



ADUR & WORTHING  
COUNCILS

Key Decision: No

Ward(s) Affected: All

**3rd Revenue Budget Monitoring Report (Q3)**

**Report by the Director for Digital & Resources**

**Executive Summary**

**1. Purpose**

1.1 This report updates the Joint Strategic Committee with the latest expenditure and income projections for each Council in the current financial year 2019/20, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 31st December 2019, the forecast position will reflect the latest information available to ensure an up-to-date forecast is presented.

The Councils have positioned themselves to manage risk and contribute to reserves for the future. After allowing for the initiatives undertaken to enable this and for the revision of project delivery into the future, the operational over/underspends are projected to be an underspend of £96,000 in Adur and an overspend of £94,000 in Worthing.

1.2 The following appendices have been attached to this report:

- (i) **Appendix 1** (a) Adur Summary  
(b) Adur Use of Earmarked Reserves
- (ii) **Appendix 2** (a) Worthing Summary  
(b) Worthing Use of Earmarked Reserves
- (iii) **Appendix 3** HRA Summary
- (iv) **Appendix 4** (a) Table of Variations over £20,000  
(b) Table of movements over £50,000 between quarter 2 and 3

## **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 1b and 2b).

## **3. Context**

- 3.1 The Joint Strategic Committee considered the 5-year forecast for 2019/20 to 2023/24 on 4<sup>th</sup> December 2018.
- 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 the strategy first proposed in 2016/17 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.
- 3.4 As part of the 2019/20 budget the Councils committed to savings of £0.767m for Adur District Council and £1.373m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. Current budget monitoring indicates that the majority of these savings are being delivered as expected.

#### **4. Issues for consideration - Revenue 2019/2020 Forecast**

4.1 The current year end forecasts indicate, that at this early stage, the operational position will be a net operational underspend by services in Adur of £96,000 and a £94,000 net overspend in Worthing. This includes meeting the challenges of significant savings requirements to balance the 2019/20 budget. The main factors influencing the level of spend are discussed in detail in section 4.9 of the report.

4.2 Following the LGA peer review which referenced the low level of the reserves, the Councils have positioned themselves to better manage risk and contribute to reserves for the future through three separate initiatives:

- The centralisation of inflation provisions which if not needed will contribute to the savings required in 2020/21. Currently, the Council expects £88k for the Joint service and £104k for Worthing to be unspent at the year end;
- The creation of contingency budgets for areas of uncertainty in the budget. For 2019/20, the Councils set aside £300k for the risks associated with the changes to the County's supported housing budget. This contingency remains largely unused and will be placed into reserves at the year end; and
- Accelerating savings initiatives where possible - including the investment by the Strategic Property Investment Fund and generating additional commercial income.

Consequently, members should expect the Councils to underspend this year as a result of these proactive measures as highlighted in the table at 4.3.

4.3 The current year-end forecasts are comprised of a number of elements as set out in the table below:

<b>2019/20 Forecast Outturn</b>	<b>Adur</b>	<b>Worthing</b>
	£000	£000
<u>Over/(under)spend in operational services – including share from Joint</u>	(96)	94
<u>Underspend against Supported Housing contingency budget</u>	(70)	(180)
<u>Reduced borrowing requirement:</u> A lower than forecast call on the MRP (provision to repay debt) and net interest in 2019/20, due to reprofiling of the capital programme already adjusted for in 2020/21 budget.	(45)	(340)
<u>Budgeted contributions to reserves:</u>		
Set aside for inflation	(35)	(157)
Allowance for Investment Property voids	(100)	(150)
Commercial Property Portfolio - from accelerated purchases	(715)	(690)
Less: one off acquisition costs	221	393
<u>Budget provision related to timing differences:</u> Project funding to Carry forward to 2020/21 for projects that have yet to commence or will complete next year (Business Development Fund)	(47)	(76)
<b>Net over/(under) spend before contributions to/from Reserves</b>	<b>(887)</b>	<b>(1,106)</b>
<b>Projected underspend % against current budget</b>	<b>(10.4%)</b>	<b>(7.2%)</b>

4.4 The key factors underpinning the current financial position include:

- An underspend in the Minimum Revenue Provision (MRP) and net interest budgets for Worthing Borough Council. The budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current years capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2020/21.

- Increased income from the Strategic Property Investment Fund. The fund has been successful in identifying suitable properties to acquire, and the associated income is benefiting the budget in 2019/20.

Once the above items are considered, including the contribution from reserves, the operational position is a net underspend by services of £96,000 in Adur and a net overspend in Worthing of £94,000. The factors influencing the operational position have been addressed as part of the 2019/20 revenue budget.

