to specific budget pressures/opportunities such as housing or capital disposals which are subject either to market conditions or delivery risks

3.6 The report to the JSC in July also identified that the Joint Services Budget was under financial pressure with inevitable consequences for the two Councils. Major factors behind this pressure continue on from last year: the current level of inflation impacts both on salary and costs generally; but the fast growing pressure with respect to housing needs, especially in Worthing, now needs to be taken into account. The Joint Strategic Committee will review the most recent Q2 monitoring report in parallel with this budget update, but the overall position is expected to continue to be challenging.

3.7 As reported to the two councils, work has been ongoing over the summer and into the autumn to deliver balanced budgets for 2024/25. This has involved a review of all commercial and investment income, a detailed review on all expenditure and an ongoing programme of contract review.

3.8 The approach to delivering a balanced budget was changed this year in light of the in-year pressures detailed above in five ways:

- The ongoing work to develop a new operating model to reflect the new corporate plan ('Our Plan') has been accelerated
- Ongoing work on our commercial income; both looking at property

investments and income lines for both councils

- Significant work on the in-year spending pressures has been used to shape budget proposals for 2024/25 and beyond. This area of work has included deep analysis of longstanding budget items and work across the board on contracts and services.
- Work to address the financial impact of increased housing needs including a focus on developing and acquiring a more affordable pipeline of emergency and temporary accommodation. Work is also underway to develop a stronger focus on prevention of homelessness and to more effectively triage and manage the caseload of households in emergency and temporary accommodation.
- Work to address Housing Benefit overspend in Worthing including focusing on the subsidy levels.
- A detailed review of priorities in Worthing has been undertaken with the Administration - reflecting the additional pressures which Worthing faces

3.9 The forecast has also been updated by information captured on financial planning returns that provide a link between service planning and financial planning. The guidance was circulated to, and completed by, the Service Managers in the late Summer, and has been used to identify potential additional savings and committed growth items.

3.10 Additional work has been carried out for each council to ensure that budgets fully reflect the relationship between capital and revenue spending given that both resource and borrowing impacts on our revenue position. This work has included a review of property assets, including our major landholdings associated with the major projects. Accordingly, a number of land and property sales are due to complete before the end of the financial year.

3.11 Lack of clarity with respect to the cost and nature of the implementation of the environment bill continues to be a significant uncertainty in the councils' financial planning. The Environment Act was first consulted on in 2019 and received Royal Assent in November 2021. Since then there has been uncertainty around implementation dates for key elements of the act relating to waste and recycling: Extended Producer Responsibility, the Deposit Return Scheme and Consistency in Collection (now referred to as Simpler Recycling) which includes food waste). The implementation date for food waste collection from all households has now been confirmed for March 2026 and this will have a potential significant impact on the 2024/25 budget.

Officers are working to estimate what this financial impact might be but there are considerable unknowns, particularly around the extent and scope of

new burdens funding, and any future funding through the EPR scheme. For these reasons it has been impossible to add any projections to the MTFS as yet but will do once the new burdens funding is clear, we hope at the end of the year. Without additional funding the overall costs could bring an impact of £1.6m on the revenue budget which would bring a severe pressure to bear.

- 3.12 Individual savings proposals will be developed subsequent to this update report and will be subject to consultation with officers of the Council, Cabinet members, prior to approval by the Councils of the overall budget in February.
- 3.13 There will be a further report after Christmas which will detail the final proposed budgets for the year, any further savings identified, any requests for investment into the joint services.
- 3.14 The forecast overspend in Worthing as outlined in the 2nd Quarter Revenue Monitoring Report 2023/24 places severe pressure on the reserves position for Worthing, and as a result, for the shared service.
- 3.15 This report presents the combined position of Adur and Worthing Councils as it is seen through the lens of the joint operating model and shared services agreement. The section 4 makes explicit the priorities of each administration that are supported through the development of this work.

4. Delivering the priorities of the Administrations

Both administrations published reports earlier in the year outlining their key priorities and while these will be refreshed for 2024/25 and onwards reflect the continuing main areas of focus for each administration.

For both councils officers combine work to ensure that our core Council services are protected with the ambitions and priorities of both administrations.

The majority of these priorities are delivered as part of the organisational work plan which will be made more visible to members with the work on reporting being led by the Chief Executive and which will be presented to JOSG and JAGC in the new year. The sections below outline priority areas where specific financial capacity has been created to deliver on specific agendas:

4.1 Adur priorities

Adur council continues to develop Adur as a collection of unique and vibrant places, seeking to get the best balance between ambitious regeneration and the creation of vitally needed new homes alongside the creation of infrastructure and services for residents. This includes making Adur a great place to work and for businesses to grow.

