



ADUR & WORTHING  
COUNCILS

Key Decision [~~Yes~~/No]

Ward(s) Affected: All

**Impact of Covid 19 on the Council's finances - Update on current financial performance and developing a revenue budget for 2021/22**

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

**Executive Summary**

**1. Purpose**

1.1 The purpose of this report is twofold:

- To update members on the impact of the pandemic on the Council's budgets in the current financial year; and
- To brief members on the possible impact on future years of the issues identified and to propose a budget strategy for the development of the 2021/22 budgets.

As such this is a very different report than those presented in past years, one which considers current events and identifies how these may influence future financial years.

1.2 Whilst the Councils are long accustomed to budgeting in periods of uncertainty, 2020/21 is an unprecedented year. At present we have no clear idea of how long the pandemic will continue to affect our communities and our economy. The fairer funding review has now been deferred for a year, but the councils do not know what will replace it for 2021/22; homelessness is on the rise, but forecasting this trend forward remains difficult; and inevitably the difficult economic climate will influence a number of budget lines, from Council Tax revenues to income for services such as trade waste.

1.4 Both Councils now are forecasting significant financial impacts for 2020/21 as a direct result of the pandemic:

- Adur - £381,350 (£500,000 relates to leisure provision)
- Worthing - £1,534,650 (£1,051,900 relates to car parks)

Whilst this report is not a full budget monitoring report, the key financial pressures identified and the implications for the future are discussed in detail below in section 3 of the report. There will inevitably be some underspends identified in the detailed budget monitoring which will improve this position.

1.5 The Council has had a clear strategy for facing the challenges of rapidly changing local government finance. It is now important to build on this strategy to meet the new and emerging challenges.

1.6 Now more than ever, careful financial management is required to ensure that we manage both the in-year pressures and the implications for the future, whilst driving forward with Platforms for Our Places to help regenerate and renew our places. Our strategy will need to include managed and prudent increases in council tax, and a clear focus on driving efficiency and productivity.

1.7 This report aims to set out how the Councils will address the immediate challenges of the Covid 19 emergency and the changing financial climate over the next 10 years, outlining the revenue forecast and setting out our strategic response to the challenges ahead. With the detailed budget proposals for 2021/22 coming forward to the Joint Strategic Committee in December, this report sets out the broader context for the detailed work that will be undertaken over the intervening months.

1.7 As set out in the following pages, the Councils will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our Councils have a good track record in innovation, working creatively in partnership, transforming our digital capabilities and putting the customer at the heart of our services, so that we have capacity to continue to deliver our aspirations for our Places.

1.8 Our strategy, 'Platforms for our Places: Going further' was approved by the Councils in February 2020, sets out how we can play an even greater role in helping to shape the future of our places. The 5 'Platforms' that provide the direction for all our work are:

- Prosperous places
- Thriving people and communities
- Tackling climate change and supporting our local environment
- Good Services and new solutions
- Leadership of our Places

Elsewhere on the agenda, the report titled 'And Then' updates members on how the emergency has shaped the delivery of these priorities.

- 1.9 Work has been underway for some time to address the financial challenge in 2021/22 and beyond. This will continue over the summer and autumn, and the Operational Leaders Group (Heads of Service) will be working with the Councils Leadership Team to produce new service plans designed to deliver a balanced budget over the next 3 years. The outcome of the service planning process will be presented to the Joint Strategic Committee for approval in December 2020 as part of the development of the 2021/22 budget.

## **2. Recommendations**

2.1 The Joint Strategic Committee is recommended to:

- (a) Note the impact of the current emergency on the 2020/21 budget and the actions taken to mitigate the pressures identified;
- (b) Note the report and the outline 5-year forecasts in Appendix 3;
- (c) Approve the proposed budget process as set out in section 6 of the report;
- (d) Approve a budget of £125,000 to deliver a disposal programme for the two Councils funded from the capital receipts generated utilising the capital flexibility regulations;
- (e) **Recommend** to the Councils to approve the Budget Strategy for 2021/22 outlined in Section 9 of the report.

2.2 The Joint Overview and Scrutiny Committee is asked to note the content of the report.

## **3. Current position in 2020/21**

### **3.1 Summary**

3.1.1 The impact of the Covid 19 outbreak is putting the councils under significant financial pressure and as members are aware the Councils do not have substantial reserves with which to mitigate this risk. It is currently estimated that the Council will have the following reserves available to manage the shortfalls emerging:

	Adur	Worthing
Summary of available reserves:	£	£
Working balance	518,773	868,625
Earmarked reserves	610,778	2,251,714
Unallocated 2019/20 underspend	1,065,300	785,500
Estimated balance as at 1/4/2020	<u>2,194,851</u>	<u>3,905,839</u>

3.1.2 The main factors that sit behind this financial position are detailed below but unless the council manages its budgets effectively over the forthcoming financial year, there is a possibility that the reserves will fall to a critically low levels. The current level of government support is not enough to cover our losses in the first three months, and currently it is estimated that without further government support we will use an average of £110,800 of reserves per week (Adur £28,200 , Worthing £82,600) over the next three months (July - September). At this pace of use, our reserves would become largely exhausted towards the end of this financial year - although this is very much a worse case scenario and not our current planning assumption.

