



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
7 July 2020
Agenda Item 8

Joint Overview and Scrutiny Committee
23 July 2020

Key Decision: No

Ward(s) Affected: All

Financial Performance 2019/20 - Revenue Outturn

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2019/20 financial year for Joint Strategic Committee, Adur District and Worthing Borough Councils. At the time of publication of this report, the Statements of Accounts are completed and with the audit scheduled to commence on 4th August 2020. Any adjustments that emerge as the audit proceeds will be reported to members later in the year.
- 1.2 The final position for the operational services were an underspend in Adur District Council £154k and an overspend in Worthing Borough Council £548k. This is a variation to the projections reported at quarter 3 when operational outturns were predicted to be an underspend of £96k in Adur and an overspend in Worthing of £94k (including the revenue contribution to capital). In the last quarter of the year increasing operational budget pressures had been identified in part related to the Covid 19 emergency, particularly in Worthing, and the Corporate Leadership Team were updated.
- 1.3 Overall outturn positions are underspends of £1,259,099 in Adur District Council and £1,144,334 in Worthing Borough Council. After allowance for proposed carry forward of budgets in 2019/20, this represents a 13.6% underspend against the budget for Adur and 7.2% for Worthing.

- 1.4 The table at 4.5 below sets out the components contributing to the underspend in 2019/20, with the most significant being lower capital borrowing costs, additional income from commercial property investments and contingency budgets which were not required.
- 1.5 The outturn figures include proposed carry forward requests, detailed in appendix 6, that will need to be met from these underspends which relate to committed spend that is now planned for 2020/21: Adur District Council £80,700 and Worthing Borough Council £157,500.
- 1.6 This outcome is higher overall than what was forecast in the quarter 3 monitoring report when net underspends of £887,000 and £1,106,000 were being projected in Adur and Worthing respectively. However in the light of the Covid 19 budget pressures identified elsewhere on the agenda, this is welcome as it will assist the Councils in managing a difficult financial position in 2020/21. The areas that have contributed to the net movement are highlighted in the report and appendix 5(b).
- 1.7 The following appendices have been attached to this report:

Appendix 1	Joint Summary of 2019/20 Outturn
Appendix 2	(a) Adur Summary of 2019/20 Outturn (b) Adur Use of Earmarked Reserves
Appendix 3	(a) Worthing Summary of 2019/20 Outturn (b) Worthing Use of Earmarked Reserves
Appendix 4	HRA Summary
Appendix 5	(a) Table of Variations over £20,000 (b) Table of movements over £50,000 between quarter 3 and 4 (c) HRA Major Variations - Budget to Outturn
Appendix 6	Budgets Carried Forward to 2020/21

2. Recommendations

- 2.1 The Joint Strategic Committee is asked to recommend that Adur District Council, at its meeting on 16th July 2020 and Worthing Borough Council at its meeting on 14th July 2020:-
- (a) NOTE the overall final outturn for 2019/20.
 - (b) APPROVE the net appropriations to General Fund Reserves in the year as detailed in paragraph 6.2 totalling: Adur District Council £1,072,315
Worthing Borough Council £905,486.
 - (c) AGREE the net carry over of revenue budget to 2020/21 funded from reserves as detailed in appendix 6: Adur District Council £80,700
Worthing Borough Council £157,500.
- 2.2 Joint Overview and Scrutiny Committee is recommended to note:
- (i) the contents of the report and consider whether it needs to scrutinise any budget area in detail.

3. Context

- 3.1 The Joint Strategic Committee considered the 5-year forecast for 2019/20 to 2023/24 on 4th December 2018. This 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.
- 3.2 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4. Issues for consideration - Revenue 2019/2020 Outturn Overview

4.1 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. The final outturn position indicates that the majority of these savings have been delivered as expected.

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.
- 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.
- Accelerating savings initiatives where possible - including the investment by the Strategic Property Investment Fund and generating additional commercial income.

Consequently, the Councils were predicted to underspend this year as a result of these proactive measures as highlighted in the table at 4.5.

4.3 The operational position is a net under spend by services of £154k in Adur and a net overspend of £548k in Worthing as a result of previously reported budget pressures in service areas including waste and recycling, bereavement, housing, parking and culture together with cross cutting pressures in maintenance, energy and water.

4.4 The significant variations that impact on the final outturn from quarter 3 to quarter 4 are identified in appendix 5(b).

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

2019/20 Outturn	Adur		Worthing	
	Q3 Forecast £000	Outturn £000	Q3 Forecast £000	Outturn £000
<u>Over/(under)spend in operational services – including share from Joint</u>	(96)	(154)	(31)	548
<u>Underspend against Supported Housing contingency budget</u>	(70)	(90)	(180)	(210)
<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)	(79)	(340)	(337)
<u>Budgeted contributions to reserves:</u>				
Set aside for inflation	(35)	(31)	(157)	(232)
Set aside for Pay Award	0	(68)	0	(62)
Allowance for Investment Property voids	(100)	(100)	(150)	(150)
Commercial Property Portfolio - from accelerated purchases	(715)	(656)	(690)	(655)
Less: one off acquisition costs	221	0	393	0
<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)	(81)	(76)	(157)
Net over/(under) spend before contributions to/from Reserves	(887)	(1,259)	(1,231)	(1,255)
Net contribution from reserves	0	0	0	(14)
Committed revenue contribution to capital	0	0	125	125
Net underspend after reserve movements	(887)	(1,259)	(1,106)	(1,144)

4.6 The key factors underpinning the outturn financial position include:

- The Covid-19 Coronavirus emergency, the financial impact started in late 2019/20 which resulted in a noticeable decline in the income from the car parks, particularly in Worthing. Additionally there were cost pressures due to emergency spend on PPE and digital equipment to enable services to continue in the changing

environment. The pressures will continue to be felt in 2020/21, the budget strategy report also included on the committee agenda covers this in more detail.

- 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 2020/21.

Once the above items are considered, including the contribution from reserves, the operational position is a net underspend by services of £154k in Adur and an overspend of £548k in Worthing. A number of the factors influencing the operational position have been addressed as part of the 2020/21 revenue budget or are expenditure items that only relate to the reporting year such as the transfer of the operation on the theatres and museum to a trust.

4.7 In summary the overall revenue outturn projections reported for Q4 are as follows:

Summary of Revenue Outturn 2019/20			
	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2019/20	22,145	8,659	13,704
Outturn	22,667	7,400	12,560
Outturn over/ (underspend)	522	(1,259)	(1,144)
percentage		(14.5%)	(8.3%)

4.8 Comparison to the Q3 forecast:

	Joint	Adur	Worthing
	£'000	£'000	£'000
Revenue Outturn	522	(1,259)	(1,144)
Forecast Over / (Under) spend Q3	245	(887)	(1,106)
Variation: (Improvement) / Deterioration	277	(372)	(38)

- 4.9 The Joint overspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported budget variances in Adur and Worthing, in the table above, include the total share transferred from the Joint services.
- 4.10 There are a number of key issues listed above which require a more detailed explanation. These are listed below.

4.11 COMMUNITIES DIRECTORATE

4.11.1 Housing Needs

The continued high level of expenditure on providing emergency and temporary accommodation reflects the demand pressures 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.

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. The pressure of increasing caseload and cost has been ongoing and an additional £150,000 and £270,000 was built into the 2019/20 budgets of Adur and Worthing respectively.

Numbers of households in temporary accommodation vary from month to month, the caseloads in March 2020 were 43 in Adur and 133 in Worthing compared to 45 and 115 in April 2019.

Adur and Worthing have made significant progress in sourcing more affordable units of temporary accommodation, and this together with the development of units and the introduction of the Opening Doors Scheme, has meant the service has been able to effectively manage caseload and costs and have not required all of the additional budget in 2019/20. The outturn position is an underspend in both councils, £160,000 in Adur and £256,000 in Worthing, which includes an underspend against the Housing initiatives budget of £105,000 in Worthing. This compares favourably to the projected year end position at quarter 3 when underspends of £151,000 and £173,000 were estimated.

