



# ADUR & WORTHING COUNCILS

Joint Strategic Committee  
12th September 2024

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

## 1st Quarter Revenue Monitoring Report 2024/25

### Report by the Director for Sustainability and Resources

#### Executive Summary

#### 1. Purpose

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

The current outturn projection for the 2024/25 financial year for the Worthing Borough Council General Fund is a net overspend of £379k and for Adur District Council General Fund is a net underspend of £80k. These projections reflect the assumption that the budgeted contributions to rebuild reserves within the councils budgets will not be possible unless there are underspend outturn positions and surplus funds to transfer. A breakdown is set out in section 4.4 of the report.

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

1.3.

- (i) **Appendix 1** Briefing Note on Service Performance
- (ii) **Appendix 2**
  - (a) Worthing Summary
  - (b) Worthing Use of Earmarked Reserves
- iii) **Appendix 3**
  - (a) Adur Summary
  - (b) Adur Use of Earmarked Reserves
- (iii) **Appendix 4**
  - (a) HRA Summary
  - (b) HRA Major variances
  - (c) HRA Briefing note
- (iv) **Appendix 5** Table of Variations over £20,000

## **2. Recommendations**

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

### **3.0 Context**

3.1 The Joint Strategic Committee last considered the 5-year forecast for 2024/25 to 2028/29 on 11th July 2023.

3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on previous strategies whose aim was to ensure that the Councils would become community funded, reliant only on income from trading and commercial activities, council tax income and business rate income.

3.3 The delivery of this strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, becoming increasingly reliant on income from commercial activities. In terms of the strategy the organisation is working strenuously to ensure successful delivery, however there are other factors that are outside of the councils control that are putting pressure on the overall finances and these are covered in the report.

### **4.0 Issues for consideration - Revenue 2024/25 Forecast**

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

4.2 The savings included £2.2m from the organisational design programme, the purpose of the programme had this as one of two core objectives, the other to implement an organisational design based on the principles and framework of 'Our Plan' to create a sustainable organisation that is adaptive, resilient and participative. As a parallel budget workstream

services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. Current projections are that the programme is on track in terms of the overall delivery but there are some delays in the timeline which will see lower than anticipated savings in 2024/25, however these are being largely mitigated by savings from the current vacancies and the spend control measures. From July further measures were introduced with the centralisation of some revenue budgets including consultancy, grants and subscriptions and miscellaneous expenses. In addition we are accelerating the 2025/26 organisation design programme work into the current year to deliver the savings earlier where possible and ensure full year savings will be made in 2025/26.

4.3 Increased cost pressures within the Housing Needs and Benefits services alongside shortfalls against some income budgets which are aligned to customer demand means it is difficult to have certainty on the estimates and assumptions, the current projections indicate a forecast year end overspend in Worthing of £379k against budget and an underspend of £80k in Adur. 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:

2024/25	£000's	
	Adur	Worthing
Over/(under)spend in operational services	(5)	954
Net Interest (increase)/decrease	158	195
Commercial property additional income shortfall / cost pressure	620	-
Property void allowance	(850)	(750)
<b>Net over/(under) spend before Transfer to/(from) Reserves</b>	<b>(77)</b>	<b>399</b>
Transfers from Earmarked reserves	(3)	(20)
<b>Net over/(under) spend after reserve transfers</b>	<b>(80)</b>	<b>379</b>

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

Once these items are taken into account, the operational position is a net overspend by services of £954k in Worthing and a small underspend of £5k in Adur. This projection demonstrates the pressure on the Councils finances as a result increased homelessness caseloads, costs pressures associated with Housing Benefit and income levels in some areas still below pre pandemic levels.

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

Projected Outturn Summary	£000's		
	Joint	Adur	Worthing
Current Budget 2024/25	27,579	10,902	15,225
Forecast Outturn	27,756	10,825	15,624
<b>Projected Forecast over/ (underspend) before Government support packages or transfers to or from reserves</b>	<b>177</b>	<b>(77)</b>	<b>399</b>
Reserves Funding		(3)	(20)
<b>Projected Forecast over/ (underspend) after Government funding and proposed transfer to or from reserves</b>	<b>177</b>	<b>(80)</b>	<b>379</b>
Projected over/(underspend)	0.64%	-0.73%	2.49%

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.