3.1.3 Overall both Councils will experience significant budget shortfalls in 2020/21 net of known government support of at least:

- Adur - £381,000 (£500,000 relates to the provision of leisure)
- Worthing - £1,535,000 (£1.1m relates to car parks)

This is based on our current understanding of the funding available to Local Councils and on an assumption that the current level of restrictions will be in place for at least three months with a gradual easing over the following three months. There is dialogue with MHCLG on the current risks to all Councils, however in the short term our current assumption is that the support will be limited to the funding that has been already announced.

The main issues that the Councils are currently facing can be summarised as follows:

Financial pressures in 2020/21	Adur £	Worthing £	Total £
<b>Income reductions</b>			
Car parking	233,270	1,051,880	1,285,150
Trade waste	20,850	67,940	88,790
Other income losses	100,750	227,180	327,930
<b>Cost impacts</b>			
Homelessness	11,100	500,000	511,100
Leisure	500,000	561,030	1,061,030
Emergency costs	73,780	108,520	182,300
Pay rise	81,000	117,000	198,000
Additional staffing costs	27,000	48,000	75,000
<b>Total costs</b>	<b>1,047,750</b>	<b>2,681,550</b>	<b>3,729,300</b>
<b>Government funding</b>	<b>-666,400</b>	<b>-1,146,900</b>	<b>-1,813,300</b>
<b>Net costs</b>	<b>381,350</b>	<b>1,534,650</b>	<b>1,916,000</b>

However, the situation remains very fluid, and so the position will inevitably change over the coming months as new cost pressures emerge (or dissipate); our understanding of the recovery improves; or the duration of the current emergency is shorter or longer than expected.

## 3.2 Expected impact on income

3.2.1 We already know that the Councils will see a deterioration in commercial income across a large number of budget headings - From car parks to sports, we have seen a sudden decline in the income received. The extent of the loss remains difficult to quantify at this point in time due to the uncertain nature of the duration and severity of the current measures. The most significant commercial impacts are detailed below. These have been updated for the latest information :

- Car Parks

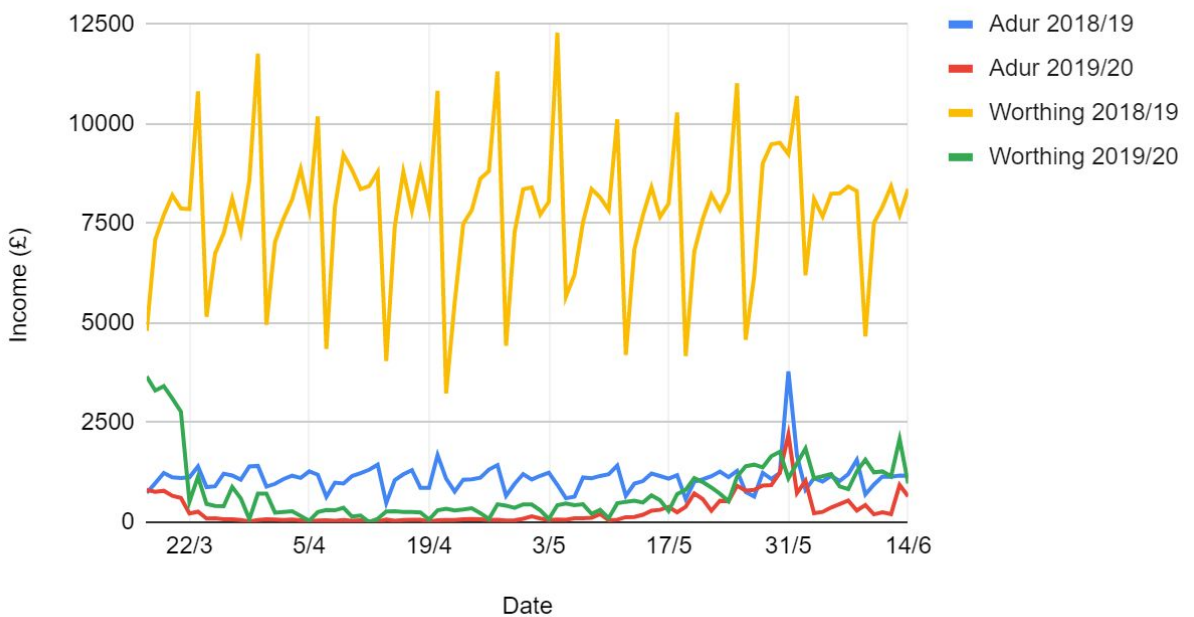
Car parking has reduced dramatically. In the last two weeks of March, income had fallen by an average of 80.6% for Worthing and 72% for Adur. This trend has continued, with income now at an average of 8.14% for Worthing and 25.86% for Adur of the 2019/20 levels. This is probably the

most immediate and significant impact to our overall position, particularly for Worthing, as both Councils benefit from substantial income from this source (Adur £0.5m Worthing £2.9m per year). Now that the restrictions are being lifted it is likely that it will take some time for the income to recover, particularly if the restrictions are gradually eased to help manage the impacts on the health service.