Adur continues to lead an ambitious climate programme, focused on protecting and enhancing biodiversity and reducing the Council's contribution to climate change.

While Adur Homes is funded via a separate Housing Revenue Account and so not a matter for this budget update, its transformation is a key priority for the council and so important to note here.

4.2 Worthing priorities

In 2024/25, Worthing Council will continue to work towards becoming the greenest, fairest Coastal town in the UK. The golden threads of addressing the climate emergency and improving the wellbeing of communities marry up with the continuing feedback received from residents throughout the year, including big listen events and consultations, with a focus on:

- Developing a mixed model of housing to address all resident needs which reflects an ambition for much greater access to social housing
- Keeping the Borough clean, green and safe by reviewing the service offer to ensure that our streets, town centre and high streets continue to be cared for.

5. Update of the 5-year Forecast (Medium Term Financial Strategy)

5.1 The updated forecast for the Joint Strategic Committee is attached at Appendix 1. This has been revised in the light of the latest information. This overall forecast will continue to change in the coming months as the detailed work on the budget progresses. As a result, the overall position will inevitably change over the next two months.

5.2 The main changes to the forecast for 2024/25 are summarised in the table below:

Changes in Budgetary Shortfall/Savings since report to Joint Strategic Committee on 11th July 2023		
	Adur	Worthing
		£'000
Original 2024/25 budget shortfall	941	2,754
Other changes:		
(a) Final impact of 2023/24 pay award	-115	-160
(b) Financing costs of capital programme	-40	-75
(c) Investment income	78	-51
(d) Increase in budget for Housing Needs	100	150
(e) Committed growth - Increase in audit fee costs	40	40
(f) Addition of reduced WTAM contract costs		-23
(g) Council tax - impact of taxbase	-139	51
(h) Review of additional business rates	35	239
(i) Collection Fund surplus/deficit	100	-69
(j) Removal of contingency budget for committed growth item	-40	-40
Revised Budget Shortfall	960	2,816
(k) Potential savings identified to date (Appendix 3)	-1,231	-2,629
Additional resources to be provided	-271	187

5.3 Explanations of the movements shown in the table above are as follows:

(a) Final impact of 2023/24 pay award

The pay award has now been agreed for 2023/24 at £1,925 per spinal column point up to point 42 with a 3.88% for the scale points above, which is an average increase of 5.82%. This is lower than the previous estimate of a 7.8% average increase.

(b) Financing Costs of the capital programme:

Costs have been updated to reflect both the current estimated costs of the capital programme and current average interest rates. The budget includes two elements:

- minimum revenue provision (MRP) for the repayment of debt. MRP does not start to be charged to the revenue account until the financial year after the debt is incurred.
- Interest cost of borrowing to finance the capital programme.

The cost of financing the capital programmes will be reassessed again in December.

(c) Investment income.

Interest rates have been updated within the outline forecast to reflect revised average rates based on the Bank of England projections.

(d) Housing Needs

The councils have experienced increasing cost pressures within the Housing needs service. To address this allowance has been made to increase these budgets for 2024/25.

(e) Committed growth

An increase in external audit costs have been confirmed for 2024/25 and built into the budget as committed growth.

(f) Worthing Theatres and Museum contract costs.

The agreed contract payment for 2024/25 from Worthing Borough Council contract to Worthing Theatres and Museum is £23k lower than 2023/24. This reduction had not been reflected in the outline forecast presented to committee in July 2023.

(g) Council Tax.

The forecast has been updated to include the updated estimates of the council tax bases calculated in October 2023. Adur has seen an increase in its taxbase largely as a result of new developments within the district. Worthing has seen a decrease, the main reason being the impact of an increase in Council Tax Support.

(h) Business Rates

The estimates of potential additional income from business rates has been updated to reflect the current rateable values and assumptions regarding increases. Information is still awaited from government regarding confirmation of multiplier figures for 2024/25 and the impact of any changes to reliefs. The expected income will be reviewed as part of the development for the final budget. Additional income within the MTFP includes an assumption of growth, for Worthing this includes the new Medical Centre.

(i) Collection Fund surplus/deficit

These have also been updated to take account of the updated calculation for the estimated 2023/24 surplus/deficit position on the collection fund. The estimated positions are used to either collect a deficit or repay a surplus to the preceptors in the following financial year.

(j) Removal of committed growth

The committed growth allowance has been reduced by the audit fee increase allowance in item (e).

5.4 There are still some figures that are likely to change within the outline forecast. Current assumptions on general government funding are based on what has been previously committed for 2024/25, they are shown in the table below:

	Adur	Worthing
Lower Tier Services Grant	£74,000	£109,000
Funding Guarantee Grant	£227,000	£256,000

5.5 The provisional settlement announced in December will provide more information on any additional funding allocations.