Joint	£000's		
	Expenditure	Income	Net Total
Budget	33,966	(6,387)	27,579
Forecast (after transfer to reserves)	33,695	(5,939)	27,756
Projected Forecast (Under)/ Overspend	(271)	448	177
Forecast variance % before Government funding	-0.80%	7.01%	0.64%

<b>Adur</b>			
Budget	35,907	(25,005)	10,902
Forecast (after transfer to reserves)	35,242	(24,419)	10,822
Authority Projected Forecast (Under)/Overspend	(665)	586	(80)
Forecast variance % before Government funding	-1.85%	2.34%	-0.73%
<b>Worthing</b>			
Budget	66,702	(51,477)	15,225
Forecast (after transfer to reserves)	65,349	(49,744)	15,604
Authority Projected Forecast (Under)/Overspend	(1,353)	1,732	379
Forecast variance % before Government funding	-2.03%	3.37%	2.49%

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

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

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

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

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

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

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

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

#### 4.11 **Headline Budget Variations**

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

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

In Year forecast (surplus)/deficit	£000's		
	Joint	Adur	Worthing
Treasury		158	195
<b>Services:</b>			
Commercial Waste		31	(124)
Car Parks		27	446
Homelessness		238	650
Bereavement		37	176
Strategic Property		(150)	(680)
Planning and Development (Development Management, Building and Land Charges)		108	118
Parks		72	205
Place and Economy		(108)	27
Elections		(1)	7
Revenues & Benefits		425	664
Energy & Sustainability		(214)	(61)
Leisure Strategic Support		(108)	46
Corporate Contingency & Centralised Utilities		(510)	(962)
Other	177	218	(22)
Total projected deficit before use of or budgeted contributions to reserves	177	223	685
Contribution from Reserves to expenditure	0	(3)	(20)
<i>Contribution to reserves (variance against budget)</i>	0	(300)	(286)
Total projected deficit (surplus)	177	(80)	379

*\*The Adur and Worthing share of the forecast variance for Joint Services is included within the respective columns in the above table.*

Further detail on these factors is provided below.

#### 4.11.3 Pay Award and National Insurance contributions

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

#### 4.11.4 Utilities and Rates

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

Current outturn projections indicate an overall underspend on utilities of £542k across the councils for 24/25, a more accurate forecast will be available for Q2 as we see more readings submitted.

Rates are predicted to be £90k overspent in Adur against the 2024/25 budget, mainly due to void units within the property portfolio. Worthing is also expected to be overspent by an estimated £200k, a significant proportion relating to revaluations of the car parks by the Valuation Office.

	Electricity £000	Gas £000	Water £000	Rates £000	Over/(Under) spend £000
Adur	(3)	(36)	10	90	61
Worthing	(172)	(101)	22	200	(51)
Joint	(195)	(73)	6	(12)	(274)

#### 4.11.5 Maintenance

Current indications are that maintenance costs will be overspend against budget in Joint by £85k, this includes £46k for works at commerce way and £41k at the Town Hall. In Worthing the costs projected will be £67k over budget, £96k of this relates to maintenance of the cremators with other

underspends mitigating the balance. Adur are currently forecast to be kept within budget.

#### 4.11.6 Treasury

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

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

#### 4.11.7 Waste and Cleansing

Income is currently expected to be on budget. There are additional costs resulting from agency spend being incurred to cover vacancies, holiday and sickness on the kerbside service which requires a minimum staffing level to operate. On the cleansing service there is a reduction on agency spend to help manage the current budget pressures. The service is also being impacted by inflation, rising costs of fuel, parts, bins and consumables and the ageing HGV fleet. Overall the service is forecasting an overspend in Adur of £31k and an underspend in Worthing of £124k, the difference in the variances between authorities is being driven by the impact of disposal costs where the costs are exceeding budget in Adur but Worthing has a saving.

#### 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 £446k due to a combination of drop in demand and delayed tariff increases. This figure includes £91k overspend on rates which are highlighted in section 4.11.4 and £278k shortfall in income. In addition Buckingham Road MSCP is still closed to enable refurbishment works to be undertaken in the town centre car park. The budgets will need to be reviewed as part of the 2025/26 budget preparation and reset considered where the target income is no longer realistic for the service.



There is a net shortfall of £27k currently projected in Adur.