In addition to the above, we had intended to introduce a new town centre worker deal which was expected to generate a £90,000 income for Worthing. However, this fee restructuring has now been delayed and is unlikely to be implemented this year.

Currently Worthing Borough Council is losing an average of £47,800 per week and will face a shortfall of £1.1m over the next 12 months based on an assumption that the use of the car parks will gradually improve over the next three months as restrictions continue to ease. Clearly the longer the restrictions last, the more income the Council will lose. The significance for Adur is less but nevertheless £7,800 per week.

### Car Parking income



- Trade Waste

The number of accounts has declined. To date the service has lost 240 customers, with an approximate weekly value of £8,310. (Adur £2,010 / Worthing £6,300). There will be cost reductions to match the lost income and at this stage it is estimated that the net impact per week will be £4,450. This

would be equivalent to an annual loss of £89k assuming that 75% of our customers return. The maximum net loss if none of the customers return would be £173,400, although the service is in regular contact with our customers to regain the lost accounts as businesses reopen, however due to the impact of the emergency measures on the business community, it is expected that not all businesses will reopen.

- **Commercial property**

The Council continues to receive requests for assistance from some tenants, although the main strategic purchases are not a cause for concern at this stage as a significant proportion of the rent has been received for these properties (100% Worthing, Adur 85%). This is being monitored carefully by our Estates team.

The main issues emerging are from smaller tenants in the historic estate. The current strategy is to consider offering monthly payment terms or deferred payment options.

However, there may be a few tenants who may need a greater level of support (e.g community and third sector, eg local sports clubs or businesses who are not eligible for various business support packages from central government). This is being considered on a case by case basis.

Fortunately we have put into place a budget to manage void risks on the Strategic Property Investment Fund (Adur £200,000, Worthing £250,000) so these will be used to manage any cost impacts this year. This will be closely monitored by colleagues across the organisation.

However, there may be longer term implications for future rental streams and it is anticipated that rental growth and future prospects may be impacted as a result of this outbreak particularly in the retail sector where we expect a deterioration in income levels for the foreseeable future.

### **3.3 Emerging costs:**

3.3.1 In parallel to the loss of income from a number of Council Services, the Council is likely to see an increase in costs from the following areas:

1. **Impact of proposed pay rise:**

The current pay offer from the employers is 2.75%. The Council's budget allows for 2%. This will add £198,000 cost pressure in the current year and £201,000 in 2021/22.

2. **Increase costs of staffing due to the impact of self isolation on front line services such as waste collection:**

Currently there are a significant number of operatives who are in a shielded group within Waste Services and consequently unable to work. It is estimated that cover for these roles will cost £75,000 for the period of the 12 weeks.

3. **Impact of Covid 19 on the financial position of Leisure Trusts:**

Both Leisure Trusts are under significant financial pressure as a result of the closure of the facilities. However, the extent to which the Councils will need to support the Trusts will depend on several factors which are difficult to establish at the moment. These include:

- i. The extent of shut down of leisure facilities. Currently, they expect to be closed for a period of 3 months, but this could be extended significantly.
- ii. The nature of any social distancing measures when they reopen. If the Trusts have to implement extensive measures, the use of facilities and associated income will decline and they will require greater support.
- iii. The longer term impact of both the economic downturn and any behavioural changes resulting from the pandemic on the future income of the Trusts.

To help the Councils better understand both the short and longer term effects of the emergency on the Leisure Trusts, a Leisure consultant has been commissioned by the Director for the Economy to provide a detailed analysis of the current position and to advise on the likely impact for the future. However, even a 5% downturn in income will result in the need to increase the Council's contribution to the Trusts by upwards of £200k per year.

The work of the consultants to date have identified that the Trust within Adur may require additional support of at least £0.5m in 2020/21, whilst within Worthing the impact is likely to be closer to £0.6m.



The report elsewhere on the agenda considers in details the financial position of the Adur leisure provider.

#### 4. **Housing Need**

Over the last few months Worthing Borough Council has seen a significant increase in the number of homeless families, caseload is currently 50% higher than normal and this is likely to be sustained for most of the year as the current restriction on evictions by landlords comes to an end in June.

To date the Council has only been notified of very marginal funding for homeless issues and currently expect to receive funding of £11,250 for this work (Adur £1,500 Worthing £9,750).

However, within the Council's existing budgets, we have allowed for some contingency funding which will partially offset the increased costs in 2020/21. Looking ahead to 2021/22, unless accommodation can be sourced for those residents made homeless by the current emergency, Worthing Borough Council will face additional costs in the region of £0.5m.