The service has seen a dramatic increase in people presenting themselves as homeless since the start of April 2020 due to the Covid-19 pandemic. The impact has been largely seen in Worthing where there has been a 50% increase, there is already a financial pressure being identified in this service area for 2020/21.

In addition, an unbudgeted grant was received from the government in respect of New Burdens associated with the introduction of the Homelessness Reduction Act of £24,000 in Adur and £47,000 in Worthing.

4.11.2 Supported Housing

The budget included an allowance for cost pressures relating to reduced housing budgets from the County Council. A cross county wide working group has been set-up to recommission the supported housing programme to meet this challenge and the budget was not required. Overall there was an underspend of £300,000 at the year end which compares to a quarter 3 underspend projection of £250,000.

4.11.3 Environmental Health - Housing

The service has over-achieved against budget in Adur £69,000 and Worthing £140,000, within this there are some key areas to highlight:

With effect from 1 October 2018 mandatory licensing of HMOs was extended so that smaller properties used as HMOs in England which house 5 people or more in 2 or more separate households will in many cases require a licence. This has generated additional income of £5,000 for Adur and £37,000 for Worthing in 2019/20 for these 5 year licences.

Income from civil penalty notice fines of £21,000 in Adur and £4,000 in Worthing, these have been issued as a result of a number of successful prosecutions against landlords under the Housing and Planning Act 2016.

There has also been an increase in income related to the Home Initiatives Assistance Scheme of £41,000 and £116,000 in Adur and Worthing respectively. Income is based upon size and number of grants approved, due to the scale of Better Care Fund (BCF) allocation, a discretionary Disabled Facilities Grant (DFG) policy is in place that has increased the size and number of grants.

Worthing has seen an increase in the need for public health burials and this coupled with the write off of old liabilities has seen an overspend of £39,000. In Adur there were unbudgeted receipts of £4,000. The Council has a statutory responsibility to provide public burials where the deceased has no funds and there are no relatives identified, they will then seek to recover the cost from the estate.

Worthing secured MHCLG grant funding for Housing Condition survey work which was not budgeted, £10,000.

4.11.4 Environmental Services - Parks and Foreshore

Adur was broadly on budget with some additional spend within repairs and maintenance. Income was marginally above budget. The net outturn position is an underspend of £9,000.

In Worthing there was an overall underspend. Rampion continued to utilise access at Brooklands Park for longer than originally planned and an additional compensation payment was made of £40,000. Income for beach hut rentals did not meet the budget as additional huts anticipated were not built, however additional licence fee income received offset this and the income budget was exceeded overall. There were some overspends against expenditure budgets including water, electricity and the cost of new water pipes at Chesswood Farm allotments. The net outturn position is an underspend against a budget of £86,000.

There were underspends in the Joint Service budgets against vehicles and supplies of £45,000 and supplies and services of £45,000. The service is currently undergoing a service redesign and this will have impacted on activity at the tail end of the financial year, any staff underspends have been factored into the vacancy provision.

4.11.5 Environmental Services - Waste and Cleansing

The rollout of alternate weekly collection saw an increase in requests for larger replacement bins, the associated unbudgeted purchase costs to meet this demand in 2019/20 was £20,000.

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 and the associated commission. Overall the net income is above budget by £12,000, this includes a quality payment of £32,000.

The income from WSCC for recycling credits was £199,000 below budget, this is due to a number of factors:

- lower recycle rates being paid,
- an increase in the contaminated waste deduction, and
- lower than anticipated tonnages collected of recyclable waste following the rollout to alternate weekly collection.

Fleet maintenance, repair and running costs exceeded the budget by £143,000 as the expenditure requirement did not reduce as was assumed in the budget, this was partly offset by an underspend in fuel costs of £20,000.

Staffing costs were higher than budgeted, the agency staff budget was not sufficient for the essential need to cover sickness and holiday periods. Additionally, there were two posts that were not factored into the restructure but found to be necessary for the service which has created a cost pressure in 2019/20. The outturn position for the Waste and Cleansing service was an overspend of £383,000 which is a deterioration on the position projected at quarter 3, the main cost variations being on vehicle costs and the income from WSCC.

4.11.6 Commercial Waste

The year end position for the trade waste service is a net shortfall in Adur of £11,000 and in Worthing of £28,000 for the year. Within this a large proportion is attributable to the tipping charges which are over budget by £45,000 and £34,000 respectively. The outturn varies slightly from what was predicted at quarter 3 when a shortfall was estimated for Adur of £21,000 and an overachievement of £12,000 in Worthing. The movement being the tipping charges which were higher than projected, and the unpredictability of the business.

4.11.7 Crematorium and Cemeteries

Adur cemeteries were on budget, income exceeded budget by £9,000 but there were some overspends within expenditure that offset, including the purchase of a shipping container for storage, health and safety equipment and asbestos clearing. This is in line with the quarter 3 projection.

Worthing has seen a drop in the number of burials compared to the same period last year and this has resulted in a £29,000 shortfall in income. The new section in Durrington is now active and it remains to be seen if it will attract interest. There were overspends in expenditure on staff, materials and equipment needed for grave digging and to improve the exhumation service. There was additional expenditure in 2019/20 related to the new

site including the visit by an ecologist to provide advice on the necessary ecological management going forward. Overall there was a net overspend of £43,000. The income is in line with the projection at quarter 3 however the overspends in costs were not assumed as some were incurred in the latter end of the year.

The crematorium service was also overspent overall by £159,000. This was a combination of a shortfall in income of £87,000 against cremations and £30,000 associated with tributes and some expenditure overspends. The service has a proportion of its cremations as delivery only and the margin on these is significantly lower than the full cremations, this is compounded by the fact that 60% of these are from the largest funeral director who pays the lowest fee, this has had an impact on the level of income. There is work being done in this area to improve the parity of direct cremation charges to all funeral directors with the aim to address this position. Overspends include costs relating to security. This is a deterioration on the estimated position reported at quarter 3 when income was assumed to be on budget.

Memorial income is below that budgeted by £57,000 due to a number of factors, there is limited capacity and the income budgeted for audio, visual tributes and webcasts were not as popular as anticipated. There were a number of technical issues with the older equipment and the quality of the output not as expected, coupled with this the maintenance supplier went into administration during the year. There has been a £30,000 investment in new equipment with an alternative supplier that has enabled virtual services during the current pandemic and will improve the service offer in 2020/21. There were some expenditure items that compensated, the net overspend position was £52,000. This is in line with the projection at quarter 3.

4.12 DIGITAL AND RESOURCES DIRECTORATE

4.12.1 Parking Services

Adur income has exceeded the budget by £66,000 with underspends in expenditure this has meant an overall net overachievement for 2019/20 of £75,000.

Worthing has a net budget shortfall overall of £219,000. This includes an underachievement in income of £160,000, £80,000 of which relates directly to the impact of the covid-19 Coronavirus. The effect of the pandemic on this service was felt significantly in Worthing, not so much in Adur, due to the type of car parks within each area and the nature of their use.

There were a number of other factors including the delay in the opening of the Teville Gate surface car park followed by lower demand than anticipated once operational, and the reduction of spaces available at the Grafton MSCP whilst necessary remedial and redecoration works took place during the year. There were some overspends in expenditure related to contract costs and repair and utility costs which are covered in section 4.15.1 of the report. Additionally, there was a rebate of £12,000 from NSL for overcharging that occurred in prior years.

4.12.2 Digital Strategy and Telephony

The Digital and Telephony service was overspent by a net £6,000, this is broken down as follows;

In Digital expenditure on maintenance, supplies and services was overspent by £136,000 which was largely offset by an underspend on staff costs of £100,000, although this saving has been factored into the vacancy provision. The main areas of variance were overspends related to the IAAS, Internet, council website, back up, citrix, GIS. There were some offsetting underspends associated with Microsoft, Census, UPS and Websense. The change to cloud based and remotely hosted systems has shifted more costs to revenue. The growth in the corporate use of the google suite has enabled the Councils to reduce the overall number of Microsoft licences which has created a saving.