6. Saving Proposals

6.1 The outline savings for 2024/25 are attached at Appendix 4 for noting. The total saving proposals identified are:

	2024/25	2025/26	2026/27	2027/28	2028/29
Adur	£'000	£'000	£'000	£'000	£'000
Budget shortfall (as per Appendix 1)	960	1,401	2,491	3,458	4,451
Savings identified to date	-223	-345	-470	-508	-546
Organisation Redesign	-1,008	-1,028	-1,049	-1,070	-1,091
Revised budget shortfall / Surplus (-)	-271	28	972	1,880	2,814

	2024/25	2025/26	2026/27	2027/28	2028/29
Worthing	£'000	£'000	£'000	£'000	£'000
Budget shortfall (as per Appendix 1)	2,816	4,497	5,990	7,410	8,563
Savings identified to date	-1,117	-1,625	-2,015	-2,071	-2,126
Organisation Redesign	-1,512	-1,542	-1,573	-1,604	-1,636
Revised budget shortfall / Surplus (-)	187	1,330	2,402	3,735	4,801

	2024/25	2025/26	2026/27	2027/28	2028/29
Joint	£'000	£'000	£'000	£'000	£'000
Budget shortfall (as per Appendix 1)	1,986	2,892	3,797	4,683	5,586
Savings identified to date	-150	-483	-824	-841	-858
Organisation Redesign	-2,520	-2,570	-2,622	-2,674	-2,728
Revised budget shortfall / Surplus (-)	-684	-161	351	1,168	2,001

**Adur and Worthing figures include the respective share of Joint*

- 6.2 The savings exercise has been challenging in light of the in-year pressures also needing to be managed but the exercise has identified a path to set a balanced budget for next year which will need additional work between now and January in order to support both Councils to set balanced budgets. Some initiatives which have been part of the in-year spending review are targeted for delivery within the current year, supporting the Councils' in-year position as well as benefiting 2024/25. Members should be aware that there is still some work to be completed which may impact on the final position.
- 6.3 Looking ahead to 2025/26 and beyond, the continuing financial pressure for the two Councils is not likely to ease especially if the fairer funding review is as significant as expected, however the proposed strategy will contribute significantly to meeting this challenge easing the burden on individual services and so this work has been developed to create an

ongoing pipeline of projects which will continue beyond the 2024/25 period.

- 6.4 The potential financial challenge remains significant although much depends on the timing of the fairer funding review, the final extent of the impact and whether the new funding levels are phased in. That said, the Councils will need to continue to build on existing work streams in preparation for addressing the identified shortfall.

7. The path to balanced budgets

- 7.1 Appendix 2 outlines proposed savings and growth items which have been developed in order to balance the 2024/25 budget as well as positively improve the 25/26 position and beyond. As outlined in 3.8 these fall into 4 areas:

7.2 Organisational design work and delivery of Our Plan

- 7.2.1 Our Plan - adopted in Autumn 2022 - provides a framework for a redesign for the organisation which focuses on making it more adaptive, resilient and participative. In developing proposals for 2024/25 the corporate leadership team has identified 5 areas where significant service design can move the organisation faster towards a new operating model with an emphasis on creating greater resource and financial resilience. The projected savings associated with these redesigns are highlighted in Appendix 2 and more detailed descriptions of the changes, and the combined cost of change, will be published in January once more detailed work with delivery teams has been completed.

The organisational design work has a target of a combined £2.520m saving across the delivery model in the areas identified, looking at staffing (both establishment and external spend) but also at changes to delivery models that can drive out additional cost savings such as print cost savings supported by a move to digital first delivery.

- 7.2.2 Digital transformation is essential to the successful delivery of these redesigns and so the budget proposals include the extension of the digital rapid improvement team to deliver this work. The Digital Rapid Improvement Programme - Impact Report also on the agenda provides a detailed overview of the success of the Rapid programme so far, with total cashable savings delivered of £93k against an investment of £191k in year 1, delivering a payback period of just over 2 years. This is particularly strong performance for year 1 given “team set up” requirements at the start.

7.2.3 It is important to note that service redesigns will require changes to service and delivery standards and that these changes will be described in the February budget papers.