#### 5. **Emergency spend**

As part of the emergency, the council has had to fund a number of initiatives to support the local community and to ensure that the Council could continue to work effectively during this period. These are essentially one-off items and include:

##### a. Food Depot

The Council set up a Food Depot to support local food banks and vulnerable groups who are not catered for by WSCC and the NHS and has now closed this provision during June. The Council has incurred both transport and supply costs as part of this initiative. This is currently being established but preliminary estimates would indicate a cost of between £1k - £2k per week.

##### b. Additional digital tools and equipment

To enable staff and members to work safely from home the Council had to invest in a number of new software products including Zoom which is used for Council meetings. In addition, the Council has acquired a number of additional laptops and associated equipment to enable staff to work from home.

c. Revenues and benefits

The Revenues and Benefits service has two separate challenges:

- Due to the government support to both the business community and the residents, new business rate and council tax bills need to be produced reflecting the new reliefs.
- The service is experiencing an increase in applications for Council Tax Support and Housing Benefit.

To address the increase (and the need to process effectively) additional temporary members of staff have been employed at an estimated cost of £55,900.

d. Crematorium

The Council has purchased grave shoring equipment so that graves can be pre prepared at a cost of £20,500. With the extension to the operating hours, the service will incur overtime payments although it is currently expected that we will be able to recoup these via the charges paid for the service. Further work regarding the position of the crematorium will be undertaken over the next months.

### 3.4 Update of Government Funding

3.4.1 The Government has announced a number of funding streams to address the various issues arising from the current emergency which are detailed in Appendix 1 to this report. Many of the funding streams can only be used for one purpose, however overall they represent a substantial level of support to the local community.

	Adur £'000	Worthing £'000	Total £'000
Business Support Grants	17,600,000	26,100,000	43,700,000
Hardship Funding	453,180	709,580	1,162,760
Homelessness support	1,500	9,750	11,250
Reopening High Streets Safely	56,760	98,170	154,930
Total specific funding received	<u>18,111,440</u>	<u>26,917,500</u>	<u>45,028,940</u>
Emergency Funding			
Tranche 1	31,120	47,420	78,540
Tranche 2	635,280	1,099,480	1,734,760
Total general support received	<u>666,400</u>	<u>1,146,900</u>	<u>1,813,300</u>

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**Total funding received**

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**18,777,840 28,064,400 46,842,240**

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3.4.2 Nevertheless, the level of general funding available to the Councils remains insufficient to address the cost pressures emerging from the emergency.

### 3.5 **Strategy to manage the financial position for 2020/21:**

3.5.1 Given the severity of the financial position, CLT have already approved a number of measures to support the 2020/21 budget position. These include:

- No carry forward of unspent 2019/20 budget - Carry forwards only to be submitted to members for approval, if agreed by the Chief Executive. All unspent budget in 2019/20 is to be used to support the 2020/21 budget.
- Suspension of all non-essential recruitment. All recruitment activity is to be approved by a Director and, if at all possible, posts should not be filled until such time as the Councils are on a more secure financial footing.
- All discretionary spend is to be deferred where this does not undermine the recovery effort including:
  - any non-essential planned maintenance works; or
  - projects that are not contractually committed to, externally funded, or are an invest to save initiative.
- Continue to lobby MHCLG for additional funding both in the current financial year and for future years.

The duration of any of these measures depends on the length of the current crisis, the extent of the actual cost impacts over the coming months, and whether any additional funding is forthcoming from the government. Consequently they should be viewed as interim measures to manage current risks and to give time for a strategic review of emerging priorities. These can be eased back once the Councils have a firmer understanding of the cost impacts and funding levels.

## 4. **2021/22 and beyond**

4.1 Both Councils have successfully managed to maintain a balanced budget over recent years despite the considerable financial challenges presented by the withdrawal of Government funding. Council Tax increases have been kept to a minimum, with the Councils choosing to freeze or reduce the Council tax when possible.

- 4.2 However, the financial pressure continues with the current emergency presenting the Councils with new challenges. Revenue support grant has already disappeared; the conditions attached to New Homes Bonus will mean that this will reduce as a resource in the future and is being phased out from 2020/21 onwards; and the Councils expect a reduction in the level of retained business rates when the business rate system is eventually reset. Local Government funding has changed considerably since 2010, and the pace of change is set to continue with the proposed changes to the business rates system and the new distribution of needs-based funding.
- 4.3 Members are being asked to consider the budget strategy at an early point in the year to enable the Councils to plan ahead. There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met.

#### 4.4 **Long term impacts of the Covid 19 emergency**

It is now becoming clear that some of the issues identified in 2020/21 will have an impact on the next financial year. Whilst it is too early to be certain about the full long term implications of the current emergency, there are a number of pressures already identified which will impact on the following financial years, particularly on the development of the 2021/22 budget and which the Councils should prepare themselves to address.

However, the Government has announced a delay to the fairer funding review which will help mitigate the impact in 2021/22 which is discussed more fully below. Core to the assessment of the impact of the delay, is an assumption that the New Homes Bonus will be phased out as originally expected.