Telephony and centralised equipment costs were both marginally under budget by £6,000 and £9,000 respectively.

The service level agreement with Worthing Theatres and Museum Trust for telephony and IT services generated income of was £15,000.

4.12.3 Revenues and Benefits

The overall net position within the service is net overspends of £209,000 in Adur and £189,000 in Worthing.

There was an underachievement against the overpayment and court costs recovery budgets in both Adur £105,000 and Worthing £291,000. This includes write-offs during the year of old uncollectable debts of £75,000 and £158,000 in the respective councils which account for this position.

The outturn position for Adur also includes the final settlement of termination costs associated with the cessation of the Census partnership which have now been agreed, a provision had been made in previous years for a proportion of this but the residual £68,000 has been funded in 2019/20.

There is grant income in both councils that offsets some of the service costs.

The budget shortfalls were not reported at quarter 3 as the write off levels were not known at that time and the cessation costs liability had not been agreed.

4.13 DIRECTOR FOR ECONOMY

4.13.1 Major Projects and Investment

The Major Project's team have actively been working on a number of development sites and investments across the areas, at the end of the year there is an underspend of £110,000 against the budget. A number of schemes have moved on from feasibility to being live projects and these costs have been capitalised as part of the capital programme. This is recommended for carry forward later in the report to support the continued delivery of major projects.

The investment in Commercial properties has exceeded the budget for both Authorities by £756,000 in Adur and £805,000 in Worthing. Both councils purchased commercial properties during 2019/20 which added to their existing portfolio and have increased the revenue income stream. There were one off acquisition costs associated with these purchases that were reported within the quarter 3 monitoring report that have subsequently been capitalised.

In addition, there is a budget for a contribution to reserves to fund future void rental periods and property improvements. 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 were expected to be lost in the medium term as part of development, there will be a reduction in income over the short term. 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. There is no call on this reserve in the current year so it is proposed to transfer the entire provision to reserves (Adur £100,000 and Worthing £150,000) at the year end. The potential ongoing loss of income has been included within the 2020/21 budget.

4.13.2 Culture

The operation of Worthing theatres and museums transferred to a trust from November 2019, as is necessary with the transfer of any business operation there was a full settlement exercise undertaken. As part of this winding up process there were a number of balance sheet accounts settled and closed which resulted in a draw down to revenue. There was also a programme of maintenance and repair work completed to ensure the facilities were in good condition pre transition so that the trust was in a position to offer its full programme of events without any interruption.

In addition, there was an agreed increase in the contract payment to the trust for 2019/20 of £50,000 to support the first 5 months operation following transition.

There were some offsetting savings elsewhere in the council, in particular support services and business rates, as a result of the transition. The overall net overspend, after these savings and excluding the repairs and maintenance which is reported in section 4.15.1, was £163,000. We were reporting a shortfall of £55,000 at quarter 3 but this did not take into account the final unwinding of the theatre accounts, the write-off of obsolete stocks, and the final settlement of accounts with creditors, consequently it was difficult to estimate at that point the overall end position.

Going forward there is more certainty of the annual cost to the council of this service as it is set out in the fee schedule of the agreed contract for the next five years.

4.13.3 Place and Economy

The outturn position within Place and Economy was a net underspend of £134,000 in Adur and £75,000 in Worthing.

In Adur the markets underachieved against the budget with a shortfall of £14,000, this was offset by income from outdoor events and underspends, particularly within the equipment and grants budgets elsewhere in the economic development and regeneration portfolio. Additionally depreciation charges were £88,000 lower than budgeted, this was not predicted at quarter 3 as the depreciation charges were not known at that time as they depend on the year end asset valuations.

Worthing includes the income from the Worthing Observation Wheel concession of £70,000 and outdoor events of £10,000. Other areas were on budget overall. This is comparable to the predicted position in quarter 3.

4.13.4 Planning and Development

Development Management saw planning fee income exceed the budget in Adur and Worthing by £31,000 and £12,000 respectively. In addition there were expenditure underspends in both councils, the net outturn position being underspends of £41,000 in Adur and £62,000 in Worthing. The outturn was below that predicted at quarter 3 but this assumed a number of large planning applications that were not received by the end of March.

Planning Policy budgets in both councils are underspent by Adur £16,000 and Worthing £15,000 due to the receipt of DCLG Custom Build Grant income that was not budgeted.

Land charge income underachieved against the budget with a shortfall of £36,000 in Adur and £32,000 in Worthing, this is what was broadly expected.

Building Control income in Adur was only marginally short of the budget but there were some overspends in costs, the net position is an overspend of £14,000. In Worthing there was a shortfall of income of £29,000 and this, together with some additional expenditure, meant a net overspend of £44,000 in the service. At quarter 3 it was predicted that the service would be on budget. As with other Service areas there was a drop in income at the end of the year due to Covid.

4.13.5 Leisure Contract

Worthing Borough Council received a £50,000 in year gain share payment from South Down Leisure Trust relating to 2018/19 performance. The contract with the trust sets out that when certain reserve levels are met the Council is entitled to 50% of any residual surplus for a service year. Overall Adur and Worthing had net underspends of £19,000 and £44,000 respectively.

4.14 CORPORATE

4.14.1 Business Rates

The table below shows a breakdown of the final position for business rate income to the General Fund:

	Adur		Worthing	
	Budget	Actual	Budget	Actual
	£000	£000	£000	£000
Income (fixed in January)	3,698	3,698	6,513	6,513
Less: Tariff payment	(1,652)	(1,652)	(3,707)	(3,707)
Net retained rates	2,046	2,046	2,806	2,806
Plus: s31 grants (from govt)	442	418	631	828
Less: share of deficit for 2018/19	(555)	(555)	(469)	(469)
Net income	1,932	1,909	2,968	3,165
Proposed use of business rates smoothing reserve	268	291	469	272
Total income from business rates	2,200	2,200	3,437	3,437

The precept income from the Collection Fund is set before the start of the financial year as part of the budget process and the tariff payment is fixed by the Government around the same time as part of settlement.

The section 31 grants are a reimbursement by Government for the income lost by local authorities for any reliefs or support given to local businesses under the business rate retention scheme.

Section 31 grants have been received in previous years relating to a number of tax changes that were announced as part of the annual Budget Statement that impacted on the income for that financial year but were made after the income to be taken from the Collection Fund was determined. The result is a timing difference between when the grant was received and accounted for and when the Council will fund actual loss of income to the Collection Fund.

To address this timing issue the additional business rate income was transferred to the Business Rate Smoothing Reserve to enable the

management of this volatility. In the 2019/20 budget it was proposed to draw down £267,374 and £468,772 from the Adur and Worthing reserves to compensate for the reduced business rate income in the year, the amount that was actually required to be transferred out of reserves is £291,426 and £271,659 respectively.

4.14.2 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. Therefore any reprofiling of the capital programme will result in an underspend in the MRP in the following financial year.

There are variances for both Adur and Worthing. For both Councils the MRP costs were lower than the budget due to re-profiling of the capital programmes: Adur had a favourable variance of £63k and Worthing had a favourable variance of £266k.

Investment returns were below budget for Adur: Adur General Fund underachieved its income budget by £58k, but the HRA exceeded its income budget by £39k. Worthing exceeded its income budget by £2k.

Both Councils took advantage of low PWLB rates to refinance planned repayments of debt at the most favourable time. In addition, for Worthing, officers have continued to make use of the low short term borrowing rates available from other local authorities, resulting in reduced costs from lower interest rates and reduced provision for repayment of debt, giving a net favourable variance after expenses of £91k. Most of Adur's borrowing is at long term fixed rates, so the Council does not benefit to the same degree from the current market rates. However, new long term borrowing at better than forecast rates resulted in a net favourable General Fund variance after expenses of £99k. There was a saving of £47k in interest costs for the HRA.