Further information is provided in Appendix 1.

#### 4.11.9 Homelessness

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

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

#### 4.11.10 Bereavement

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

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

Further detail is set out in appendix 1.

#### 4.11.11 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 are not made in the 2024/25 year.

#### 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 demand led and can therefore fluctuate making forecasting difficult to predict. Based on current performance the forecast outturn position is a shortfall of £314k in Worthing and £306k 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 Demand for housing

The increased demand for housing services presents a significant risk to future council finances, primarily because many of the council's responsibilities in this area are statutory, limiting their ability to control spending. However, efforts are being made to improve cost efficiency. One key initiative is the recruitment of housing officers, which is expected to enhance the council's ability to process temporary accommodation cases more swiftly. This should help reduce the number of people in nightly booked accommodation and expedite their transition into permanent housing. The current external economic factors including impacts to the private rental market, mean that despite significant work in this area it remains a considerable future risk.

##### 4.13.2 *Inflation*

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

#### 4.13.3 *Financial sustainability*

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

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

Worthing Borough Council Available Reserves	Balance at 1st April 2024	Transfer In/(Out) 2024/25	Balance Remaining
	£	£	£
Capacity Issues Reserve	11,688	0	11,688
<b>General Fund Working Balance</b>	<b>760,356</b>	<b>(379,168)</b>	<b>381,189</b>
Property Investment Risk Reserve	450,000	0	450,000
Building Maintenance Reserve	15,714	(15,714)	0
Insurance Reserve	230,244	0	230,244
Museum Reserve	74,899	0	74,899
Risk Reserve Exit costs	60,896	(3,817)	57,079
<b>Total</b>	<b>1,603,796</b>	<b>(398,698)</b>	<b>1,205,098</b>

The Council's established policy to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance is £760,356 after allowing for the overspend. This balance is 4.5% of net revenue expenditure (previously, 8.5% in 2023/24) and is below the range of 6% -10% recommended level set by the Council. It should be noted that the level of reserves held is very low and the importance of closely monitoring financial performance and commitments undertaken. Any overspend for the financial year would deplete the reserves further, the financial strategy plans for reserves to be rebuilt over future years but this can only happen when there are resources available at the year end.

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

<b>Adur District Council Available Reserves</b>	<b>Balance at 1st April 2024</b>	<b>Transfer In/(Out) 2024/25</b>	<b>Remaining balance</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Capacity Issues Reserve	640,345	79,454	719,799
General Fund Working Balance	1,051,497	0	1,051,497
Property Investment Risk Reserve	500,000	0	500,000
Insurance Reserve	82,959	0	82,959
Risk Reserve Exit costs	60,896	(2,545)	58,351
<b>Total</b>	<b>2,335,696</b>	<b>76,909</b>	<b>2,412,605</b>

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

The current commitment on all the General Fund earmarked reserves are set out in appendix 2b and 3b. The 2024/25 budget set out plans to begin rebuilding reserve balance for both councils, however any transfer is limited to the outturn position and current indications are that neither council will be in a position to meet the budgeted contribution to reserves.

#### 4.14 **Corrective Action**

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

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

4. The capital programme is to be reviewed with any reduction in borrowing requirement reducing the associated treasury cost.

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

#### 4.15 Housing Revenue Account

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

4.15.2 The HRA is forecast to overspend against the budget for 2024/25 by £203k. The most significant pressures are due to:

- Void properties (including losses in associated service charges and increased Council Tax liabilities) - £247k.
- Repairs and maintenance - £211k.

4.15.3 A forecast under spend is expected in employee costs whilst the service redesign is pending - £120k. As part of the wider Housing Service Redesign the service will be reducing reliance on agency staff across a number of roles.

### **Engagement and Communication**

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

### **Financial Implications**

6.1 At this stage at the end of the 1st quarter of the revenue budgetary cycle, we continue to see the financial impact of the increase in demand in some service areas particularly Housing Needs and Benefits.

6.2 Overall the projected outturn positions net of treasury savings, the performance in the strategic property portfolio and reserve transfers is an overspend in Worthing of £379k and an underspend in Adur of £80k, which includes the councils share of the estimated £177k overspend within the Joint Service.