Overall, the following changes have been identified as a result of the pandemic:

<b>Adur District Council</b>	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Impact of salary increase	82	84	86	88
Impact of delay to fairer funding review				
Retention of housing grants	-94			
Retention of business rates	-256			
Additional support for leisure provision (tbc)	200	200	200	200
Reduction in commercial income	76	76	76	76
Reduced income from Council Tax due to an increase in Council Tax support	71	72	73	74
<b>Impact of Covid 19 pandemic</b>	<b>79</b>	<b>432</b>	<b>435</b>	<b>438</b>
<b>Worthing Borough Council</b>	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Impact of salary increase	119	121	123	125
Impact of delay to fairer funding review				
Retention of housing grants	-152			
Retention of business rates	-170			
Contingency for other Covid 19 cost pressures	300	300	300	300
Reduction in commercial income	280	280	280	280
Reduced income from Council Tax due to an increase in Council Tax support	76	78	80	82
Increase in homelessness (tbc)	500	500	500	500
<b>Major projects:</b>				
Reduction in commercial rental income in Montegue Street (had expected to lose rental income in 24/25)	142	142	142	
<b>Impact of Covid 19 pandemic</b>	<b>1,095</b>	<b>1,421</b>	<b>1,425</b>	<b>1,287</b>

In addition to the issues identified in section 3 above, the main financial impacts arising from the Covid 19 emergency which are expected to impact the medium term are:

- **Council Tax Support Claimants**  
As a result of the economic downturn, the number of Council Tax Support claimants is beginning to increase. Overall an increase of 10% has been allowed within the estimates. The increase in the number of Council Tax

claimants will result in a fall in Council Tax income to the collection fund both in the current financial year and in 2021/22. The resulting deficit from 2020/21 will have to be funded as part of the 2021/22 budget. We will not have a clear idea of the impact of any increase to claimant numbers until late Summer, however there is currently an increase of approximately 4% in working age claimants.

- Commercial Income

The Councils are experiencing a sharp decline in Commercial Income at the moment. Some of the services offered are targeted at the business community or depend on the strength of the local offer in the Town Centres. Some local businesses may not survive the current Covid 19 shutdown, and so the income to services such as the car park and waste may take time to recover beyond the 3 months assumed within the forecast. The Council may have to deal with a legacy into 2021/22 and for the purposes of planning, we are assuming a 10% reduction in car parking fees and a 25% reduction in the income from cancelled commercial accounts.

- Commercial Property

The current economic slowdown will inevitably have an impact on the Councils property portfolio. There are two separate issues which will need to be addressed:

- a) The value of our property portfolio will decline, and it may have a value lower than the associated debt in the short to medium term.
- b) The economic slowdown may impact on future rental yields when these are renegotiated.

Within the retail part of the portfolio, a number of businesses have already become bankrupt and surrendered their leases on Montague Street, and some of the remaining retail properties will be seeking lower rental as part of the renewal of leases. Whilst Worthing was expecting to lose this income when the site was eventually redeveloped in 2024/25, this will add additional pressure into the earlier years. Given the timescales on the redevelopment, it is unlikely that the vacant units will be relet.

## **4.5 Funding from taxation**

### **4.5.1 National context and external factors**

Since 2010, the Councils have seen a considerable reduction in the level of funding from the Government. For 2020/21, there was a 1 year settlement with a full Comprehensive Spending Review planned for this financial year.

The Chancellor's Budget on the 11th March launched the Comprehensive Spending Review 2020 (CSR), setting out the overall level of public spending within which the CSR would be delivered. The CSR was due to conclude in July and would set out detailed spending plans for public services and investment, covering resource budgets for three years from 2021-22 to 2023-24 and capital budgets up to 2024-25.

However this was subsequently delayed on the 24th March due to the emerging crisis and the timescales for this review are now very uncertain.

### **4.5.2 Reform of Local Government Finance**

In parallel to the CSR, the Councils were also expecting some fundamental changes to the distribution of Local Government funding. There are two elements to this reform:

- The Fair Funding Review which considers how business rates and any government funding would be distributed across the Country in future.
- The review of the business rate retention scheme.

However, this review is now delayed until next year at the earliest. The Government remains committed to reform, however they have delayed the current review in the light of the uncertainties caused by the Covid 19 emergency.

4.5.3 The Councils will have a clearer picture of the likely changes for 2021/22 later in the year. However in the absence of both the CSR and the fairer funding review, changes to the current funding regime are likely to be marginal for 2021/22 to give local authorities time to address the pressures emerging from the pandemic.