Worthing Borough Council generated additional net income of £48k from a new loan to GB Met College. Both Councils wrote down by £25k the value of their holdings in the Municipal Bonds Agency. Worthing also used £45k of its MRP underspend to advance £45k for an invest to save initiative.

Treasury Management (Under) / Overspends	Adur GF	Worthing
Minimum Revenue Provision	(63,100)	(266,300)
Interest on Borrowing and TM costs	(121,700)	(122,900)
Investment Income	57,700	(2,100)
Write down of Municipal Bond Funds	25,000	25,000
Invest to save		45,000
Additional net income from new loan to GB Met		(47,900)
Debt Management Expenses	23,200	31,900
Total	(78,900)	(337,300)

4.14.3 Corporate Inflation and Contingency

As mentioned earlier in the report at section 4.2 the Councils positioned themselves as part of the 2019/20 budget to contribute to reserves to strengthen their position to be able to manage uncertainty and risk. This was done through a number of initiatives including the creation of contingency budgets, the centralisation of inflation budgets, with the strategy being that any underspend is added to reserves.

At outturn there is an underspend against these budgets, within Adur this is £57,000, Worthing £289,000 and Joint Services £104,000. In addition there is the £300,000 underspend against the contingent budget for supported housing as reported in section 4.11.2 which, £90,000 in Adur and £210,000 in Worthing.

There were also grants received to support the work associated with both the exit from the European Union and transparency agenda that exceeded the budget, in Adur this amounted to £46,000 and in Worthing £26,000.

4.14.4 Business Development Fund

There is an underspend against the Business Development Fund budget in both councils at the year end of £67,000 and £56,000 respectively. The budget exists to support the development of the organisation and is important to enable initiatives to drive forward service improvement.

It is proposed that the underspend is carried forward to 2020/21 to fund ongoing commitments and new projects that are identified. Underspends were expected at quarter 3 when £47,000 and £76,000 were reported.

4.15 CROSS CUTTING

4.15.1 Maintenance

The total overspend against the Adur reactive maintenance and repair budgets is £30,000. There have been overspends against the budgets for Commerce Way, Shoreham Community Centre and public conveniences and this is partly due to the budgets being insufficient generally but there also being additional pressures. There have been underspends against other areas and the planned programme that offset this but some of the areas of expenditure to mention are;

- Works at Commerce Way associated with the depot rationalisation as part of the Gigabit Project. Remedial works were also required including emergency lighting, rewiring of CCTV;
- Public conveniences, there was an increase in the number of times the septic tank at Southwick Beach needed emptying and demolition of the building at Monks Farm following severe vandalism;
- There were issues identifying a water leak at Buckingham Park and the grounds maintenance building required extensive repair.
- The need for water main and standpipes and the entrance gates at Ham Field allotments.

Worthing's maintenance budget is also overspent overall by £180,000. As in Adur it has some budgets which are historically overspent and therefore insufficient, such as public conveniences, leisure facilities, theatres and the crematorium. During the year there was pressure on the reactive maintenance budget in a number of areas but some of the more significant works to highlight are:

- Expenditure on the theatres in preparation for the transfer to the trust. This included wall tie replacement, structural rigging works and access improvements (£40,000).
- Leisure Buildings (£170,000) - expenditure at Splashpoint has been incurred to replace glazing damaged by vandalism, Additionally works have been undertaken on cabling under the moving floor of the pool and a number of repairs relating to lighting, building management system which includes heating & ventilation and repairs to the pool filtration equipment . All of these repairs fall under the Councils 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 and external works.

- Crematorium (£20,000) - additional maintenance supplement for the cremators as the number of cremations exceeds 3,000.
- Public conveniences (£52,000) - necessary roofing repairs were required at Beach House Park and drainage replacement at Durrington cemetery toilets and new flooring required at Sea Lane.
- The service budget in Worthing has also contributed £23,000 to improvement works on Worthing seafront which further supports the experience in the town centre.
- Overspends on the Town Hall and Portland House were due to essential works of fire dampers, lighting repairs and the installation of hand dryers in the toilets.

There are underspends in the engineers reactive budget of £60,000, and underspends of £30,000 in the planned maintenance that partially offset the overspend in reactive costs.

To address the issue of insufficient maintenance budgets there has been growth built into the Adur and Worthing 2020/21 budgets of £25,000 and £50,000 respectively. It will be monitored and reviewed to ascertain if this is an appropriate increase going into the 2021/22 budget preparation round.

The position has improved from what was projected at quarter 3 due to some underspends against the planned programme and reduced spend in the latter months of the financial year.

4.15.2 Facilities Management

Energy - Costs are higher than budget overall with electricity costs being the area of pressure rather than gas, Adur has an overspend of £18,000, Worthing £19,000 whereas Joint Services has a small underspend of £6,000. Energy prices have increased and this is reflected in the new council contracts that commenced in October 2019. The decision to opt for renewable energy sources for electricity is a factor in the higher prices although consumption prices are now set for two years, the gas contract is for one year to see how the renewable market develops.

Water - A change in contractor for water supplies has seen an unplanned increase in cost pressure in the year as the charging basis has changed from arrears to in advance. This has resulted in changeover adjustments hitting 2019/20 and has contributed to the overspends in expenditure against budget at outturn, In Adur £32,000, Worthing £76,000 and Joint Services £14,000. There were overspends expected and reported at quarter 3 but the outturn is higher than the projections in Adur and Worthing of £20,000 and £37,000.

In Adur there was a water leak in Buckingham Park, this has been repaired but the council is not eligible for a rebate due to the time that elapsed since the leak began. The delay in identification was due to the fact that the leak was deep underground and not surface visible. The council are now taking regular monthly readings to monitor any usual usage.

In Worthing the costs include unbudgeted expenditure for water supply to the Splash Pad and Rockswater fountain in Marine Parade. The budgets have been adjusted for in 2020/21.

4.15.3 Vacancy Provision

The Councils had a total vacancy saving target of £758,530 for 2019/20, this was not achieved with a 14.5% shortfall of £110,000. There were a number of demands on services in the year which meant savings targets could not be met including, Elections, Bereavement Services and Waste and Cleansing.

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

5.1 Adur Homes is held within a ring fenced Housing Revenue Account, which is shown in Appendix 4. Overall the HRA shows an overspend against its budget of £14,380, this is a significantly different from the £420,000 underspend projected in quarter 3, The movement is due to higher maintenance and repair costs and an increase in the bad debt provision than predicted, There were some expenditure items that were projected as being funded from capital that have actually been charged to revenue because of the projects they relate to. Details of the significant variances are detailed in appendix 5(c).

5.2 The HRA Reserve stood at £1.013m at 31st March 2020.

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.1 Recommended Carry Forwards of Unspent Budget

Any unspent funds are placed into reserves at the year end. Budgets in respect of the items in appendix 6 remain unspent at 31st March 2020 and are required to complete existing initiatives in 2020/21.

The focus for carry forward proposals this year is on existing commitments or essential items rather than bids for new initiatives. This is to build capacity in the reserves to protect the Councils' interests for the next two years. It is recommended that these amounts are carried forward to 2020/21 and funded from the respective Capacity Issues Reserves. The Committee may wish to consider how these items contribute to the Councils' priorities when approving the carry forwards.

The items detailed in appendix 6 are recommended for carry forward for the Joint Committee, Adur District Council and Worthing Borough Council.

6.2 Movements and Use of Reserves

As part of the 2019/20 final accounts process, officers have identified amounts that are recommended for transfer to reserves for specific purposes or planned as part of the budget process, as detailed below.

In 2019/20, both authorities drew down on reserves to fund other costs. A detailed breakdown of the reserve positions is included in **Appendix 2b** for Adur and **Appendix 3b** for Worthing.