7.2.4 The summary table below shows the proposed areas for redesign:

Service redesign	Outcome
Implementation of neighbourhood model	<p>Integrated coordination of the teams that deliver the most important tasks needed to keep our streets and spaces clean, safe and enjoyable.</p> <p>An enhanced capability and capacity for working with our communities embedded in these teams.</p> <p>A community asset strategy which is visible and connected to our communities</p>
Redesign of Resident services	<p>A shift to digital first delivery where residents are able to find the information and advice they need online from the council and the community.</p> <p>Staff being freed up to focus on tackling more complex issues and proactive work that can then prevent residents falling into crisis.</p>
Implementation of job families, starting with participation and surveying - job families are a key element of the organisational design and enable us to better manage staff development and capacity	<p>As a starting point:</p> <ul style="list-style-type: none"> ● Bringing together staff who support our engagement and participation to focus on key areas where communities can make a difference. ● Reviewing our building surveying resources and capabilities to ensure that we can offer a flexible and resilient approach to meeting our regulatory requirements and respond to priorities as they arise. ● Reviewing our data and digital capabilities to reflect our ambition to shift to a digital first model

Implementation of new housing design	A resilient housing model that improves our work on overall Housing Strategy and includes a focus on homelessness prevention, our tenancy sustainment work and also continues the improvement work for Adur Homes
Redesign of community capacity and resilience	A redesign of our delivery model which means that staff are deployed alongside delivery teams to help residents stay safe, well and support communities to make a difference themselves to their streets and spaces.

7.2.5 As part of the budget development work the vacancy control impacts from the 23/24 spending review will be reviewed and the organisational redesign work will seek to maximise the use of vacancies, as well as the reviews of agency and consultancy spend completed in 23/24 in order to achieve the organisational redesign financial target.

7.2.6 Further service reviews are also planned going forward:

- Redesign work in the Waste service is anticipated once the impact of the environment bill is understood and preparatory work in the form of a rounds review is already underway to support this.
- A review of the bereavement service delivery and pricing model is also planned.
- Further discovery work will be undertaken over the coming months to add to this pipeline of organisational redesign work.

7.3 Review of contracts and services

7.3.1 The procurement team has generated detailed data analytics to drive a review of contract spend by services. So far, this has generated a number of successful reviews of external spend that have positively impacted the in-year position but will also impact 2024/25 and beyond, such as Place & Economy (£187k), security (£28k), digital (£48k), change to parking payment provider (£16k), storage (£12k), community infrastructure (£15k), community transport (£8k).

7.3.2 Significant external spend areas are under close scrutiny through the budget management (triage) controls include

- Consultancy
- Agency (£81k reduction in-year)
- Repairs and maintenance

7.2.3 There are further significant contract and procurement spend areas under examination. These include housing needs (£10m year to date), insurance (£1.2m), printing and postage (£1m) and planning (£1m). Whilst these have already been subject to review by services, a corporate approach is being taken to support further analysis through a group led by the Director for Sustainability & Resources. The procurement team is receiving support from Brighton & Hove City Council to examine opportunities, including options for contract re-negotiation, value engineering and re-tendering.

7.2.4 The Procurement team continues to work to ensure that we maximise value for money while delivering social, economic and environmental benefits against our economic principles. The Procurement Strategy is under review (by March 2024) to ensure good practice maximises these principles. For example:-

- A greater emphasis on the benefits of local procurement (by County)
- The need to support small and medium sized enterprises; and
- Greater emphasis on maximising our social value as well as our sustainability requirements.

7.3.3 We have stepped up procurement training and implemented triage controls on all purchase requisitions, reviewed on a daily basis. Spend requests above £25k are submitted through an “Exceptions Form” which requires the requestor to provide an explanation for the proposed spend. Whilst the opportunities for spend reduction have been relatively limited, this process is providing valuable insight into our spend patterns and longer term opportunities for change.

7.4 Development of commercial income proposals

7.4.1 Both councils continue to drive significant benefits from fees and charges as well as commercial work such as the green waste service. These income streams are monitored on a regular basis and are assessed and amended against market conditions, competition and level of demand. At this stage of budget development options for changes to fees and charges have been developed for each council and will now be discussed in detail.