4.5 In summary the overall revenue outturn projections reported for Q3 are as follows:

<b>Summary of 3rd Quarter Budget Monitoring Report</b>			
	<b>Joint</b>	<b>Adur</b>	<b>Worthing</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Current Budget 2019/20	23,131	8,527	15,370
Projected outturn	23,376	7,641	14,264
Projected Forecast over/ (underspend)	245	(887)	(1,106)

Comparison to the Q2 forecast:

	<b>Joint</b>	<b>Adur</b>	<b>Worthing</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Forecast Over / (Under) spend Q3	245	(887)	(1,106)
Forecast Over / (Under) spend Q2	170	(889)	(1,567)
Change from Q2 to Q3: (Improvement) / Deterioration	75	3	461

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

	Expenditure	Income	Net Total
<b>Joint</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Budget	29,343	(6,212)	23,131
Forecast	29,435	(6,059)	23,376
Projected Forecast (Under)/ Overspend	92	153	245
Forecast variance percentage	0.31%	2.47%	1.06%
<b>Adur</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Budget	34,595	(26,067)	8,527
Forecast	34,553	(27,010)	7,543
Authority Projected Forecast (Under)/ Overspend	(42)	(943)	(985)
Share of Joint (Under) / Overspend	37	61	98
Authority Projected Forecast (Under) / Overspend	(5)	(882)	(887)
Forecast variance percentage	-0.01%	-3.38%	-10.40%
<b>Worthing</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Budget	67,446	(52,077)	15,370
Forecast	67,357	(53,241)	14,117
Authority Projected Forecast (Under)/Overspend	(89)	(1,164)	(1,253)
Share of Joint (Under) / Overspend	55	92	147
Authority Projected Forecast (Under)/ Overspend	(34)	(1,072)	(1,106)
Forecast variance percentage	-0.05%	-2.06%	-7.19%

4.7 The Joint Strategic Committee (JSC) is asked to consider:-

- the current projections of variances in the two Councils' General Fund Revenue Budgets;
- the current projections of variances in the Adur Housing Revenue Account; and
- any amendments and virements to budgets for each Council which may require a recommendation on to Council for approval;

4.8 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.

4.9 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2019/20, these services are:-

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

4.10 Headline budget variations across both the Councils' and the Joint account

4.10.1 Car Parks

Worthing car parks budgets are projected to be £54,000 below target for the full year. The temporary surface car park at Teville Gate was expected to be operational from April 2019 but did not open until the last week in July; and the usage has been below that estimated. The all day tariff at this site has been reduced from February to encourage commuter parking and additional advertising is now in place which will draw more customers to the car park.

The shortfall includes a payment of £12,000 from NSL relating to historic overcharging of their staff deployment.

Adur income is currently expected to over achieve its net budget by £87,000. Of this amount, £33,000 consists of a payment from NSL to address historic overcharging of their staff deployment.

4.10.2 Housing

The demand for emergency and temporary accommodation continues to be a cost pressure due to the rising demand across the South East, including Adur and Worthing, and the lack of housing supply for those needing affordable accommodation, whether this is to prevent homelessness or to move people on from emergency accommodation. Currently the caseload numbers for Adur and Worthing are 44 and 122 respectively.

Across the South East there is competing demand between local authorities for both emergency and temporary accommodation, the latter often being leased private sector accommodation.

Whilst Adur and Worthing have made significant progress in leasing more affordable units of temporary accommodation, competition does mean that prices in some areas (e.g. Worthing) are being pushed beyond the reach of the Councils, and the supply of suitable emergency and temporary accommodation within the Borough is reduced.

Despite the increasing demand for temporary accommodation the efforts that have been taken by the Councils to decrease unit costs increase supply as well as an effective homeless prevention work has reduced the overall spend and at the end of Quarter 3, there is a projected underspend of £151,000 in Adur and £73,000 in Worthing. This estimate assumes the current caseload numbers in temporary accommodation increase by an average per month of 1 in Adur and 2 in Worthing for the remainder of the year and an average room rate per night of £37. Also built into the projections are the 40+ units of leased, affordable temporary accommodation, as is phase 1 of the Worthing Borough Council owned accommodation at Downview (9 units) which are due to come on stream in the coming months. These projections are based on current trends in homelessness demand. Homelessness presentations can be volatile and impacted by factors sometimes beyond the Councils' control.

Additionally, there is a predicted underspend against the Homelessness Initiatives budget in Worthing of £80,000.



Housing Management - Full Year forecast						
	2018/19			2019/20 - Full Year Projection		
	Budget for Year	Actual for Year	Variance for Year Over / (Under)	Budget for Year	Forecast for Year	Projected Variance for year Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
	<b>ADUR</b>					
ETA Expenditure	635	769	134	907	655	(252)
ETA rental income	(411)	(325)	86	(379)	(279)	99
Grant funding	-	(206)	(206)	(140)	(139)	1
	223	238	15	388	237	(151)
<b>WORTHING</b>						
ETA Expenditure	1,267	1,724	457	1,814	1,859	44
ETA rental income	(589)	(685)	(96)	(689)	(805)	(115)
Grant funding	-	(233)	(233)	(150)	(152)	(2)
	678	807	129	976	902	(73)
	901	1,044	143	1,364	1,140	(224)

Housing Management - Comparative Financial position at December						
	2018/19 Year to Date			2019/20 Year to Date		
	Budget to P9	Actual to P9	Variance to P9 Over / (Under)	Budget to P9	Actual to P9	Variance to P9 Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
	<b>ADUR</b>					
ETA Expenditure	477	578	101	680	503	(177)
ETA rental income	(309)	(243)	66	(284)	(214)	70
Grant Funding	-	(206)	(206)	(140)	(139)	1
	168	129	(39)	256	150	(106)
<b>WORTHING</b>						
ETA Expenditure	950	1,225	275	1,360	1,444	84
ETA rental income	(441)	(506)	(65)	(516)	(631)	(114)
Grant Funding	-	(138)	(138)	(150)	(152)	(2)
	508	580	72	694	662	(32)
	676	710	33	950	811	(138)

#### 4.10.3 Underspend against Supported Housing contingency budget

It should also be noted that the 2019/20 budget included a £300,000 allowance for supported housing cost pressures expected as a result of reduced housing budgets from West Sussex County Council.