Adur District Council:

Adur District Council transfers to General Fund Earmarked Reserves 2019/20		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none">• Increase in Grants Carried Forward	73,941	
<ul style="list-style-type: none">• Budgeted contribution to Property Investment Risk Reserve	100,000	
<ul style="list-style-type: none">• Self-insurance charges and proposed contributions	30,701	
<ul style="list-style-type: none">• Business Rate Smoothing Reserve	(291,426)	(86,784)
Contribution to reserves from general underspend:		
<ul style="list-style-type: none">• Carry Forward requests to Capacity Issues Reserve (see appendix 6)	80,700	
<ul style="list-style-type: none">• General Fund underspend transferred to General Fund Reserve (working balance)	1,078,399	1,159,099
Total recommended net contributions to Reserves		1,072,315

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will increase to £1.597m which, at nearly 22% of net expenditure of £7.399m, is well above the range of 6%-10% normally set by the Council. However this is a deliberate move in the light of the significant financial risks that the Covid 19 pandemic presents to the Council's overall finances.

In addition the Council would retain earmarked revenue reserves of £0.770m (excluding the revenue grants reserve), a decrease of £0.279m over 31st March, 2019. The full listing of earmarked reserves is attached at **Appendix 2b**.

Worthing Borough Council:

Worthing Borough Council net transfers to General Fund Earmarked Reserves 2019/20		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none">• Increase in Grants Carried Forward	63,864	
<ul style="list-style-type: none">• Net withdrawal from Theatres Maintenance Reserve	(61,753)	
<ul style="list-style-type: none">• Budgeted contribution to Property Investment Risk Reserve	150,000	
<ul style="list-style-type: none">• Self-insurance charges and proposed contributions	30,700	
<ul style="list-style-type: none">• Business Rate Smoothing Reserve	(271,659)	(88,848)
Contribution to reserves from general underspend:		
<ul style="list-style-type: none">• Carry Forward requests to Capacity Issues Reserve (see appendix 6)	157,500	
<ul style="list-style-type: none">• General Fund underspend transferred to General Fund Reserve (working balance)	836,834	994,334
Total recommended net contributions to Reserves		905,486

If all the proposals in the above table are adopted, Worthing Borough Council will increase its General Fund Working Balance to £1.705m which, at nearly 14% of net expenditure of £12.56m, is above the range of 6%-8% normally set by the Council. However this is a deliberate move in the light of the significant financial risks that the Covid 19 pandemic presents to the Council's overall finances.

In addition the Council would retain earmarked revenue reserves of £2.720m (excluding revenue grants reserve), a decrease of £0.494m over 31st March, 2019. The full listing of earmarked reserves is attached at **Appendix 3b**.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2019/20 AND DEBT POSITION

MRP Requirement for 2019/20

7.1 The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 require the Councils to make a prudent provision within the accounts for repayment of debt. This provision is called the Minimum Revenue Provision (MRP) and is charged to revenue expenditure.

7.2 The Councils' MRP policy was approved by the Joint Strategic Committee at its meeting of 2nd June 2016 and was recommended for approval by Worthing Council at its meeting on 19th July 2016 and by Adur Council at its meeting on 21st July 2016. It was agreed that: firstly for any debt associated with unfunded capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

This does not apply to Worthing Borough Council which had no debt as at 1st April 2008. Secondly, for both Councils' non-HRA capital expenditure which forms part of the Capital Financing Requirement (the CFR), (excluding loans to RSLs), after 1st April 2008, the MRP will be calculated as the annual amount required to repay the CFR using the Annuity Method over the life of the assets acquired. The option remains to use additional revenue contributions or capital receipts to repay debt earlier. Where a building is being constructed, the MRP will be set aside once the building has been completed. The CFR is a prescribed calculation which is used to measure the Councils' underlying need to borrow to finance all capital expenditure.

7.3 The MRP policy will ensure that, by the time debts are due to be repaid, sufficient funds will have been set aside.

7.4 As MRP is applied in the year after that in which capital expenditure is funded from borrowing, the MRP for 2019/20 relates to unfunded expenditure incurred up to and including 31st March, 2019. Voluntary MRP may be set aside, which can be offset in future years.

7.5 By applying the approved methodologies, described in paragraph 7.2, the following MRP determinations have been provided for in the 2019/20 accounts:

- For Adur District Council General Fund: £1,341,306. Voluntary MRP of £50,000 was set aside for the General Fund. No Voluntary MRP was set aside for the HRA.
- For Worthing Borough Council: £1,206,805. Voluntary MRP of £250,000 was also set aside.

Debt Position at 31 March 2020

- 7.6 In recognition of the introduction of the HRA Self-Financing regime, the Councils' joint treasury management policy also includes a requirement to account separately for General Fund and HRA debt in accordance with the "two pool approach" recommended by CIPFA within the Treasury Management Code of Practice. This approach apportioned historic debt at 31 March 2012 between the HRA and General Fund in accordance with the Code guidance, and requires new borrowing from 1 April 2012 onwards to be attributed to either the General Fund or HRA according to the purpose for which it is obtained.
- 7.7 For Adur Council the separation of General Fund and HRA debt facilitates a comparison with the corresponding underlying need to borrow (the Capital Financing Requirement) i.e. capital expenditure not financed from internal resources. The purpose of the comparison is to enable General Fund and HRA treasury management decisions to be taken independently of each other, and in an equitable and transparent manner.
- 7.8 Accordingly, there follows a comparison of the respective debt outturn positions compared to the CFR for each Council, albeit that as Worthing does not have an HRA it therefore does not operate a two pool approach.

CFR v Debt Position at 31 March 2020	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Actual Long Term Debt 01/04/19	57,998,577	58,168,459	116,167,036	65,250,046
New Long Term Debt Raised in year	47,350,000	2,000,000	49,350,000	68,940,000
Long Term Debt Repaid in Year	(4,321,137)	(1,716,167)	(6,037,304)	(8,119,486)
Actual Long Term Debt 31/03/20	101,027,440	58,452,292	159,479,732	126,070,560

CFR v Long Term Debt Position at 31 March 2020	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Capital Financing Requirement (CFR)	106,723,670	60,293,961	167,017,631	129,139,940
(Over) / Under Borrowing	5,696,230	1,841,669	7,537,899	3,069,380

7.9 In addition to the amounts reported in the table above, both Adur and Worthing also held temporary borrowing of £2m each at 31st March 2020, which matured on 27th April 2020. Adur also held the Parish Precept of £322,200 on behalf of Lancing Parish Council.

7.10 For Adur Council the General Fund is under-borrowed based on long term borrowing by approximately £5.696m. The HRA is under-borrowed by £1.842m because, in the light of the cost of borrowing compared to the income from investments, we are opting to finance some of the capital expenditure through the use of internal resources. This position largely reflects the opening position at 1st April 2012 arising from the application of the two pool split, where-in the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR, so that any under or over borrowing at that time was fully attributed to the General Fund. The General Fund took out new long term borrowing to fund property purchases, the capital programme and the refinancing of maturing debt.

7.11 Worthing is under-borrowed by £3.069m based on long term borrowing, which reflects the cumulative impact over a number of years of consistently using internal borrowing and short term borrowing as a cheaper source of funding capital investment. This has been a prudent measure in the climate of historically low interest rates to reduce the “cost of carry” (i.e. the difference between the interest charged on new borrowing compared to the interest foregone on cash balances used to fund capital expenditure that would otherwise have been invested). New long term loans amounting to nearly £69m have been taken out in 2019-20, to fund property purchases, the capital programme and the refinancing of maturing debt.

8.0 ENGAGEMENT AND COMMUNICATION

8.1 The Corporate Leadership Team, Heads of Service and budget managers have all collaborated on the content of this report providing explanation and narrative on the outturn variances.

9.0 FINANCIAL IMPLICATIONS

9.1 There are no further financial implications. The report sets out the final outturn position with both Adur and Worthing presenting underspends against budget.

10.0 LEGAL IMPLICATIONS

10.1 Local authorities have a statutory duty under section 28 of 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. Section 151 of the Local Government Act 1972 requires the Councils to make arrangements for the proper administration of their financial affairs.