- 7.4.2 As with other Councils around the country, there is a real need to generate income to support the overall budget position due to the reduction in the central government grant. The balance in fees and charges and the delivery of services is carefully considered in this context.
- 7.4.3 For the majority of the income lines it should be noted that the councils invest capital funding to maintain or replace equipment or infrastructure associated with these income lines, therefore this estimated additional income contributes to ongoing maintenance or replacement. For example, the councils periodically invest in waste vehicles to ensure the commercial and green waste services can be delivered.
- 7.4.4 The portfolio of commercial lines flows across a number of departments and portfolio holders, whilst it should be noted that some commercial activity is weighted to each council depending on the activity and level of activity. For example, for Worthing there is a higher volume of car parking and beach huts, whilst street markets are solely delivered in Adur.
- 7.4.5 Fees and charges are set by Directors, Assistant Directors and Heads of Service in consultation and agreement with relevant Cabinet members. These charges can be amended or changed throughout the year but most follow an annual cycle, whether calendar year or financial year. It should be noted that car parking pricing must follow a statutory process.
- 7.4.6 The estimated budget impact has been modelled on a minimum inflationary increase of 3% increase, whilst some are projected to increase to match the current inflation level of 6.3% or beyond. The commercial services highlighted in the table in appendix three signal those services that are estimated to rise above the minimum 3%. A number of these income lines have been reviewed and assessed to ensure the correct governance process is in place and any change in the pricing can be made ahead of the next billing cycle, whether calendar or financial year.
- 7.4.7 Whilst the figures in Appendix 3 are estimates, these are based on realistic and detailed modelling. The 2024/25 budget assumptions at the current time include some income uplift projections, in addition to the standard 3% increase on commercial income factored into the Medium Term Financial Plan budget with an overall estimated impact of £37k for Adur and £132k for Worthing.

7.4.8 Whilst the councils are assuming an increase on the pricing associated with off-street car parking, and the project uplifts are shown in the table above, the overall budget is still behind anticipated levels following the pandemic and the shift in working patterns to hybrid and home based working. For 2024/25 the council's assume that any additional income will assist in meeting the actual shortfall seen in previous financial years.

7.4.9 Whilst the majority of commercial income follows the financial year, bereavement services set and implement fees in January each year to ensure the council is competitive in the market. This service is recommended for a minimum 3% increase for 2024/25 and a separate paper under delegated decision is being considered by Cabinet members.

7.4.10 Outside of bereavement services, the rest of the fees and charges increases will be considered by individual Cabinet members through December - January with the final recommendations for 2024/25 pricing being signed off in February 2024.

7.5 Work to manage the impact of increasing housing need

7.51 In addition to the rising demand in housing needs and for TA, it is important to note the key pressures around a lack of move on accommodation for households (general needs and suitable supported accommodation), which results in blockages in TA, which is the most expensive type of accommodation. Increased complexity in the caseload of people presenting - mental health, domestic abuse, substance abuse etc - is exacerbating these pressures. .

7.52 To address this issues, there are several work streams underway / being developed:

i) The development of an acquisitions programme to provide more affordable TA and reduce our reliance on expensive nightly 'spot purchased' accommodation. The aim is to replace expensive spot purchased accommodation and move towards 90% of our TA being owned or leased. There is a good pipeline of TA coming through which is significantly reducing the Councils expenditure but despite this we are still anticipating a shortfall of 129 units for WBC and 52 for ADC.

ii) Work is well underway to continue to supply move-on accommodation. Working with private landlords through the council's UKHA award-winning 'Opening Doors' private sector letting service, our focus is on the supply of good quality and affordable privately rented homes for people with

housing needs. This has provided homes to over 100 households since its inception with an additional 67 properties in the pipeline that are expected to be occupied by the end of Q2 2024. However this is becoming increasingly challenging due to levels of rent that the Council can offer.

iii) Both authorities continue to address the high percentage of out of area placements (60% for WBC and 90% for ADC, compared to the national average of 28.6% (DLUCH 2023)) by securing more accommodation within Adur and Worthing to meet out statutory requirements, enable households to stay close to their networks and enable better and more efficient support to be delivered.

iv) Work is progressing with partner organisations through the new Adur and Worthing Homelessness Prevention Board, to develop a shared systems approach to homelessness prevention and to develop more joined up commissioning strategies for households.

v) There is a greater focus on prevention being developed within the teams, which is being delivered through our Proactive programme, focusing on targeting and supporting people with debt and in financial needs. This will be further developed through the organisational redesign to strengthen and focus prevention work across the Communities Directorate.

vi) Work is also being developed to review the caselist for TA to ensure that cases are more effectively triaged, that external funding is being used well to support people in debt/crisis to sustain tenancies and to move out of TA into move on accommodation.

7.6 Review of major projects

7.6.1 The context for the delivery of major development projects has changed significantly in recent years. Construction price inflation and supply chain uncertainty have undermined confidence in the development sector and we have seen the impact most recently in the foreclosure of a number of building companies.

7.6.2 These factors, combined with a lack of certainty over the availability of public funding for regeneration and the added financial pressures Worthing faces, have informed a review of our approach to delivering our strategic objectives and unlocking major development opportunities. The review has focussed on a number of major, complex projects at various

stages of delivery and has focussed on:

- assuring ourselves of our approach to each project;
- testing our original assumptions and success measures are still valid; and
- reviewing each project through the lens of a successful exit strategy.