A cross county task and finish group has been established to address the challenges presented by the County Council's decision to cut these budgets and has been successful in; reaching consensus as to how best to use funds available; agreeing shared solutions to some specific issues and support the recommissioning of the supported housing programme, using better insight and intelligence as to the current and future needs of our most vulnerable residents. As a consequence, the full budget is unlikely to be required this year. Currently, it is anticipated that there will be an underspend of £250,000 against this contingency.

#### 4.10.4 Environment - Waste and Recycling

With the rollout of alternate weekly collection, there has been increased demand for replacement bins, the associated purchase costs in year is estimated to be £20,000, which is not budgeted for. There has been additional uptake for green bins, noticeably since the campaign drive that has taken place since November, however this has been offset in part by a reduction in demand for green sacks. Overall the net income is projected to be above budget by £17,000, this includes a quality payment of £32,000.

Prior to alternate weekly collection going live, there has been a reduction in the amount of recycling credit income per tonne from WSCC which is currently forecast to be an estimated £170,000 lower than budget for the year. This is due to two factors:

- An uncommunicated WSCC deduction for contamination (£80,000), however teams are focusing on education and resident engagement in those areas where contamination levels are known to be high. This deduction is being queried with the County.
- The 2019/20 budget assumed that recycling tonnages would increase with the move to AWC, however whilst the amount of residual waste has decreased due to waste minimisation, there has not been any significant increase in the recycling tonnages.

Current activity within the trade waste service indicates that Adur is projected to have a net shortfall of £21,000, whereas Worthing is predicted to have a net surplus of £12,000 for the year. Within this estimate tipping charges are expected to be on budget. New business is unpredictable, and in-year account prospects are not accounted for here, it is therefore possible that the position may improve by the end of March.

Fleet vehicle maintenance and repair costs are currently above budget with a projected overspend of £70,000 estimated for 2019/20.

#### 4.10.5 Environment - Bereavement Services

Net income for the Cemeteries is projected to exceed the budget in Adur by a marginal £6,000 but fall short in Worthing £24,000. This projection is based on the number of burials in-year, compared to the same period in 2018/19.

Crematorium income is forecast to be broadly on budget with a modest surplus of £14,000 predicted for the year.

Memorial income is projected to be below budget by £66,000 based on current projections, this year to date the income is running at 40% below budget. Currently, the space available for private gardens at the crematorium has been exhausted. A development masterplan for the site, currently in its early stages, aims to mitigate this by incorporating more memorialisation opportunities.

There are some cost savings of £8,000 which partially offset this shortfall in the service.

#### 4.10.6 Leisure

Worthing has received a £50,000 gain share payment from South Down Leisure related to the 2018/19 financial year. The contract with the trust which operates the Worthing leisure centres sets out the arrangement that the trust holds a risk reserve and an improvement reserve. If in a financial year the risk reserve holds a balance of £560k and there is profit over and above a £100k contribution to the improvement reserve, the Council will receive a gain share of 50% of that additional surplus.

#### 4.10.7 Culture

Worthing theatres and museum were run as an in house operation until 31st October, on 1st November 2019 this service transferred to the Worthing Theatres and Museum Trust. As part of this transition, the Council has reviewed both income and expenditure to ensure that it is correctly attributed between the Council and the Trust.

Final analysis is nearing completion and the position shows that there is an overspend of an estimated £55,000, which represents 2.4% of the net budget. This was largely due to a lower than anticipated performance of both catering and live events from what was projected in the first half of the year.

#### 4.10.8 Planning & Development

Economic Development - Planning application fee income is forecast to be in excess of budget in Adur £83,000 and Worthing £100,000, this assumes the anticipated major applications in both Councils are received during the year.

Land charges - it is forecast that both Adur and Worthing will overspend the net budget by £30,000 and £16,000 respectively. Fees have not gone up for a while as the Service is in competition with Personal Search Companies and Adur and Worthing charge more for Full Searches than some adjoining Councils.

#### 4.10.9 Place and Economy

During the summer the Worthing Observation Wheel was a prominent fixture on Worthing seafront and brought £70,000 additional income to the Council (offset by £10,000 set up costs). The attraction, which is set to return in 2020, drew more visitors to the town which had a wider positive impact on the local businesses.

Income from Markets and bus shelter advertising are currently projecting to exceed budget in Adur, however following public consultation a new event-based approach has been adopted for Lancing Village Market (starting in 2020) due to limited interest in the monthly offering. As a result of this additional income combined with predicted expenditure savings the overall forecast for the service area in Adur is a £39,000 improvement against the budget.