- 6.3 The projected outturn figures are based on the assumption that budgeted transfers to reserves will not be possible in Worthing and that only the forecast surplus for Adur would be available. The transfers included within the 2024/25 budget are :

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

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

### **Legal Implications**

- 7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge.
- 7.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, and s42A and 42B of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 7.3 There are a range of safeguards in place that help to prevent local authorities overcommitting themselves financially. These include a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement).

## **Background Papers**

Joint Overall Budget Estimates 2024/24

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

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

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

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

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

Financial Performance 2023/24 - Revenue Outturn

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



## Appendix 1

### **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 mid september 2024 and there are a number of bays closed at Liverpool gardens while works are completed on the former mobility shop section, which are expected to be freed again by November 2024. Whilst some of these drivers will be displaced to other council owned car parks (particularly High Street and Grafton) the closures will have some impact on income. Prices are due to increase by 7% at the end of August 2024.

In Adur, the parking income is showing a small deficit of £27k.

#### 1.2 Homelessness

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

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

- Introduction of Homeless Reduction Act
- The Local Housing Allowance(LHA) does not increase in line with the private sector rent prices and there are very few properties available to rent at LHA rates in the area, leading to those who would not usually seek help from the

council presenting as homeless. The lack of available affordable homes (social and private sector) and supported housing not only limits prevention work but also means that those in temporary accommodation are there for long periods until they receive an offer of private rented, social or supported housing.

- Councils are only able to charge rent on Temporary Accommodation at 90% of 2011 LHA irrespective of the cost of the accommodation to the councils and costs of temporary accommodation are increasing due to housing shortages, increased demand as well as costs to the providers increasing. As well as the development of owned stock, the service is increasing its contracted Temporary Accommodation portfolio to meet demand and reduce costs on spot purchased
- COVID
- Increasing interest costs and the change to the Landlord & tenant act, which impacted on smaller landlords resulting in some deciding to sell reducing the number of available rental properties, this is likely to increase further when the Renters (Reform) Bill banning no fault section 21 evictions comes into law.

Worthing is seeing an increase in demand, the average caseload for 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 with targets to decrease as prevention activity is increased.

In Adur the average caseload for 2022/23 was 89 increasing to a projected 115 in 2023/24. In April 2024 the average caseload was 119, increasing to 123 in June and decreasing to 118 in July. The outturn forecast includes an assumed increase in caseload of 1 cases per month for the remainder of the year with targets to decrease as prevention activity is increased.

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 to £45 in Adur.

### 1.3 Bereavement Services

Worthing cemetery income is currently expected to exceed the income budget by £47,000 (16% overachievement).

The crematorium is forecasting an overall shortfall against the service income budgets of £530,000.

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. Income of £350,000 in excess of budget from the initial sales is forecast for the latter part of this financial year.

Overall Bereavement Services in Worthing is predicting a net deficit against budget of £175,000, which reflects 12.5% of the £1.4m net budget.

Adur cemetery income is currently expected to fall short of the income budget by £20,000.

#### 1.5 Strategic and Commercial Property

The Worthing investment property and core estate portfolio is forecast a net income surplus of £655,000, this assumes that the transfer of the void allowance of £628,000 to the Property Investment Risk Reserve will be made in 2024/25. This is due to increased occupation, filling previously void properties and rental increases, some of which are backdated under lease arrangements. The portfolio has seen some impact from market conditions, with rent free periods being offered in order to attain lease renewals, within the normal boundaries of normal commercial property arrangements.

The Adur investment property and core estate portfolio the forecast is a net income surplus of £223,000 assuming that the transfer of the void allowance of £750,000 to the Property Investment Risk Reserve is not made in 2024/25. There are two voids with the SPIF and a number of properties transitioning tenancy across the estate, whilst empty the Council is responsible for the business rates and all other outgoings until they are relet.

#### 1.6 Planning and Development

In Adur and Worthing the projected outturn is an overall net overspend of £314,000 and £305,000 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	£143,000	£116,000
Development Control	£53,000	£114,000
Land Charges	£118,000	£75,000
Total	£314,000	£305,000

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

#### 1.7 Place and Economy

Worthing is forecasting an overspend in its concession budget. The Worthing Observation Wheel has returned to the seafront for the summer period but the fee is substantially lower (£59k) than the budget and previous income received from the wheel. In addition, business rates are payable on the site, which the Council and the WOW company pick up a proportion each.