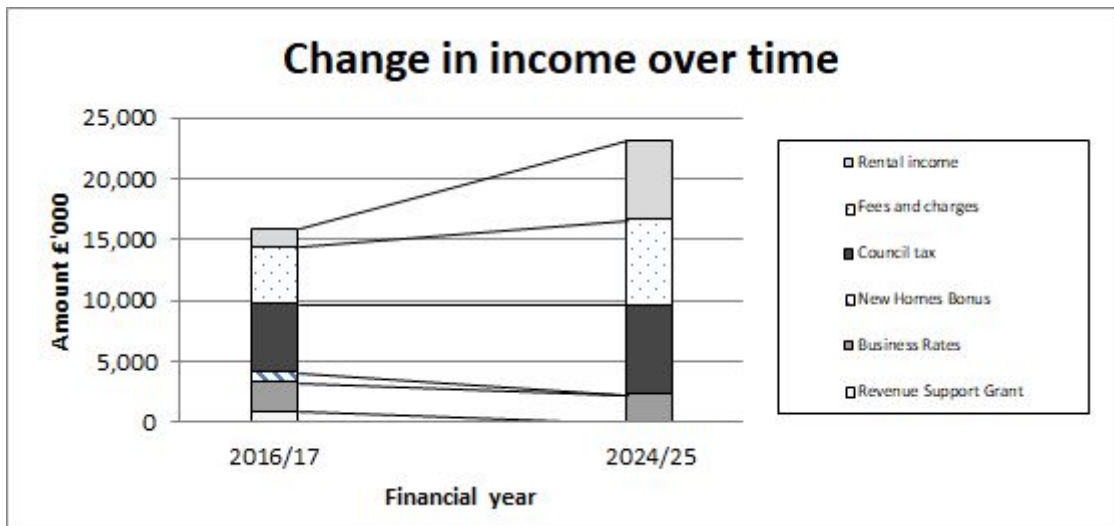
4.5.4 However as part of the Budget 2020, the Government have announced a fundamental review of the business rate system. In the light of this, the business rate revaluation planned for 2021 has been deferred. The government continues to work on the fundamental review of business rates, with the key aims of reducing the overall burden on businesses, improving the current business rates system, and they are considering more fundamental changes in the medium-to-long term. The call for evidence for the review will be published in the coming months.

#### 4.5.5 The changes to how the Councils are funded:

4.5.5.1 The Councils receive three distinct funding streams from taxation which are discussed more fully later in the report:

- Business Rates;
- New Homes Bonus; and
- Council Tax

Revenue Support Grant (RSG) has ceased to be a funding source for the Councils and the underlying make-up of funding to the Councils continues to change rapidly with increasing proportions coming from fees and charges, rental income, Council Tax and the Business Rate Retention Scheme. New Homes Bonus has been substantially reduced and is being phased out.



(Using Adur as an example) -

These changes to local government funding have influenced how the Councils view both the building of new homes and the creation of new employment space. The Councils are taking an increasingly proactive role in stimulating the local economy through the Platforms for Our Places strategy, whether this is through the provision of office space to attract high quality employers or through working with business to facilitate the development of sites within the areas to stimulate the economy.

#### 4.5.6 Income from Business Rates

Under the current business rate retention scheme, District and Borough Councils are entitled to retain a 40% share of the business rate income raised locally. However the system is complex, with the share retained being reduced by a series of nationally determined adjustments (the Tariff and the levy).



Ultimately the Scheme allows councils to keep a small element (20%) of any growth in business rate income over a retained 'baseline' amount. The forecasting of overall business rate income is again difficult this year due to two factors which are discussed in more detail below:

- i) The continuing impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential further reform of the business rate system and the impact of the fairer funding review.

The forecasts contained within the report are based on the current business rate system but with the assumption that there will be a 50% loss of surplus Business Rate income from 2022/23 onwards, however this is dependent on the progress of the CSR and the Fairer Funding Review (FFR). This is an improvement on previous forecasts which had assumed that the Councils would receive less business rate income in 2021/22 due to the implementation of the FFR.

There are three aspects of this scheme which will ultimately influence the amount of business rate income retained locally and also the Councils' budgets in the medium term:

#### **1. The 'Tariff':**

Whilst the Councils are entitled to retain 40% of all business rate income, they are then obliged to pay over a substantial element of these retained business rates to the Government via an adjustment known as the Tariff. The 'Tariff' is due to be reset as part of the fairer funding review as the assumption for budgeting purposes is that this will increase by inflation for 2021/22. However the scale and timing of any adjustment to the tariff beyond 2021/22 is difficult to quantify at the moment due to the uncertainties around the fairer funding review.

#### **2. Target income from Business Rates (Baseline funding):**

Every year the Councils are set a target by the Government of how much business rates to collect. If this target is exceeded, the Council can keep 20% of the extra income in addition to the baseline funding amount. If there is a shortfall, then the Councils will have to make up 40% of the difference, although the maximum loss of income is limited to 7.5% of baseline funding.