Income generated through activities such as seafront concessions and open space hire sees Worthing predicting to exceed budget by £53,000. The service has agreed to reinvest the income into projects that support the improvement and regeneration of the seafront. The estimated net position at the end of 2019/20 is expected to be an underspend of £42,000.

#### 4.10.10 Major Projects and Investment

The Major Projects team has been actively working on a number of development sites and investments across the areas. The expenditure is currently projected to be on budget.

The investment in Commercial properties is expected to exceed the budget for both Authorities by an estimated £815,000 in Adur and £940,000 in Worthing (£840,000 new investments and £100,000 existing), although

there are one off acquisition costs of £221,000 and £393,000 for new investments that will offset this income in the respective authorities.

In addition, there is a budget for a contribution to reserves to fund future void rental periods and property improvements. There is no call on this reserve expected in the current year so the entire provision will transfer to reserves at the year end (Adur £100,000 and Worthing £150,000). Some known risks relating to the property investment fund around managing lease events and tenant issues have begun to crystallise. For instance, some retail property in Montague Street, Worthing owned by the Worthing Borough Fund have tenants who have gone into administration or are undergoing the company voluntary agreement (CVA) process. While these premises were acquired with a view to supporting regeneration of the Grafton Car Park site, and the income streams was expected to be lost in the medium term as part of development, there will be a reduction in income over the short term. The potential loss of income has been included both within the forecast outturn for 2019/20 and the budget for the new year.

While these risks can be managed effectively, it underlines that the properties require active management, and that the reserve fund will be called on appropriately.

#### 4.10.11 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 2018/19, there is certainty about the charge for the forthcoming year.

The underspends related to MRP and net interest costs are Adur £45,000 and Worthing £340,000. The MRP underspends are due to the reprofiling in 2019/20 of a proportion of the 2018/19 Capital Programmes and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow. Lower interest rates than expected have also contributed to the overall underspend by reducing the net cost of borrowing.

#### 4.10.12 Revenues and Benefits

Currently, the recovery of Court costs and overpayments are both predicted to be below the allowance made in the budget for both Councils, but due to the unpredictable nature of this element of the service it is difficult to

forecast if this will be a continuing trend. Housing Benefit overpayment recovery has generally seen a reduction due to the transfer of claims onto Universal Credit that has resulted in delays in securing recovery where overpayments can be recovered through ongoing payments. At present the year end forecasts indicate that the Revenues and Benefits service will be within budget overall.

#### 4.10.13 Business Rates

Additional net income is anticipated in relation to Business Rates S31 grants by Adur £9,800 and Worthing £177,000. However, the councils were using the Business Rate Smoothing Reserves to offset losses incurred in previous years due to timing differences. The planned use of reserves will be reduced by any in-year additional income. So there will be no overall under spend this year.

Business Rate income is volatile and can be affected by many factors: government decisions, changing use of commercial properties (e.g. demolition and conversion to domestic properties), revaluations or appeals. It will therefore be recommended to members that where there is available capacity at outturn, they agree to put any additional business rates income into reserves. The reserves can then be used, when required, to smooth the effect of the business rates volatility in future years.

#### 4.11 Budget variations greater than £20,000

4.11.1 The Councils individual Summary Projected Outturns are reported in Appendix 1a for Adur District Council and Appendix 2a for Worthing Borough Council. The variations greater than £20,000, for this report, are detailed in Appendix 4.

4.11.2 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

## 4.12 Cross Cutting Budgets

4.12.1 The following categories of expenditure are analysed across various services. It is anticipated that this will be on target:

- Equipment, furniture and materials
- Postage
- Printing stationery and office supplies
- Consultancy costs
- Travel costs

4.12.2 Energy costs are forecast to be overspent in Adur £4,000 and Worthing £18,000 based on current activity. Joint is predicted to be within budget. Energy prices have increased and this is reflected in the new contracts that commenced in October 2019. The decision to opt for renewable energy sources for electricity is a factor in the increased prices although the consumption prices are now set for two years, the gas contract is for one year to see how the renewable market develops.

4.12.3 Water - this is forecast to overspend against budget by an estimated £15,000 in Joint, £20,000 Adur and £37,000 Worthing based on current activity. A significant piece of work is ongoing with the water contract supplier to identify variances in usage and charges.

In Adur there was a water leak reported in Buckingham Park, this has now been repaired but the Council is not eligible for a rebate due to the time that has elapsed since the leak began.

The delay in the identification was due to the fact that the leak was deep underground and not surface visible, coupled with the fact that the contractor charges in advance on estimated values that are based on historic consumption. The leak was identified at a later date when a physical meter reading was taken by Council staff that indicated higher than expected usage. The Council are now taking regular monthly readings to monitor any unusual usage, the market rules also state that the supplier should take actual meter readings every six month which the Council are following up. These costs will continue to be monitored.

In Worthing the costs include the water supply to the Splash Pad and Rockswater fountain at Marine Parade for which there is no budget.

In addition, a project is underway internally to ensure all tenants are correctly being charged for energy and water usage in agreement with the terms of their leases.