#### 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 £195k largely due to the impact of the delay in the sale of key sites which were estimated to reduce borrowing costs by £600k. The position is kept under review, in particular our prudent borrowing cost forecasts contain opportunities for improvement across the year.

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

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

The breakdown is provided in the following table.

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

<b>WORTHING BOROUGH COUNCIL CABINET MEMBER PORTFOLIOS</b>	<b>ORIGINAL BUDGET 2024/25</b>	<b>CURRENT BUDGET 2024/25</b>	<b>Projected Outturn to 31st March 2025</b>	<b>Forecast Over/ (Under)</b>
	£	£	£	£
<i>Leader *</i>	997,560	1,398,080	1,344,080	(54,000)
<i>CM for Environmental Services</i>	4,181,000	4,589,510	5,310,510	721,000
<i>CM for Safety Equalities &amp; Inclusion</i>	737,250	450,400	441,400	(9,000)
<i>CM for Housing &amp; Citizen Services</i>	4,604,040	4,604,040	5,953,040	1,349,000
<i>CM for Regeneration</i>	1,648,460	1,126,280	620,280	(506,000)
<i>CM for Resources</i>	281,770	281,770	(580,230)	(862,000)
<i>CM for Culture, Leisure &amp; Wellbeing</i>	3,864,500	3,864,500	3,910,500	46,000
<i>Holding Accounts</i>	536,100	536,100	536,048	(52)
<b>TOTAL CABINET MEMBER</b>	<b>16,850,680</b>	<b>16,850,680</b>	<b>17,535,628</b>	<b>684,948</b>
<i>Credit Back Depreciation</i>	(3,845,070)	(3,845,070)	(3,845,070)	0
<i>Minimum Revenue Provision</i>	1,932,720	1,932,720	1,932,720	0
<b><i>Net Overspend including Additional Non Ring Fenced Grants</i></b>	<b>14,938,330</b>	<b>14,938,330</b>	<b>15,623,278</b>	<b>684,948</b>
<b><i>Transfer to/from reserves:</i></b>				
<i>Transfer (from)/to reserves to fund specific expenditure</i>	286,250	286,250	(19,530)	(305,780)
<i>Net Overspend Transferred (from)/to Reserves</i>			(379,168)	(379,168)
<b>Total Budget requirement before External Support from Government</b>	<b>15,224,580</b>	<b>15,224,580</b>	<b>15,224,580</b>	<b>(0)</b>

**Movements in Earmarked Reserve Accounts**
**Appendix 2b**

<b>WORTHING BOROUGH COUNCIL</b>	<b>Opening Balance</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Closing Balance</b>
Capacity Issues Reserve	11,688	-	-	11,688
Insurance Reserve	230,244	-	-	230,244
Museum reserve	74,899	-	-	74,899
Business Rates Smoothing Reserve	463,943	-	-	463,943
Local Tax Income Guarantee	264,949	-	-	264,949
Property Investment Risk Reserve	450,000	-	-	450,000
Building Maintenance Reserve	-	-	-	-
Place Project	15,714	-	(15,714)	-
Risk Reserve Exit costs	60,896	-	(3,817)	57,079
Grants & Contributions opening Balance	620,041	-	-	620,041
Projected Underspend / (Overspend)		-	(379,168)	(379,168)
General Fund Working Balance	760,356	-	-	760,356
<b>TOTAL</b>	<b>2,952,728</b>	<b>-</b>	<b>(398,698)</b>	<b>2,554,030</b>