11.0 CONCLUSION

11.1 The overall underspends for Worthing and Adur are most welcome at this time to help the Councils manage the challenging financial climate which they are currently grappling with. However, the nature of many of the underspends does not indicate an improved outlook for the revenue budget going forward, and pressures very much remain.

11.2 The Councils have had a difficult year with reduced funding and cost pressures to manage, but they have successfully addressed some significant issues. The underspends in 2019/20 have given the Councils the opportunity to contribute to reserves, which is welcome at a time when local government faces ongoing financial pressures, including the added impact already being felt as a direct result of the covid-19 crisis on expenditure and income streams.

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


2019/20 FINAL REVENUE OUTTURN JOINT SUMMARY

 ADUR & WORTHING COUNCILS	ORIGINAL ESTIMATE 2019/20	CURRENT ESTIMATE 2019/20	OUTTURN 2019/20	(UNDER)/ OVERSPEND 2019/20
	£	£	£	£
Chief Executive	500,910	500,910	509,463	8,553
Director for Communities	7,360,430	6,996,130	7,375,563	379,433
Director for Digital & Resources	11,581,650	12,057,940	12,065,010	7,070
Director for the Economy	3,575,670	3,575,670	3,702,210	126,540
TOTAL SERVICES	23,018,660	23,130,650	23,652,246	521,595
ALLOCATION OF COSTS				
Recharged to Capital	(986,000)	(986,000)	(985,880)	120
Recharged to other joint services				-
	22,032,660	22,144,650	22,666,366	521,715
Adur District Council	(8,885,380)	(8,963,370)	(9,139,461)	(176,090)
Worthing Borough Council	(13,147,280)	(13,181,280)	(13,526,905)	(345,625)
TOTAL SERVICE BLOCK ALLOCATIONS	(22,032,660)	(22,144,650)	(22,666,366)	(521,715)

 ADUR DISTRICT COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2019/20	CURRENT ESTIMATE 2019/20	OUTTURN 2019/20	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	624,800	627,800	677,922	48,399	113,381	(111,658)
<i>CM for Environment</i>	2,272,600	2,309,370	2,474,696	14,792	(47,440)	197,974
<i>CM for Health & Wellbeing</i>	1,269,140	1,281,140	1,218,545	(474)	(50,163)	(11,959)
<i>CM for Customer Services</i>	1,507,950	1,464,950	1,442,175	(10)	35,034	(57,798)
<i>CM for Regeneration</i>	1,765,060	1,831,010	1,803,786	(89,082)	35,043	26,815
<i>CM for Resources</i>	1,111,680	956,900	795,344	147,190	393,845	(702,591)
<i>Holding Accounts</i>	249,790	280,130	0	(104,799)	(479,700)	304,368
TOTAL CABINET MEMBER	8,801,020	8,751,300	8,412,468	16,017	-	(354,848)
<i>Credit Back Depreciation</i>	(1,385,100)	(1,385,100)	(1,401,117)	(16,017)		(0)
<i>Minimum Revenue Provision</i>	1,242,940	1,454,380	1,391,306			(63,074)
<i>Additional Non Ring Fenced Grants</i>	-	-	(525,336)			(525,336)
<i>Financial Instrument Adjustment</i>	-	-				-
	8,658,860	8,820,580	7,877,322	-		(943,258)
Transfer to/from reserves:						
<i>Inter Company Virements</i>	-	-	-			-
<i>Transfer from reserves to fund specific expenditure</i>	-	(161,720)	(477,561)			(315,841)
<i>General Fund Working Balance</i>	-	-	-			-
<i>Capacity Issue Reserve</i>	-	-	-			-
Net Underspend Transferred to Reserves			1,259,099			1,259,099
Total Budget requirement before External Support from Government	8,658,860	8,658,860	8,658,860	-		0

 ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2019/20	Estimated Transfers Out 2019/20	Estimated Transfers In 2019/20	Projected Closing Balance 2019/20
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets Funding for waste savings proposals (4 Dec 2018 JSC/066/18-19) Adur carry forwards from 2018/19 underspends , agreed Joint Strategic Committee 9th July, 2019 Budgeted contribution (to)/from revenue Transfer to reserve from underspend to fund carry forwards Balance	425,749	(43,200) (125,804)	- 80,700	337,445
Insurance Fund	152,893	(30,250)	30,701	153,344
Business Rates Smoothing Reserve	402,161	(291,426)		110,735
Grants and Contributions held in Reserves	562,570	(22,193)	96,134	636,511
Election Reserve	7,880	-	-	7,880
Special and Other Emergency Reserve	60,254	-	-	60,254
Property Investment Risk Reserve	-	-	100,000	100,000
General Fund Reserve	518,773	-	1,078,399	1,597,172
TOTALS	2,130,280	(512,873)	1,385,934	3,003,341

 WORTHING BOROUGH COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2019/20	CURRENT ESTIMATE 2019/20	OUTTURN 2019/20	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	802,300	802,300	770,406	(1,770)	(2,762)	(27,361)
<i>CM for Digital and the Environment</i>	2,991,380	3,137,250	3,736,134	13,635	214,973	370,275
<i>CM for Health & Wellbeing</i>	1,729,230	1,746,290	1,739,403	(750)	(35,543)	29,407
<i>CM for Customer Services</i>	5,172,460	5,231,960	5,406,394	(30,170)	(103,558)	308,162
<i>CM for Regeneration</i>	1,907,660	2,115,350	2,885,345	465,710	163,458	140,827
<i>CM for Resources</i>	2,232,160	1,905,490	859,966	85,530	378,789	(1,509,843)
<i>Holding Accounts</i>	513,690	605,980	-	(117,694)	(615,356)	127,070
TOTAL CABINET MEMBER	15,348,880	15,544,620	15,397,648	414,491	-	(561,463)
<i>Credit Back Depreciation</i>	(3,224,030)	(3,224,030)	(3,638,521)	(414,491)		(0)
<i>Minimum Revenue Provision</i>	1,492,910	1,723,070	1,456,805			(266,265)
<i>Additional Non Ring Fenced Grants</i>	-	-	(395,355)			(395,355)
	13,617,760	14,043,660	12,820,576	-		(1,223,084)
Transfer to/from reserves:						
<i>Inter Company Virements</i>	-	-	-			-
<i>Transfer from reserves to fund specific expenditure</i>	86,250	(339,650)	(260,900)			78,750
<i>General Fund Working balance</i>	-	-	-			-
<i>Capacity Issue Reserve</i>	-	-	-			-
Net Underspend Transferred to Reserves			1,144,334			1,144,334
Total Budget requirement before External Support from Government	13,704,010	13,704,010	13,704,010	-		0

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2019/20	Estimated Transfers Out 2019/20	Estimated Transfers In 2019/20	Projected Closing Balance 2019/20
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets Preliminary costs of Theatre Trust bid (10 July 2018 JSC/026/18-19) Funding for savings proposals (4 Dec 2018 JSC/066/18-19) Worthing carry forwards from 2018/19 underspends, agreed Joint Strategic Committee 9th July, 2019 Budgeted contribution (to)/from revenue Transfer to reserve from underspend to fund carry forwards Balance	1,643,480	(348,680)	157,500	1,361,700
Insurance Reserve	273,678	(56,691)	30,700	247,687
Joint Health Promotion Reserve	3,353	(1,869)		1,484
Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	37,205	(9,439)		27,766
Museum reserve - 12/09/17 JSC/037/17-18 release of funds to support grant bid	97,702		8,694	106,396
Theatres Capital Maintenance Reserve	170,486	(69,000)	7,247	108,733
Special and Other Emergency Reserve	3,053			3,053
Business Rates Smoothing Reserve	905,174	(271,659)		633,515
Property Investment Risk Reserve	50,000		150,000	200,000
Grants & Contributions *	741,784	(100,838)	164,702	805,648
Capital Expenditure Reserve	29,658			29,658
General Fund Working Balance	868,625		836,834	1,705,459
TOTAL	4,824,198	(948,776)	1,355,677	5,231,099