- 4.12.4 Maintenance expenditure is predicted to be above budget for the year, Adur is estimated to be £80,000 and Worthing £340,000.

In Worthing there has been a significant amount of reactive work that has been required at the Council's leisure facilities (£205,000), particularly Splashpoint, and the theatres (£40,000). At Splashpoint expenditure (£36,000) has been incurred to replace glazing damaged by vandalism, Additionally works have been undertaken on cabling under the moving floor of the pool £11,000 and a number of repairs relating to lighting, building management system which includes heating & ventilation and repairs to the pool filtration equipment (£47,000). All of these repairs fall under the Council's responsibility under the Service Level Agreement in place with South Downs Leisure. The specialist nature of the equipment does make it more expensive to maintain and repair and some works are necessary to be completed out of hours to avoid disruption to Splashpoint customers.

In other centres reactive repair works have been necessary on roofs and chimneys including the replacement of skylights (£9,000) and external works (£12,000). Health and Safety works were agreed to be carried out in all the theatre buildings ahead in preparation of the transfer to the trust. Additional maintenance supplement of £25,000 is estimated for the cremators as they exceed 3,000 cremations. The service budget has also contributed £23,000 to improvement works on Worthing seafront which further supports the experience in the town centre.

In both Adur and Worthing additional works have been necessary on the public conveniences (£20,000 and £42,000 respectively). These costs relate to essential items including repairs to drains, floors, roofs and some internal redecorations to High Street MSCP facilities. In Adur, unplanned costs (£6k) were incurred on the demolition of Monks Recreation ground public convenience after severe vandalism and urgent renewal of standpipes located at all allotment sites in Adur. (£5k) .

The increased pressure on maintenance costs has been recognised and additional allowance has been built into the 2020/21 budgets for Adur and Worthing. This will be reviewed again as part of the 2021/22 budget.

- 4.12.5 Business Rates - Adur and Joint Services are broadly on budget. Worthing is forecast to exceed by an estimated £20,000. The main premises where costs exceed budget are the Town Hall and bus shelters..
- 4.12.6 Corporate Inflation savings are projected of £104,000 in Worthing and £88,000 within Joint services. These savings will be transferred to reserves to increase these balances.



#### 4.13 Future Risks

There is a low risk that the salary vacancy allowance of £758,000 will not be met, however the projected position at quarter 3 is that the Councils salary costs overall will be within the budget for the year.

#### 4.14 Housing Revenue Account

4.14.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 3.

4.14.2 The HRA is forecast to under spend by £420,000 for 2019/20. This financial year contains 53 rent weeks which accounts for £200,000 of additional income. In addition, there have been several staff vacancies this year which have contributed to an underspend in general management costs.

4.14.3 The approved budget includes the use of HRA reserves of £724,950 which is required to meet the cost pressures from rent limitation and maintenance and repair work required to the housing stock resulting from the condition survey. As a result of this underspend, the amount taken from reserves this year will reduce to £304,950.

### **5. 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.

### **6. Financial Implications**

6.1 At the end of the second quarter of the revenue budgetary cycle, it is anticipated that Adur District Council will have an operational underspend of £96,000 and Worthing Borough Council a net overspend of £94,000. The overall under/over spends in Adur and Worthing include the respective shares of the Joint Committee overspend of £245,000.

### **7. 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.

### **Background Papers**

Revenue Budget 2019/20 Joint, Adur and Worthing – 2019/20 Budget Book  
<https://www.adur-worthing.gov.uk/media/media.148471.en.pdf>

Joint Overall Budget Estimates 2019/20  
<https://www.adur-worthing.gov.uk/media/media.152367.en.pdf>

Adur District Council Budget Estimates 2019/20 and Setting of the 2019/20 Council Tax  
<https://www.adur-worthing.gov.uk/media/media.152404.en.pdf>

Worthing Overall Budget Estimates 2019/20 and Setting of 2019/20 Council Tax  
<https://www.adur-worthing.gov.uk/media/media.152393.en.pdf>

Financial Performance 2018/19 - Revenue Outturn  
<https://www.adur-worthing.gov.uk/media/media.154334.en.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