## Appendix 3a

<b>ADUR DISTRICT COUNCIL</b>	<b>ORIGINAL BUDGET 2024/25</b>	<b>CURRENT ESTIMATE 2024/25</b>	<b>Projected Outturn to 31st March 2025</b>	<b>Forecast Over/ (Under)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	
<i>Leader</i>	698,260	698,260	657,260	(41,000)
<i>CM for Environment &amp; Leisure</i>	3,317,150	3,317,150	3,376,150	59,000
<i>CM for Communities &amp; Wellbeing</i>	1,283,290	1,283,290	1,280,290	(3,000)
<i>CM for Housing &amp; Citizen Services</i>	2,034,130	2,034,130	2,751,130	717,000
<i>CM for Regeneration &amp; Strategic Planning</i>	1,923,660	1,923,660	1,861,660	(62,000)
<i>CM for Finance &amp; Resources</i>	908,190	908,190	540,190	(368,000)
<i>Holding Accounts</i>	224,490	224,490	224,581	91
<b>TOTAL CABINET MEMBER</b>	<b>10,389,170</b>	<b>10,389,170</b>	<b>10,691,261</b>	<b>302,091</b>
<i>Credit Back Depreciation</i>	(1,617,020)	(1,617,020)	(1,617,020)	0
<i>Minimum Revenue Provision</i>	2,029,730	2,029,730	1,950,730	(79,000)
<b><i>Net Overspend before reserve transfers</i></b>	<b>10,801,880</b>	<b>10,801,880</b>	<b>11,024,971</b>	<b>223,091</b>
<b><i>Transfer to/from reserves:</i></b>				
<i>Transfer (from) / to reserves to fund specific expenditure</i>	300,000	300,000	(2,545)	(302,545)
<b><i>Net underspend Transferred (from)/to Reserves</i></b>			79,454	79,454
<b>Total Budget requirement before External Support from Government</b>	<b>11,101,880</b>	<b>11,101,880</b>	<b>11,101,880</b>	<b>0</b>



<b>Movements in Earmarked Reserve Accounts</b>				
<b>ADUR DISTRICT COUNCIL</b>	<b>Opening Balance</b>	<b>Transfer In</b>	<b>Transfer Out</b>	<b>Closing Balance</b>
Capacity Issues Reserve	640,345	-	-	640,345
Projected Underspend / (Overspend)		79,454	-	79,454
Insurance Fund	82,959	-	-	82,959
Business Rates Smoothing Reserve	998,238	-	-	998,238
Local Tax Income Guarantee	59,666	-	-	59,666
Property Investment Risk Reserve	500,000	-	-	500,000
Risk Reserve Exit costs	60,896	-	(2,545)	58,351
Grants and Contributions held in Reserves	660,412	-	-	660,412
General Fund Working Balance	1,051,497	-	-	1,051,497
<b>TOTALS</b>	<b>4,054,013</b>	<b>79,454</b>	<b>(2,545)</b>	<b>4,130,922</b>

## HOUSING REVENUE ACCOUNT

Appendix  
4a

	<b>ORIGINAL BUDGET</b>	<b>LATEST BUDGET</b>	<b>FORECAST ACTUALS</b>	<b>VARIANCE</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>EXPENDITURE</b>				
General Management	4,929,640	4,929,640	4,752,637	-39,450
Special Services	853,840	853,840	820,005	153,967
Rent, Rates, Taxes & Other Charges	189,460	189,460	161,403	205,548
Repairs & Maintenance	3,249,640	3,249,640	3,461,220	530,599
Bad/Doubtful Debt	75,000	75,000	75,000	142,071
<b>Capital Financing Costs</b>				
Depreciation and Revenue Contribution to Capital	3,533,120	3,533,120	3,533,120	-851,537
Interest charges	2,542,090	2,542,090	2,542,090	-256,473
<b>TOTAL EXPENDITURE</b>	<b>15,372,790</b>	<b>15,372,790</b>	<b>15,345,475</b>	<b>-115,274</b>
<b>INCOME</b>				
Dwelling Rents	(14,498,500)	(14,498,500)	(14,295,520)	467,085
Non-Dwelling Rents	(552,130)	(552,130)	(549,774)	40,135
Heating and Other Service Charges	(630,640)	(630,640)	(586,608)	201,518
Leaseholder's Service Charges	(317,180)	(317,180)	(335,776)	119,089
Interest Received	(35,000)	(35,000)	(35,000)	-373,006
<b>TOTAL INCOME</b>	<b>(16,033,450)</b>	<b>(16,033,450)</b>	<b>(15,802,678)</b>	<b>454,820</b>
<b>NET (SURPLUS)/DEFICIT - TFR (TO)/FROM HRA GENERAL RESERVE</b>	<b>(660,660)</b>	<b>(660,660)</b>	<b>(457,203)</b>	<b>339,546</b>

Tfr to/(from) New Development & Acquisitions Reserve	200,000	200,000		(200,000)
Tfr to/(from) Business Improvement Reserve	200,000	200,000	200,000	0
Tfr to/(from) General Reserve	260,660	260,660	257,203	(3,457)
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Appendix 4b