The Councils have developed a five year model for business rate income which underpins the medium term financial plan. This includes the impact of larger developments currently being built, known changes to the

rateable values and any new charitable reliefs being awarded. A summary of the expected additional business rates is detailed below:

<b>Adur</b>	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Baseline funding	1,767	1,802	1,838	1,875	1,913	1,951
Retained surplus rates	314	560	336	342	345	353
Total business rate income kept locally	2,081	2,362	2,174	2,217	2,258	2,304
Net business rate income collected	18,551	18,296	18,659	19,019	19,377	19,779
Percentage retained locally	11.22%	12.91%	11.65%	11.66%	11.65%	11.65%

<b>Worthing</b>	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Baseline funding	2,693	2,747	2,802	2,858	2,915	2,973
Retained surplus rates	649	481	343	347	350	359
Total business rate income kept locally	3,342	3,228	3,145	3,205	3,265	3,332
Net business rate income collected	32,507	31,516	32,145	32,766	33,383	34,075
Percentage retained locally	10.28%	10.24%	9.78%	9.78%	9.78%	9.78%

Members should be aware that there is significant volatility around aspects of the system, such as appeals, which make it difficult to forecast income with accuracy. For 2020/21, both Councils have been affected by two national issues:

- ATM's in shops had previously been rateable. Due to a national challenge, these are no longer liable for rates reducing the income to both Councils.
- Purpose built doctors surgeries are being revalued downwards with a loss of about 1/3rd in value.

One of the features of this system is that the Councils determine how much Business Rate income that they are entitled to from the Collection Fund at the outset of the new financial year. Once set, this total cannot be changed irrespective of any changes to the net business rate income

within the year. Any surplus or deficit, due to changes in the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated.

It is intended to refine the forecast of the business rate income over the coming months and to project forward the impact of new developments where planning permission has been granted but building has not yet started. There are a number of developments in progress which will ultimately benefit the business rate income for both Councils. These include:

- The Parcelforce site in Adur – Expected completion date is September 2020.
- New Monks Farm site in Adur – A planning application has been approved. The proposal includes a new IKEA store which is likely to be constructed over the next 2 – 3 years and will potentially benefit Adur from 2022.
- Free Wharf, Western Harbour Arm in Adur includes new commercial floorspace and is likely to start later in the year and be completed by 2021
- Union Place in Worthing – The development will take 3 – 4 years to complete once planning permission has been granted.
- Teville Gate in Worthing – A planning application is expected by the end of the year. The development will take 3 – 4 years to complete once planning permission has been granted.

Clearly, if the business rate income improves in 2020/21, then the increase could be used to support the budget in 2021/22. An update to the likely surplus or deficit will be undertaken later in the year.

#### 4.5.7 New Homes Bonus

The Coalition Government introduced the New Homes Bonus (NHB) in 2011/12 which was specifically targeted at rewarding increases in the number of homes included in the Council Tax base, dealing with empty properties, and increasing the supply of affordable homes.

This scheme is now being phased out, with the New Homes Bonus generated in 2020/21 being paid for one year only (Adur £76,610 and Worthing £437,380). Given the transitional nature of the 2020/21 funding, the NHB awarded for 2020/21 was not used to balance the budget. Instead this grant has been set aside to fund projects arising from 'Platforms for our Places - Going Further (2020-2022)' which is released in consultation with the Leader of the Council.

New Homes Bonus	2020/21	2021/22	2022/23	2023/24 and beyond
	£'000	£'000	£'000	£'000
Adur	11	10	10	0
Worthing	524	290	68	0

#### 4.5.8 Council Tax

Council Tax is now the Councils' major source of general income from taxation. By 2021/22 it will be over 75% of the total general income received by Adur District Council and 72% of the income received by Worthing Borough Council. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

The Councils have kept to a minimum increases over the past several years, opting to freeze or reduce Council Tax where possible whilst government support for such initiatives was available.

The Councils are well aware of the long term consequences of these decisions. Looking ahead the decision whether or not to increase Council Tax will have inevitable consequences for the Councils.

Clearly the loss of income will have an impact on the budget shortfall which would add to the level of savings required for the future.

However, the decision whether to freeze Council Tax is a finely balanced one. The Councils have a policy of keeping Council Tax low and the cost of freezing council tax in any particular year is fairly low, but the cumulative impact is more significant. Therefore the Councils are faced with the dilemma of increasing Council Tax or finding additional savings to support a Council Tax freeze. This is particularly pertinent in the next two years when the Councils have to find savings of over £4.3m.

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2.00% or £5.00 per Band D property. At this time we do not know the referendum limit for the 2021/22 Council Tax increase. The Consumer Price Index (CPI) is currently falling and was at 0.8% in April 2020. Consequently for the purposes of planning it is assumed that the limit will be retained at 2%. A 2% increase would be equivalent to £6.11 per Band D property in Adur and £4.85 per Band D property in Worthing per year.

So, even if the Councils were minded to increase Council Tax, there is an imposed limit on the actual increase that the Councils can make. Members should be aware that a 1% change in Council Tax is equivalent to £64,020 in Adur and £95,630 in Worthing for 2021/22.

The current outline forecasts assume that the Councils will set the following increases over the next 5 years:

2021/22	2022/23	2023/24	2024/25	2025/26
2.0%	2.0%	2.0%	2.0%	2.0%

#### 4.6. Other budget pressures in the next 5 years

4.6.1 In addition to the pressures identified above, the Councils have a number of key financial issues that need to be addressed over the coming 5 years. Most of these were highlighted in the revenue budget report presented to Members earlier this year, and arise not from increasing service levels or delivering new services, but simply from maintaining current services. The most significant of these impacts are detailed below:

##### 4.6.2 ***Pay and Prices***

4.6.2.1 The largest source of immediate cost pressure in any given year comes from inflation. General inflation is currently at 0.8% (CPI) which is below the target 2% set by the Bank of England.