7.6.3 This approach will enable the councils to take a proportional, and risk appropriate approach to each project and to best manage and realise our assets. For Worthing, as we go forward, this will mean more often seeking a development partner (Union Place) or pursuing a responsible approach to disposing of our land interests (Teville Gate) whilst ensuring that we maintain a clear focus on ensuring that our strategic objectives will still be delivered.

7.6.4 For Adur, the focus will be very much about working with development partners and the statutory agencies to capture the development premium and ensure that this is invested responsibly in the infrastructure needed to support development. This is exemplified by the complex challenges presented by the development of the Western Harbour Arm at Shoreham Harbour.

8. Conclusion

8.1 The Councils continue to deal with the impact of changes to Government funding and the impact of the current economic downturn whilst building capacity in the budgets to take forward the key priorities of the Councils and where possible rebuild reserves. This year the increase in housing need is an accelerating pressure that is rising at a concerning rate for us and for all housing authorities. There is no prospect of any easing of the financial pressure for the next few years given the current economic challenges and so this paper outlines some major shifts in assumptions and delivery models which accelerate work to reshape the organisation.

8.2 The both Councils are on track to set a balanced budget for 2024/25 which will not rely on the use of reserves, however there are still external uncertainties (such as settlement) which will impact this work. The Joint Strategic Committee has contributed over £2.6m in proposed savings to meet this challenge. There is a significant programme of change required to be delivered by 31st March 2024 in order to secure this budget position, and the Chief Executive has established a Budget Challenge programme to drive and track delivery.

8.3 The report to be presented to members after Christmas will bring together

any last changes to the revenue budget together with the implications of settlement and the final forecast of business rate income on the Councils' ability to fund the joint services.

9. Engagement and Communication

- 9.1 The Councils have conducted a budget consultation and the results are a separate paper on the JSC agenda.
- 9.2 Staff have been kept up to date on the development of these plans by the Chief Executive.
- 9.3 Officers and members have been consulted on the development of the savings proposals contained within the report. The savings will be presented to the Joint Overview and Scrutiny Committee to gain comment on the proposals.

10. Financial Implications

- 10.1 The financial implications associated with the development of the budgets are detailed throughout the report.

11. Legal Implications

- 11.1 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.
- 11.2 The Local Government Act 2003 requires that the Councils set a balanced budget. This report demonstrates how the Councils intend to meet that requirement for 2024/25.
- 11.3 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
- 11.4 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised,

having regard to a combination of economy, efficiency and effectiveness.

Background Papers

Report to Joint Strategic Committee 7th February 2023 - Final Revenue Budget Estimates for 2023/24

Report to Joint Strategic Committee 11th July 2023 – Financial Performance 2022/23 - Revenue outturn.

Report to Joint Strategic Committee 11th July 2023 – Developing a revenue budget for 2024/25 in difficult economic circumstances.

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

Matter considered and no issues identified

2.2 Equality Issues

These proposals have been developed with regard to the Equality Act 2010. No proposals contained within the proposals would require a detailed Equalities Impact Assessment.

2.3 Community Safety Issues (Section 17)

Matter considered and no issues identified

2.4 Human Rights Issues

Matter considered and no issues identified

3. ENVIRONMENTAL

Matter considered and no issues identified

4. GOVERNANCE

Matter considered and no issues identified

Appendix 1

JOINT SERVICES						
Revenue Budget Summary Statement 2024/25- 2028/29						
	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	26,347	26,347	26,347	26,347	26,347	26,347
External Economic Factors						
Inflation on Pay:						
- Assumption of 4.5% increase in 2024/25 and 2% in future years		1,529	2,358	3,186	3,995	4,822
- Impact of 2023/24 pay award (average of 5.8% against a budget of 4.5%)		370	377	385	393	401
Inflation on Costs:			-	-	-	-
- Standard assumption of 3% in 2024/25 and 2% in Future years		134	226	319	415	512
Inflationary increase on income (Commercial activities and Fees and Charges):						
- Standard assumption of 3% in 2024/25 and 2% in Future years -		(177)	(299)	(423)	(550)	(679)
Council Commitments to services and long term obligations						
Review of clinical waste budgets		30	30	30	30	30
Provision for new growth items		100	200	300	400	500
Net cost to be reallocated to the Councils	26,347	28,333	29,239	30,144	31,030	31,933
Adur District Council	10,590	10,590	10,590	10,590	10,590	10,590
Worthing Borough Council	15,757	15,757	15,757	15,757	15,757	15,757
Total income for services provided to the constituent councils	26,347	26,347	26,347	26,347	26,347	26,347
(Surplus) / Shortfall in Resources	-	1,986	2,892	3,797	4,683	5,586
Savings identified to date:						
Corporate initiatives (Directorate Services Review)		150	483	824	841	858
Organisation Redesign		2,520	2,570	2,622	2,674	2,728
Total savings identified		2,670	3,053	3,446	3,515	3,585
Savings still to be found/ (surplus)		(684)	(161)	351	1,168	2,001
Savings required in each year		1,986	906	905	886	903