<b>Variations in Income and Running Costs (HRA)</b>	<b>(Under)/ Over Spends £'000</b>
Rent & Service Charge void loss	247
Leasehold Service charges	(19)
Staff vacancies - Repairs & Maintenance and Tenancy Support senior posts	(129)
Repairs & Maintenance - over spend on subcontracted works	178
Other	(74)
<b>Total Variation in Running Costs</b>	<b>203</b>
<b>Variations in Treasury Management and Capital Costs:</b>	
Interest payable	0
Depreciation	0
Interest receivable	0
<b>Total Variation in Treasury and Capital Costs</b>	<b>0</b>
<b>Total Variation</b>	<b>203</b>

## HRA Financial Update 2024/25 – Q1

### 1.0 Budget Context

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

The key budget assumptions are:

#### 1.1 Income

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

#### 1.2 Repairs

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

#### 1.3 Staffing costs

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

#### 1.4 Other costs

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

- A contingency budget of £200k.

### 1.5 Reserve contributions

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

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

### 2.0 Potential Budget Variances during 2024/25

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

<b>Service Area</b>	<b>Description</b>	<b>Forecast Variance</b>
Rent & Service Charge Income	Void numbers have risen from 150 at the end of March to 166 at the end of June. The forecast assumes that the level remains at 166 properties for the rest of the financial year. The budget allowed for 86 voids.	247,012
Leaseholder Service Charges	An anticipated increase in service charges, due mainly to recovery of increased electricity costs.	-18,596
Staffing Costs	Several posts have been held vacant pending a redesign of the service.	-129,107
Repairs & Maintenance	Under Recovery of internal income into the Building Services department along with continued high levels of subcontractor usage.	177,745
Supplies & Services	Various operational budgets are expected to be managed at an under spend in order to offset some of the pressure arising from the void losses being higher than expected.	-73,597
	FORECAST OVER SPEND	203,457
	BUDGETED TRANSFER TO RESERVES	660,660
	FORECAST TRANSFER TO RESERVES	457,203

### **3.0 Reserves**

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

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

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

	<b>Opening Balance £</b>	<b>Forecast Contribution £</b>	<b>Forecast Closing Balance £</b>
New Development Reserve	0	0	0
Business Improvement Reserve	84,176	200,000	284,176
General Reserve	741,343	257,203	998,546
	825,519	457,203	1,282,722

Appendix 4a

Service Area	Joint £000s (under )/ over spend	Adur £000s (under )/ over spend	Worthin g £000s (under)/ over spend	Description of Significant Variations
<b>Chief Executive</b>				
Performance and Strategies	0	-40	0	Underspend on the Leaders Projects
People and Change	-2	0	3	
	<b>-2</b>	<b>-40</b>	<b>3</b>	
<b>Director of Housing &amp; Communities</b>				
Director of Housing and Communities Office	274	0	0	Departmental Vacancy Provision
Community Capacity & Wellbeing	25	-1	-9	Joint service includes budgeted redesign savings
AD Housing Homelessness & Prevention	83	0	0	Recharge to HRA not allowed for
Environmental Health (Housing)	-1	-2	35	WBC : Mainly due to cost incurred from Public Health burials and recharges from Joint
Housing Needs	177	238	650	Homelessness continues to present significant cost pressures to both councils.
Community Alarms	0	56	0	Staffing costs due to pay award higher than budgeted plus cost of equipment has increased with demand
Resident Services	-38	425	664	
	<b>520</b>	<b>716</b>	<b>1340</b>	

<b>Director of Sustainability and Resources</b>				
Director of Digital & Resources Office	244	0	0	Departmental Vacancy Provision
Digital, Technology & Design	-140	0	0	Vacancies within the Digital team along with some contract savings
Operations and Sustainability	-1	0	0	
Parking Services	167	27	446	ADC: Additional income offset by recharges from the joint services for service redesign delays WBC: Delay in price increases £270k plus the move to more card payments have resulted in an overspend/under achievement of income along with increased rates charges which exceed the budget £90k plus effect of recharges from the joint services for