SUMMARY - 3rd QUARTER PROJECTED OUTTURN 2019/20

APPENDIX 1a


Actual Previous year 2018/19	ADUR CABINET MEMBER PORTFOLIOS	Original Estimate 2019/20	Current Estimate 2019/20	Projected Outturn to 31st March 2020	Forecast Over/ (Under)
2,591,947	CM for Environment	2,272,600	2,309,370	2,358,346	48,976
1,234,340	CM for Health & Wellbeing	1,269,140	1,281,140	1,268,990	(12,150)
1,317,721	CM for Customer Services	1,507,950	1,464,950	1,267,990	(196,960)
574,158	Leader	624,800	627,800	595,750	(32,050)
1,521,078	CM for Regeneration	1,765,060	1,831,010	1,786,400	(44,610)
1,661,187	CM for Resources	1,111,680	956,900	356,830	(600,070)
-	Holding Accounts	249,790	249,790	249,790	
<b>8,900,430</b>	<b>Total Cabinet Member</b>	<b>8,801,020</b>	<b>8,720,960</b>	<b>7,884,096</b>	<b>(836,864)</b>
(1,320,741)	Credit Back Depreciation	(1,385,100)	(1,385,100)	(1,385,100)	-
1,015,897	Minimum Revenue Provision	1,242,940	1,242,940	1,192,940	(50,000)
272	Non ring fenced grants	-	-	-	-
1,087	Financial Instruments Adjustment Account				-
<b>8,596,946</b>		<b>8,658,860</b>	<b>8,578,800</b>	<b>7,691,936</b>	<b>(886,864)</b>
	<b>Transfer to/from reserves</b>				
-	Contribution to/(from reserves)		-	-	-
	Budgeted contribution to/(from Reserves)		-	-	-
(481,767)	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	80,060	80,060	-
603	General Fund Working balance	-	-	-	-
511,979	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-		886,864	886,864
<b>8,627,760</b>	<b>Total Budget requirement before External Support from Government</b>	<b>8,658,860</b>	<b>8,658,860</b>	<b>8,658,860</b>	<b>-</b>

 ADC ADUR DISTRICT COUNCIL <b>EARMARKED REVENUE RESERVE ACCOUNTS</b>	<b>Opening Balance  2019/20</b>	<b>Estimated Transfers Out  2019/20</b>	<b>Estimated Transfers In  2019/20</b>	<b>Projected Closing Balance  2019/20</b>
<b>Capacity Issues Reserve including approved Carry Forward budgets</b>  Funding for waste savings proposals (4 Dec 2018 JSC/066/18-19)  Friends of Shoreham Fort (JSC 6 May 2014)  <b>Adur carry forwards from 2018/19 underspends</b> , agreed Joint Strategic Committee 9th July, 2019  Budgeted contribution (to)/from revenue  Balance	£  425,749	£  (43,200)  (10,000)  (151,720)	£  -	£  220,829
<b>Insurance Fund</b>	152,893	(36,750)	30,700	146,843
<b>Business Rates Smoothing Reserve</b>	402,161	(321,000)		81,161
<b>Grants and Contributions held in Reserves</b>	562,570			562,570
<b>Election Reserve</b>	7,880	(7,880)		-
<b>Special and Other Emergency Reserve</b>	60,254			60,254
<b>Property Investment Risk Reserve</b>	-		100,000	100,000
<b>Projected Underspend/(Overspend) (Reserve to be identified at outturn)</b>			786,864	786,864
<b>General Fund Reserve</b>	518,773	-	-	518,773
<b>TOTALS</b>	2,130,280	(570,550)	917,564	2,477,294

SUMMARY - 3rd QUARTER PROJECTED OUTTURN 2019/20

APPENDIX 2a

Actual Previous year 2018/19	WORTHING CABINET MEMBER PORTFOLIOS	Original Estimate 2019/20	Current Estimate 2019/20	Projected Outturn to 31st March 2020	Forecast Over/ (Under)
850,001	CM for Digital & Environment	2,991,380	3,137,250	3,310,390	173,140
3,594,064	CM for Health & Wellbeing	1,729,230	1,746,290	1,768,390	22,100
1,816,036	CM for Customer Services	5,172,460	5,231,960	4,956,600	(275,360)
4,954,410	Leader	802,300	802,300	785,830	(16,470)
2,217,162	CM for Regeneration	1,907,660	2,115,350	2,091,070	(24,280)
1,750,527	CM for Resources	2,232,150	1,905,490	1,201,025	(704,465)
-	Holding Accounts	513,700	513,700	513,700	-
15,182,200	<b>Total Cabinet Member</b>	15,348,880	15,452,340	14,627,005	(825,335)
(3,262,239)	Credit Back Depreciation	(3,224,030)	(3,224,030)	(3,224,030)	-
1,110,658	Minimum Revenue Provision	1,492,910	1,492,910	1,212,645	(280,265)
69,736	Non ring fenced grants	-	-	-	-
13,100,355		13,617,760	13,721,220	12,615,620	(1,105,600)
	<b>Transfer to/from reserves</b>				
	Contribution to/(from reserves)	86,250	86,250	86,250	-
	Budgeted contribution to/(from) Reserves	-	-	-	-
(731,199)	Transfer from reserves to fund specific expenditure (inc carry forwards)	-	(103,460)	(103,460)	-
1,147,435	Net Underspend/(Overspend) Recommended For Transfer To/(From) Reserves	-	-	1,105,600	1,105,600
<b>13,516,590</b>	<b>Total Budget requirement before External Support from Government</b>	<b>13,704,010</b>	<b>13,704,010</b>	<b>13,704,010</b>	<b>-</b>