Appendix 1

ADUR DISTRICT COUNCIL						
Revenue Budget Summary Statement 2024/25- 2028/29						
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	Base					
Net Spending to be Financed from Taxation	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	10,610	10,610	10,610	10,610	10,610	10,610
External Economic Factors						
Inflation on Pay:						
- Assumption of 4.5% increase in 2024/25 and 2% in future years		681	989	1,335	1,675	2,022
- Impact of 2023/24 pay award (average of 5.8% against a budget of 4.5%)		152	155	158	161	164
		-	-	-	-	-
Inflation on Costs:						
- Assumption of 3% in 2024/25 and 2% in Future years		157	265	375	487	601
Inflationary increase on income (Commercial activities and Fees and Charges):						
- Standard assumption of 3% in 2024/25 and 2% in Future years. The impact of increases above are included within commercial initiatives below.		(166)	(280)	(396)	(514)	(635)
Investment income		65	84	100	156	143
Impact of rate revaluation 2022		5	8	29	30	31
Council Commitments to services and long term obligations						
Local Elections (held every other year)		(18)	-	(19)	-	(20)
Heat Network		10	10	10	10	10
Nature restoration projects - to fund capital and revenue impacts of any proposals		100	100	100	100	100
Capital programme financing costs		20	185	515	658	917
Impact of Triennial review: Reduction in back funded contributions ¹		(95)	(190)	(190)	(190)	(190)
Final cost of new leisure contract		(99)	(99)	(99)	(99)	(99)
Renewal of insurance contract		135	135	135	135	135
Increase in Audit Fees		40	40	40	40	40
Other items						
Removal of one-off growth associated with the local plan review		(50)	(150)	(150)	(150)	(150)
Increase in Housing Needs		100	100	100	100	100
Review of clinical waste budgets		12	12	12	12	12
Removal of contingency budget created by one off resources in 2023/24		(123)	(123)	(123)	(123)	(123)
Planned increase to the Strategic Property Management annual provision		100	200	300	400	500
Contingency budget - to build reserves		100	100	100	100	100
Allowance for committed growth items		30	100	170	240	310

¹ The triennial review is carried out by the actuaries for all of the West Sussex LGPS pension funds.

Provision for new growth items to be agreed later in the process - Investment in services		100	200	300	400	500
Total Cabinet Member Requirements	10,610	11,866	12,451	13,412	14,238	15,078
Business Rates - Baseline funding	1,832	1,924	1,962	2,001	2,041	2,082
Add: Retained additional business rates	1,066	1,422	1,444	1,107	754	384
Add: Share of previous year's surplus / (deficit)		-				
Council Tax						
Council Tax income - assumed increase of 2% per annum	7,107	7,405	7,570	7,739	7,911	8,087
Other grants						
New homes bonus - One off payments	79	-	-	-	-	-
Lower Tier Services Grant / Revenue Support Grant	74	74	74	74	74	74
Local Tax Guarantee Scheme - Council Tax	59	-	-	-	-	-
Services Grant	69	-	-	-	-	-
Funding guarantee	227	227	-	-	-	-
Collection fund surplus/deficit (-)	97	(146)	-	-	-	-
Total Income from Grants and Taxation	10,610	10,906	11,050	10,921	10,780	10,627
(Surplus) / Shortfall in Resources	-	960	1,401	2,491	3,458	4,451
AMOUNT REQUIRED TO BALANCE BUDGET	-	960	1,401	2,491	3,458	4,451
Savings Proposed						
Asset review and rationalisation (Commercial Landlord Programme)		30	60	90	120	150
Directorate Services Review - Savings (from Initiatives Tracker)		152	243	337	344	351
Directorate Services Review -Additional Income (from Initiatives Tracker)		41	42	43	44	45
Organisation Redesign		1,008	1,028	1,049	1,070	1,091
Total initiatives identified		1,231	1,373	1,519	1,577	1,637
Cumulative savings still to be found/ (surplus)		(271)	28	972	1,880	2,814