				service redesign delays
Waste & Cleansing	90	31	-124	JOINT: Savings in the cleansing service by reducing reliance on Agency, offset by refuse & recycling staffing and vehicle costs which are higher than budgeted and including Service redesign savings targets These impact on the Adur & Worthing positions. WBC: In addition to the share of the Joint recharge, this is offset by underspends in Commercial Waste in for reduced tipping charges
Bereavement Services	58	37	176	Joint overspend Worthing position is reflecting the continued shortfall in cremations though this has been partially offset by the expected income from the opening of the memorial garden. The shortfall in cremations relate to a number of reasons; new competition, cost of living, and general market moves to direct cremations. and competition from a new site in Arun
Public Health and Regulation	-35	-2	18	The loss of income from Gambling establishments as this moves to an online environment has had an impact. There is also a shortfall in income from Hackney Carriage Licences
Legal, Procurement & Democratic services	-134	43	7	JOINT: Underspend in salaries ADUR & WORTHING: underachievement of income in Legal, offset by savings from joint
Electoral Services	-13	-1	7	Elections currently projected to be within the budget
Corporate Management	-380	-514	-968	Centralised budgets for contingencies and Energy are included here with spend for energy within services budgets.
Finance	-38	15	0	Vacant management posts and a vacant trainee post have been held to contribute towards the saving in year plus reduced staffing costs due to turnover of staff. starting on lower scp's
CTB Hardship Fund		19	2	Net cost of providing Council Tax Hardship support funded Grant
Energy & Sustainability	-101	-214	-61	JOINT: underspend due to vacancy and saving in service budgets ADUR:Projected saving budget for ecological projects and joint recharges WBC: saving reflects joint recharges



Treasury Management	0	158	195	Borrowing costs remain challenging and the delay in sales of key sites has constrained efforts to maximise the contribution from this area.
	<b>-283</b>	<b>-401</b>	<b>-302</b>	

<b>Director for Place</b>				
Director of Place Office	-79	0	0	Departmental Vacancy Provision
Leisure Strategic Support	0	-108	46	ADUR underspend relates mainly to contractual and maintenance spend projections WORTHING maintenance projections are exceeding the budget
Economic Development	-18	-119	-3	ADUR : 2 Place based officers to support Adur Communities not yet appointed. Overspend in joint as the budget is under Hd of Place & Economy.
Culture	0	0	-76	Relates to a projected underspend on maintenance
Strategic Projects	0	0	63	The rental income level that the new observation wheel is less than the budget, though during the lease period the cost of rates are reassigned to the lessee
Parks, Open Spaces Foreshore & Pier	120	72	205	JOINT: Overspend in staff costs which include budgeted savings for service redesign ADC & WBC Overspend relates to maintenance and utilities cost along with a share of the joint service
Estates	23	80	70	ADUR: Rental income down due to void properties at Bank House and Southwick FC. WORTHING: Shortfall in income projected from a few void properties
Property Investment	0	-230	-750	Increased income from Rent reviews. In addition the Void property costs are less than the budgeted contribution to reserve producing a net underspend.
Admin Buildings	196	49	-182	ADC:relates to an overspend on utility costs WBC: Additional income asset rentals
Technical Services	22	-3	55	Joint underspends in Surveying and Major regeneration staffing costs along with increased capital fees. WBC: Overspend on repairs and Utilities
Building Control	-64	117	143	Underachievement of income due to the new rule that came into force in Oct 23 and lower numbers of applications
Development Management	-50	114	53	Joint underspend vacant posts. Income Forecast on application income is dependent on large applications being received . Pre-app income is also below the expected budget.

Planning Policy	-195	-99	-98	Joint underspend due to vacant posts. These costs are for the studies for the Adur local plan, the Western Harbour Arm Study and the Biodiversity study which have been offset against grant income. In addition costs of payments relating to the CIL pot are included here which are met by a contribution from the Reserve
Land Charges	9	75	118	The number of charges for NLIS, Office and electronic payments have decreased significantly
LLPG	-22	0	0	The LLPG income is reliant on new development that requires street naming and numbering and this variance reflects the current level of applications from new developments as overachievement of income against the budget.
	<b>-58</b>	<b>-52</b>	<b>-356</b>	
Transfer from Reserves	0	(3)	(20)	
Transfer to Reserves	0	-300	-286	
<b>Total Variances Before Joint Allocation</b>	<b>177</b>	<b>-80</b>	<b>379</b>	