HOUSING REVENUE ACCOUNT SUMMARY

Appendix 4

	ORIGINAL BUDGET	CURRENT BUDGET	ACTUALS	VARIANCE
	£	£	£	£
EXPENDITURE				
General Management	4,217,600	4,207,350	4,151,790	(55,560)
Special Services	258,040	665,450	589,541	(75,909)
Rent, Rates, Taxes & Other Charges	31,690	31,690	54,149	22,459
Repairs & Maintenance	2,999,030	2,601,870	3,004,020	402,150
Bad/Doubtful Debt	50,000	50,000	107,992	57,992
Capital Financing Costs				
Depreciation and Revenue Contribution to Capital	4,021,300	4,021,300	4,038,870	17,570
Interest charges	2,289,860	2,289,860	2,243,181	(46,679)
TOTAL EXPENDITURE	13,867,520	13,867,520	14,189,543	322,023
INCOME				
Dwelling Rents	(11,826,460)	(11,826,460)	(11,990,851)	(164,391)
Non-Dwelling Rents	(581,430)	(581,430)	(579,421)	2,009
Heating and Other Service Charges	(482,330)	(482,330)	(522,194)	(39,864)
Leaseholder's Service Charges	(224,350)	(224,350)	(291,201)	(66,851)
Interest Received	(28,000)	(28,000)	(66,546)	(38,546)
TOTAL INCOME	(13,142,570)	(13,142,570)	(13,450,213)	(307,643)
(TO)/FROM HRA GENERAL RESERVE	724,950	724,950	739,330	14,380

Outurn 2019/20

The main variations to budget for this report, are detailed below:

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Chief Executive				
Communcations	(19)	-	-	Additional income - provision of Communications services to other outside bodies and interal projects.
	(19)	-	-	
Director of Communities				
Env Health - Housing	-	(69)	(140)	ADUR & WORTHING: Houses in Mulitple Occupation (HMO) - additional income due to change in regulations making more properties eligible for licensing; Civil Penalty Notices (CPN) from successful prosecution of landlords under the Housing and Planning Act 2016; Home Improvement Assistance (HIA) fees based upon size and number of grants approved. Due to the scale of Better Care Fund (BCF) allocation, a discretionary Disabled Facilities Grant (DFG) policy is in place that has increased the size and number of grants. High turnaround of applications. ADUR: Community Alarm/Mobile Response underspend against budget mainly from equipment, WORTHING: Public Health Funerals - Increasing demand which also includes the write off prior year liabilities Housing Condition Survey funding from MHCLG secured for survey.
Housing Needs	-	(160)	(256)	ADUR: Slight decrease in demand for temporary accommodation in Adur per night averages (45 cases Apr'19, 43 in Mar'20) combined with the Housing team's success in sourcing lower cost units, this includes the Opening Doors scheme which is helping to reduce the caseload. This is offset by an increase in Temporary Accommodation Private Sector Leased (PSL) voids and rent charge v rents to landlords costs. WORTHING: Temporary Accommodation B&B - Continuing increased demand for temporary accommodation per night averages (115 in Apr'19, 133 cases Mar'20) has been offset by sourcing lower cost units from the success of the Opening Doors scheme which is reducing the oldest caseload. In addition there is an underspend of the Homelessness Initiatives budget.
Supported Housing	-	(90)	(210)	Corporate budget set aside for Supported Housing. not required in 2019/20 as a cross county wide working group has set-up to recommission the supported housing programme to meet this challenge and the budget was not required
Housing Needs Grant	-	(24)	(47)	MHCLG grant received in respect of New Burdens associated with the introduction of the Homelessness Reduction Act.
Community Wellbeing	-	(10)	(33)	ADUR: Underachievement of rental income from Eastbrook Manor. WORTHING: Community grant costs below budget
Licensing	-	(14)	(8)	ADUR: Underachiement of net licensing income. WORTHING: Underachement of gambling licensing income
Public Health & Regulation	(18)	-	-	JOINT: Additional income received offset by an overspend on supplies and services
Democratic Services	-	(4)	(20)	Slight underspend on Member and Mayoral Allowance budgets
Parks & Foreshore	(90)	(9)	(86)	JOINT: underspend on vehicle costs £45k plus a saving in grounds maintenance supplies & services as currently going through a service redesign, WORTHING; Compensation payment received from Rampion £40k plus an increase in rental income receipts from Beach Huts and other parks sites

Outturn 2019/20

The main variations to budget for this report, are detailed below:

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Environmental Services (Waste)	383	-	-	JOINT: Overspend mainly due to changes to the agreed Refuse & Recycling alternate week collection scheme; an additional HMO round was required (additional 2x staff and vehicle) plus some flats were required to continue a weekly collection with an increased demand for larger bins £143k. In addition, WSCC changed mechanism in the way they made payments towards the Recycling scheme after the budget had been set, this plus an increase in contaminated waste and lower tonnages has resulted in reduced income of £199k. The new scheme also had an impact on the garden sack scheme and resulted in a net overspend
Commercial Waste	(17)	11	28	JOINT: underspend on vehicle costs, ADUR&WORTHING; Net overspend mainly due to tipping charges
Bereavement Services (Cemeteries)	-	-	43	Shortfall of Cemetery Income £28k plus a net overspend on expenditure £15k. There was additional expenditure in 2019/20 related to the new site including the visit by an ecologist to provide advice and the necessary ecological management going forward.
Bereavement Services (Crematorium)	-	-	159	Income under achieved due to increasing number of direct cremations £87k and lower income from Tributes £30k, Memorialisation income is also underachieving its set target by £52k partly due to new plots required for extending the memorial garden
	258	(369)	(570)	
Director of Digital and Resources				
Elections		(42)	-	ADUR: There were no scheduled elections or by-elections in 2019-20 in Adur
Parking Services	-	(75)	219	ADUR; Overachievement of income against parking budget WORTHING; Underachievement of income against parking budget £160k, £80k due to COVID 19. Grafton MSCP repairs, a delay in the Teville Gate site being opened and an overestimation of usage from this site, plus an overspend on services contract costs for RINGO, Parkeon, AIB and Flowbird £99k all contributed to this overspend. This is partially offset by additional rental income £15k and a rebate from NSL for prior years overcharge £12k
Digital & ICT	136	-	-	A number of legacy technologies overdue for replacement, required reinstatement of support and maintenance agreements to ensure continuity of service, incurring unforecasted spend. Slower than anticipated progress on IaaS in the previous year also had an impact on being able to decommission legacy infrastructure, meaning there were some dual running costs incurred. At the same time, new initiatives such as IaaS started to go into service, so spending increased in these areas. The Digital Strategy and Digital Services Cost Centres overlap in some areas such as IaaS, so budgets were managed across both cost centres. Some technologies needed complete relicensing such as Citrix (at end of support life) which exceeded their specific budget allocation for basic maintenance. £143k Offset by an underspend in the centralised ICT equipment budget £16k
Revenue & Benefits		209	189	ADUR: There is a shortfall of income from, court costs £46k overpayments mainly from write-offs £59k and subsidy income £84k in addition to increased costs from the termination costs following on from the cessation of Census 68k (after allowed provision), less Grant funding £68k WORTHING: Shortfall in overpayments income against budget, which includes Write-offs £149k, underachievement of Court cost income £142k offset by Grant funding £102k
Legal Services	(15)	-	-	Additional income from increased work for the Housing Revenue Account

Outurn 2019/20

The main variations to budget for this report, are detailed below:

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Business & Facilities	(17)	-	(12)	JOINT: Technical services centralised equipment underspend £17k WORTHING: decrease in number of Town Hall Weddings £12k
Admin Buildings	26	-	-	JOINT: Cleaning costs higher than budgeted
Finance	52	51	49	JOINT: FMS system crossover of costs from old & new system £26k plus New FMS system training costs £13k, Cash Office underbudgeted card processing fees £13k ADUR: Shift in Capital Allocations £245k less duplicated Insurance budget £194k WORTHING: Pension Strain costs more than budgeted £45k
HR Corporate Costs	18			Childcard voucher costs from prior years
Finance:Treasury		(79)	(337)	ADUR: Net Interest from new Investments £146k, MRP £63k, plus write down of Municipal bond £25k WORTHING: Extra Interest from new Investments £108k, MRP £262k, less £25k Municipal Bonds & deferral of repayment for Theatres cinema projector £45k
	200	64	108	
Director of the Economy				
Major Projects and Investment (Estates)		(756)	(805)	Net income from New investments and core the estate Net of Interest included under Treasury
Head of Culture (Theatres)	-	-	163	Impact of Theatres becoming a Trust, net cost from the services before Trust status along with underestimated accruals at point of go live and increased contract sum to support their fest 5 months of operation.
Place and Economy (Economic Development)		(134)	(75)	ADUR: Lower spend and additional income from events WORTHING: Additional income from Worthing Observation Wheel contract
Planning and Development (Building)		14	44	WORTHING: Underachievement of income
Planning and Development (Development Control)		(41)	(62)	ADUR: Overachievement of income WORTHING: Overachievement of income and underspend costs
Planning and Development (Planning Policy)		(16)	(15)	Custom Build Government Grant
Planning and Development (Land Charges)		36	32	Shortfall in income
Leisure	-	(19)	(44)	Gain share from South Down Leisure Trust 2018/19 performance.
	0	(916)	(762)	

Outurn 2019/20

The main variations to budget for this report, are detailed below:

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Cross Cutting services				
Maintenance	79	(4)	133	JOINT: Increased cost of maintaining our corporate buildings, Commerce Way £33k Town Hall & Portland House £46k WORTHING: Cremator maintenance costs £39k Worthing Leisure building maintenance mainly relating to Splashpoint £140k, Theatres increased works prior to becoming a Trust £38k, Public Conveniences £49k offset by an underspend in Parks £81k over various other areas
Vacancy Provision	95	-	16	JOINT: Overall the vacancy provision had a shortfall WBC - Crematorium additional staff
Corporate Budgets	(104)	(103)	(315)	Corporate Inflation from pay and services has been held centrally, with any underspend being used to help strengthen the councils reserves. ADUR & WORTHING: Grants received for EU Exit & Transparency
Water	14	32	76	A change in contractor for water supplies has seen an unplanned increase in cost pressure in the year as the charging basis has changed from arrears to in advance. This has resulted in changeover adjustments hitting 2019/20 and has contributed to the overspends in expenditure
Energy Costs	(6)	18	19	Costs are higher than budget overall with electricity costs being the area of pressure rather than gas
Other	5	(76)	(37)	
Underspends requested for Carry Forward		(81)	(158)	ADUR & WORTHING: Business Development Fund (ADC £67 WBC £48) to be carried forward to 20/21, Money set aside for Major Projects to be carried forward to fund future Major Project spend £110k. Adur Community Grants late approval of remaining budget allocation requests for carry forward
	83	(214)	(266)	
Allocation of Joint Variance		176	346	Share of joint services allocated 40:60 to Councils
Total Variance	522	(1,259)	(1,144)	

Outurn 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	Description of Significant Variations
Director of Communities				
Env Health - Housing	-	(69)	(55)	ADUR & WORTHING: Home Improvement Assistance (HIA) - Fees Income is based upon size and number of grants approved. Due to the scale of Better Care Fund (BCF) allocation, a discretionary Disabled Facilities Grant (DFG) policy has been introduced that has increased the size and number of grants. An ongoing review has also improved turnaround.
Housing Needs			(103)	Sourcing of more affordable units and the success of the opening doors scheme has reduced costs in latter part of the year.
Environmental Services - Waste & Cleaving	140			The projected overspend increased as the ongoing impact of the revised Refuse and Recycling scheme's decisions post approval played out. There was an additional HMO round required and a continued weekly service for some flats within the authorities.
Parks & Foreshore	(90)		(86)	Savings due to the Parks service going through a service redesign.
Bereavment Services			134	Due to the increasing number of direct cremations, this is impacting on the Crematorium income as the switch from inhouse service to delivery only has had a large impact. Income from memorials has continued to decline.
Director of Digital and Resources				
Parking Services			165	The majority of the swing since quarter 3 has been the impact of COVID 19 on the parking budgets, plus some additional costs from service contracts.
Digital & ICT	136			A number of legacy technologies overdue for replacement, required reinstatement of support and maintenance agreements to ensure continuity of service, incurring unforecasted spend.
Revenue & Benefits		209	189	Court costs and Overpayments income continues to decline and there write-offs in quarter 4. Adur variance includes the final settlement costs associated with the Census termination which exceeded the provision.

Outurn 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	Description of Significant Variations
Finance	52	51	49	JOINT; Costs arising from the implementation of the new finance system, including training costs. ADUR; reduction the allocation of Surveyors and Engineers costs to capital. WORTHING; Pension strain costs higher than budget.
Director of the Economy				
Major Projects and Investment (Estates)		59 (221)	135 (393)	Projected income from property investments less than originally projected Costs in connection with property purchases in year have now been capitalised.
Head of Culture (Theatres)			108	Final costs related to the transition of the service to WTM trust.
Place and Economy		(95)		ADUR: Increased income from Markets and Bus Shelter Advertising above projection.
Cross Cutting services				
Maintenance	79	(84)	(207)	JOINT: increased corporate maintenance costs were included in the Adur & Worthing Q3 forecast. ADUR & WORTHING: maintenance projections lower than forecast.
Vacancy Provision	95			Shortfall in meeting target provision not projected.
Corporate Budgets		(103)	(211)	Pay & inflation budgets set aside to increase reserves and plus grants received.
Other		(93)	(17)	Includes underspends on budgets to be carried forward to 2020/21 - Business Development Funds and Major Projects.

	(Under)/ Over Spends £'000
<u>Variations in Income and Running Costs:</u>	
Rental & Service Charge income - additional income due to 53rd week in 19/20.	(251)
Rental & Service Charge void loss - additional loss due to 53rd week and Ashcroft decant	36
Service charge income from leaseholders	(71)
Staff vacancies - Repairs & Maintenance and Tenancy Support	(99)
Repairs & Maintenance - over spend on responsive and void works	364
Repairs & Maintenance - saving on planned maintenance contracts	(62)
Legal costs in respect of contractual dispute	111
Council Tax - increase due to extended void periods due to Ashcroft decant	21
Utilities - Sheltered properties	13
Transfer Incentive Scheme budget not fully spent	(22)
RTB sales - income retained for administration costs - unbudgeted	(16)
Provision for Bad Debts - increase in provision due to increased total arrears and associated increase in % BDP rates as debts age.	58
Insurance premiums on premises	13
Internal recharge allocations	(6)
Other	(7)
TOTAL VARIATION IN RUNNING COSTS:	82
<u>Variations in Treasury Management and Capital Costs:</u>	
Interest payable - under spend due to reduced borrowing costs	(47)
Depreciation - reduction due to change in asset valuation methodology	17
Interest receivable - reduction due to higher level of reserves than anticipated	(39)
TOTAL VARIATION IN TREASURY MANAGEMENT AND CAPITAL COSTS:	(69)
TOTAL VARIATION:	13

Appendix 6

Proposed Carry Forward of Unspent Budgets within Adur District Council	
Wellbeing: WHAT worker post funding approved Executive Member for Health & Wellbeing on 9 March 2020.	£ 14,000
Digital: Business Development Fund – Projects to take forward business transformation initiatives.	66,700
Total carry forward proposals for Adur District Council	80,700

Appendix 6

Proposed Carry Forward of Unspent Budgets within Worthing Borough Council	
Economy: Committed to take forward initiatives set out in 'Platform for Our Places – Priority One Prosperous Places'	£ 110,000
Digital: Business Development Fund – Projects to take forward business transformation initiatives.	47,500
Total carry forward proposals for Worthing Borough Council	157,500