WORTHING BOROUGH COUNCIL Revenue Budget Summary Statement 2024/25- 2028/29						
	2023/24 Base	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	14,189	14,189	14,189	14,189	14,189	14,189
External Economic Factors						
Inflation on Pay:						
- Assumption of 4.5% increase in 2024/25 and 2% in future years		1,031	1,484	2,004	2,515	3,034
- Impact of 2023/24 pay award (average of 5.8% against a budget of 4.5%)		230	235	240	245	250
		-	-	-	-	-
Inflation on Costs:						
- Assumption of 3% in 2024/25 and 2% in Future years		494	833	1,179	1,532	1,892
Standard assumption of 3% in 2024/25 and 2% in Future years. The impact of increases above are included within commercial initiatives below.						
- Assumption of 3% in 2024/25 and 2% in Future years		(464)	(783)	(1,108)	(1,440)	(1,778)
Investment income		(142)	(88)	(164)	(48)	(48)
Impact of business rate revaluation 2017		12	18	50	3	3
Council Commitments to services and long term obligations						
Local Elections (held every other year)		-	(50)	-	-	-
Brooklands improvement programme - net costs		16	20	20	20	20
Heat Network		121	225	225	225	225
Redevelopment of Union Place - Phase 1						
- Loss of income from High Street surface car park		52	52	52	52	52
- Other costs		5	5	5	5	5
Teville Gate - MRP costs if not sold		-	73	75	77	79
Grafton Site - Loss of income		-	83	83	83	83
General provision for future impact of new policy commitments		-	-	200	400	400
Capital programme financing costs		338	1,244	1,712	2,046	2,366
Impact of Triennial review: Reduction in backfunded contributions ²		(163)	(358)	(358)	(358)	(358)
Impact of new insurance contract		161	161	161	161	161
Increase in Audit Fees		40	40	40	40	40
Reduction in WTAM leisure contract		(23)	(23)	(23)	(23)	(23)
Other items						
Reassessment of the net cost of bereavement services		500	500	500	500	500
Removal of temporary rental income from Liverpool Gardens (for 2023/24 only)		48	48	48	48	48
Review of budgets for car parks		250	250	250	250	250

² The triennial review is carried out by the actuaries for all of the West Sussex LGPS pension funds.

Review of clinical waste budgets		18	18	18	18	18
Increase in Housing Needs		150	150	150	150	150
Planned increase to the Strategic Property Management provision		100	200	300	400	500
Contingency provision - to build reserves		200	200	200	200	200
Allowance for committed growth items		129	200	320	440	560
Provision for new growth items to be agreed later in the process		250	370	490	610	730
Total Cabinet Member Requirements		14,189	17,542	19,345	20,907	22,389
Business Rates - Baseline funding	2,793	2,933	2,992	3,052	3,113	3,175
Add: Retained additional business rates	1,049	1,062	1,071	823	560	284
Add: Share of previous year's surplus / (deficit)	(473)	(129)				
Council Tax						
Council Tax income - assumed increase 2% per annum	10,232	10,426	10,676	10,933	11,197	11,466
Other grants						
New homes bonus - One off payments	125					
Lower Tier Services Grant / Revenue Support Grant	109	109	109	109	109	109
Local Tax Guarantee Scheme - Council Tax	37		-	-	-	-
Services Grant	104					
Funding guarantee	256	256				
Collection fund surplus/deficit (-)	(43)	69	-	-	-	-
Total Income from Grants and Taxation	14,189	14,726	14,848	14,917	14,979	15,034
(Surplus) / Shortfall in Resources	-	2,816	4,497	5,990	7,410	8,563
AMOUNT REQUIRED TO BALANCE BUDGET	-	2,816	4,497	5,990	7,410	8,563
Savings Proposed						
Asset review and rationalisation (Commercial Landlord Programme) - remaining balance of target		208	331	383	435	487
Caravan Club - additional sale value - £1.8m (after debt) (Base budget includes the assumptions that the sale of Southdown View Road and Caravan club Site for £2m and £7m)		142	142	142	142	142
Integrated Care Centre and car park - net of debt charges		-	143	143	143	143
Commercial Initiatives (From Initiatives Tracker)						
Directorate Services Review - Savings (from Initiatives Tracker)		603	841	1,176	1,176	1,176
Directorate Services Review - Additional Income (from Initiatives Tracker)		164	168	171	164	164
Organisation Redesign		1,512	1,542	1,573	1,605	1,637
Total initiatives identified		2,629	3,167	3,588	3,675	3,762

Cumulative savings still to be found/ (surplus)					
	187	1,330	2,402	3,735	4,801

Appendix 2

Committed growth items:		Expected cost (cumulative)								
		<i>2024/25</i>			<i>2025/26</i>			<i>2026/27</i>		
Description	Comments	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
Impact of increased external audit fees			40,000	40,000		40,000	40,000		40,000	40,000
Total growth			40,000	40,000		40,000	40,000		40,000	40,000
Reduction in allowance for committed growth			-40,000	-40,000		-40,000	-40,000		-40,000	-40,000
Net growth identified			0,000	0,000		0,000	0,000			0,000