 WORTHING BOROUGH COUNCIL  <b>EARMARKED REVENUE RESERVE ACCOUNTS</b>	<b>Opening Balance 2019/20</b>	<b>Estimated Transfers Out 2019/20</b>	<b>Estimated Transfers In 2019/20</b>	<b>Projected Closing Balance 2019/20</b>
	£	£	£	£
<b>Capacity Issues Reserve including approved Carry Forward budgets</b>  Marketing/legal costs re disposal of High St & Civic Centre car park sites (28/02/12 JSC/094/11-12) up to £50k each  Funding for Decoy Farm survey (22/7/14 JSC/031/14-15) Preliminary costs of Theatre Trust bid (10 July 2018 JSC/026/18-19) Funding for savings proposals (4 Dec 2018 JSC/066/18-19) Development of Natural Burial Area (5 March 2019 JSC/105/18-19)  <b>Worthing carry forwards</b> from 2018/19 underspends, agreed Joint Strategic Committee 9th July, 2019  Budgeted contribution (to)/from revenue  <b>Balance</b>	1,643,480	(40,560)  (108,404)  (16,488)  (76,800)  (100,000)  (425,900)	-	875,328
<b>Insurance Reserve</b>	273,678	(36,750)	30,700	267,628
<b>Joint Health Promotion Reserve</b>	3,353	(2,000)		1,353
<b>Leisure Lottery &amp; Other Partnerships</b> - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	37,205	(9,439)		27,766
<b>Museum reserve</b> - 12/09/17 JSC/037/17-18 release of funds to support grant bid	97,702			97,702
<b>Theatres Capital Maintenance Reserve</b>	170,486	(92,000)	45,000	123,486
<b>Special and Other Emergency Reserve</b>	3,053			3,053
<b>Business Rates Smoothing Reserve</b>	905,174	(250,000)		655,174
<b>Property Investment Risk Reserve</b>	50,000		150,000	200,000
<b>Grants &amp; Contributions</b>	741,784			741,784
<b>Capital Expenditure Reserve</b>	29,658	(29,658)		0
<b>Projected Underspend/ (Overspend) (Reserve to be identified at outturn).</b>			955,600	955,600
<b>General Fund Working Balance</b>	868,625			868,625
<b>TOTAL</b>	4,824,198	(1,187,999)	1,181,300	4,817,499

**HOUSING REVENUE ACCOUNT QUARTER 3 BUDGET MONITORING**
**APPENDIX 3**

	<b>ORIGINAL BUDGET 2019/20</b>	<b>YTD ACTUAL 2019/20</b>	<b>PROJECTED OUTTURN 2019/20</b>	<b>PROJECTED OVER/ (UNDERSPEND) 2019/20</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>EXPENDITURE</b>				
General Management	4,217,600	1,397,910	4,119,244	(98,356)
Special Services	258,040	339,735	605,388	347,348
Rent, Rates, Taxes & Other Charges	31,690	37,389	47,966	16,276
Repairs & Maintenance	2,999,030	2,259,591	2,603,370	(395,660)
Bad/Doubtful Debt	50,000	-	50,000	-
<b>Capital Financing Costs</b>				
Depreciation and Revenue Contribution to Capital	4,021,300	-	4,021,300	-
Interest charges	2,289,860	1,119,205	2,253,171	(36,689)
<b>TOTAL EXPENDITURE</b>	<b>13,867,520</b>	<b>5,153,831</b>	<b>13,700,439</b>	<b>(167,081)</b>
<b>INCOME</b>				
Dwelling Rents	(11,826,460)	(8,837,831)	(11,998,690)	(172,230)
Non-Dwelling Rents	(581,430)	(445,436)	(577,819)	3,611
Heating and Other Service Charges	(482,330)	(392,645)	(499,331)	(17,001)
Leaseholder's Service Charges	(224,350)	(277,660)	(269,002)	(44,652)
Interest Received	(28,000)	-	(51,000)	(23,000)
<b>TOTAL INCOME</b>	<b>(13,142,570)</b>	<b>(9,953,572)</b>	<b>(13,395,842)</b>	<b>(253,272)</b>
<b>NET (SURPLUS)/DEFICIT - TFR (TO)/FROM HRA</b>	<b>724,950</b>	<b>(4,799,741)</b>	<b>304,597</b>	<b>(420,353)</b>



## Quarter 3

The variations greater than £20,000, for this report, are detailed below

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
NET TRADING:				
Parking	-	(87)	54	ADUR: Over-achievement of income against budget WORTHING: Underachievement of income mainly due to Teville Gate surface carpark, a delay in opening and a lower uptake than expected.
Theatres			55	Under performance in catering and live events.
Environment - Commercial Waste Services		21	(12)	ADC: Projected shortfall in income. WORTHING: Income in excess of budget.
Total Net Trading	-	(66)	97	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
INCOME:				
Place and Economy			(70)	Worthing Observation Wheel - £70k income. There are some set up costs of approximately £10k that are related to this attraction which are within the Economic Development costs forecast.
Development Management - Fee Income	-	(83)	(100)	ADUR: £83k large scale application for Kingston Wharf, Shoreham WORTHING: The projected income assumes that Planning fees will be received relating to two large projects: the West Sompting development and Teville Gate
Economic Development	-	(6)	(53)	ADUR & WORTHING: Additional income from markets and bus shelter advertising anticipated.
Investment and commercial properties		(815)	(940)	Income from commercial investments is projected to exceed the approved budget for both councils. In addition the budget set up for voids has not been fully required, so this will be transferred to Reserves at Outturn to fund future possible voids in excess of the budget; £100k Adur and £150k Worthing.
Building Control		-		WORTHING :Underachievement of Building Control income due to a continued decline in income through competition from Authorised Inspectors.
Land Charges	-	30	16	Fees for Land Charges have not been increased for a number of years and are not covering the service costs. This means the budget is currently showing a shortfall of £30k in Adur & £16k in Worthing
Leisure Client			(50)	Gain share received from South Down Leisure Trust
Environment - Bereavement Services	-	(6)	76	WORTHING : Crematorium income is on target to meet the budget but there is a shortfall of cemetery income projected based on current numbers and prior years profiles. Additionally there is a shortfall in memorial income.
Environment - Waste Services	153			JOINT: Shortfall in contribution from WSCC £170k. Increase in garden waste income £17k (including £32k quality payment).
Environmental Health	-		(85)	ADUR & WORTHING: Houses in Multiple Occupation (HMO) income - increase expected due to change in regulations which make more properties eligible for licensing.
Total Income	153	(880)	(1,206)	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
<b>COSTS:</b>				
Environment - Bereavement Services			(8)	ADUR: on budget. WORTHING: Underspend on expenditure which offsets shortfall of income
Environment - Waste Services	90			JOINT: Additional costs relating to provision of bins related to AW rollout £20k and a projected overspend on vehicle costs forecast £70k. ADUR: The monthly average in cases for Adur has dropped from 50 cases at the end of January 2019 to 44 cases at the end of January 2020 and projecting an underspend of (£151k). In addition the provision of support housing is predicted to cost less than initially budgeted (£70k). WORTHING: Increased use of temporary accommodation to meet increased demand.
Housing		(221)	(333)	Currently 122 cases at the end of January 2020 (98 cases at the end of January 2019) with a forecast underspend of £73k. Projected underspend against the provision of support housing initially budgeted (£180k). Additional supply of properties are assumed to be available by quarter 4 (Downsview). The Homelessness Initiatives budget is forecast to be £80k underspent for 2019/20.
Economic Development		(33)	11	ADC: Underspend on equipment and services budgets.
Finance: Treasury	-	(45)	(340)	MRP underspends due to reprofiling of capital programme and lower net interest costs due to lower interest rates than budgeted.
Business Development Fund		(47)	(76)	Under spend projected for Business Development Fund to be requested to be carried forward to fund future years spend.
Investment and commercial properties		221	393	Acquisition costs of commercial investments offset by departmental underspends
<b>CROSS CUTTING:</b>				
Energy Costs	-	4	18	Increase in costs - new energy contracts which for electricity commit to renewable source supply.  This includes some costs associated with 2017/18 that were not accrued for at the end of last year (£30,000 for both Adur and Worthing). In addition Adur has incurred costs as a result of a water leak at Monks Recreation Ground and Worthing has unbudgeted expenditure related to the Splash pads.
Water	15	20	37	
Rates		-	20	

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
Maintenance		80	340	Maintenance costs are in excess of budget in both Adur and Worthing. This relates to work required on public conveniences in both council. In Worthing it includes necessary work on the leisure centres (particularly Splashpoint) and theatre buildings.
Corporate Budgets	(88)	-	(104)	The inflation for Supplies and services was centralised to allow for a budgeted contribution to Reserves net of any departmental cost pressures.
Other minor variances	75	(17)	(102)	Various minor over and underspends.
Allocation of Joint Variance		98	147	Share of joint services allocated 40:60 to Adur and Worthing Councils.
Total costs	92	59	3	
Total Variance	245	(887)	(1,106)	

Quarter 3 2019/20

Movement between quarters greater than £50,000 are detailed below

Service Area	Joint £000s (under)/ over- spend	Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations
<b>NET TRADING</b>				
Theatres			55	Under performance of catering and live event income for 7 months before transfer to the trust.
Environment - Commercial Waste Services			(52)	Reduction in projected tipping charges and increase in forecast income.
<b>INCOME:</b>				
Development Management		(83)	(100)	Large scale applications received for the year in both Adur and Worthing.
Investment Properties		(256)	(349)	Income from new investment portfolio - movement of projected outturn as a result of new acquisitions.
Leisure Client			(50)	Gain share payment from South Down Leisure relating to 2018/19 performance surplus.
Environmental Services - Bereavement			54	Reduction in forecast income for burials and memorials.
<b>COSTS:</b>				
Environmental Services -Waste Services	90			Increase cost of bin provision following rollout of alternate weekly collection. Projected overspend in fleet vehicle costs.
Homelessness			(117)	Reduction in the projected cost of homelessness. The average case numbers and nightly rate has reduced which has improved the forecast position. Additionally, new supply is expected to be available in the final quarter of 2019/20 which has been factored into the projection. Additionally there is a greater underspend predicted in the Supported Housing contingency and Homelessness Initiatives budgets.
Finance		-	(60)	MRP underspends due to reprofiling of the capital programmes and lower net interest costs as a result of lower interest rates.
Investment Properties		221	393	One off acquisition costs incurred relating to commercial property investment.
Maintenance	-	80	340	Reactive maintenance costs in excess of budget. Large proportion relates to Splashpoint. Health and safety works carried out within theatres in preparation of transfer to the trust.