4.6.2.2 In addition to general inflation, the Council will need to allow for any pay award for 2021/22. Given that the award proposed for 2020/21 is currently 2.75%, for the purposes of the budget, the Council is assuming that pay inflation would be in line or marginally higher than general inflation at 2%.

4.6.2.3 The following pay and price inflation allowances have been built into the 5-year forecast which reflects the forecast provided by the Bank of England:

	2021/22	2022/23	2023/24	2024/25	2025/26
	%	%	%	%	%
Pay*	2	2	2	2	2
Supplies and Services	1	2	2	2	2
Income	2	2	2	2	2

\* An additional allowance for increments has been included in each of the budgets as follows:

<b>Adur</b>	<b>Worthing</b>	<b>Joint Strategic Committee</b>
£'000 10	£'000 15	£'000 230

Increment costs vary year on year due to the impact of re-gradings and recruitment. This is reassessed annually.

Overall net pay and price inflation is expected to add to the 2021/22 base budget over the next 5 years as follows:

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Adur*	353	651	947	1,235	1,528
Worthing*	468	920	1,371	1,812	2,262
<b>Note:</b>					
Joint Services * (included above)	881	1,584	2,283	2,966	3,663

Income is assumed to increase by 2.0% in 2021/22 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation for 2021/22 at this early point in the year. A 1% difference in the inflation assumptions is equivalent to:

	<b>Adur</b>	<b>Worthing</b>	<b>Joint</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Pay	6	8	249
Supplies and Services	23	110	12
Income	-33	-96	-24
<b>Total</b>	-4	22	237
<b>Share of joint inflation</b>	95	142	-137
<b>OVERALL TOTAL</b>	91	164	-

#### 4.6.3 **Impact of the Capital Programme**

The General Fund capital programmes are currently funded through a combination of prudential borrowing and capital receipts supplemented by specific grants and contributions. The five year forecast assumes a programme of £1.5m per year for Adur District Council and £2.5m for Worthing Borough Council. This reflects concerns about affordability in the medium term balanced with the need to invest to maintain the Councils asset stock as identified within by the condition surveys.

The recent downturn in interest rates combined with more realistic project profiling has reduced down the cost of the capital programme over the next few years.

In addition, within the capital strategy, Adur District Council has allocated £5.6m in 2021/22 and £5.6m in 2022/23 to the Housing Investment Programme for general maintenance of the Adur Homes stock which is reflected in the 30 year investment business plan.

Each £1m of borrowing is estimated to cost £10,000 in the first year and £78,000 the year after, although the cost is dependent on the prevailing rate of interest and the life of the asset acquired. (Based on a 2.0% interest cost and 15 year asset life)

#### 4.6.4 **Interest rates**

The bank interest rates have recently fallen and the base rate is 0.1%. These are unlikely to rise until 2021 at the earliest. These will influence both the returns that the Council is likely to get on any cash investments and the cost of any borrowing associated with the capital programme. There is considerable uncertainty at the moment about interest rates and our treasury advisors indicate that they will stay low for a longer period of time. Built into the 5 year forecasts are the following assumptions regarding average investment yields:

	2021/22	2022/23	2023/24	2024/25	2025/26
Average interest yield	0.92%	1.17%	1.42%	1.67%	1.92%

Each 0.5% change in interest rates is equivalent to £50,000 (based on £10,000,000 investments).

#### 4.6.5 **Impact of Platforms for our places:**

- 4.6.5.1 Contained within the Medium Term Financial Plan are a number of commitments relating to the delivery of Platforms for our Places. In summary the amounts provided are:

Impact of Platforms for our places	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Adur District Council</b>					
Gigabit Project	43	43	43	43	43
Measures to reduce waste	0	72	72	72	72
Western Harbour Coastal defences	58	58	58	58	58
<b>Total</b>	<b>101</b>	<b>173</b>	<b>173</b>	<b>173</b>	<b>173</b>

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
<b>Worthing Borough Council</b>					
Gigabit Project - financing costs and public wifi	64	64	64	64	64
Measures to reduce waste	0	128	128	128	128
Refurbishment of High Street Car Park - Financing costs	4	50	259	259	259
Refurbishment of Buckingham Road car park - Financing costs	60	192	192	192	192
Worthing Integrated Care Centre - closure of Town Hall car park	59	59	59	59	59
Brooklands improvement programme - net costs	20	27	43	43	43
General provision for future impact of major projects including the redevelopment of the Grafton Site	0	273	330	487	644
<b>Total</b>	<b>207</b>	<b>793</b>	<b>1,075</b>	<b>1,232</b>	<b>1,389</b>

#### 4.6.5.2 Waste initiatives

Currently across the County 52% of all waste is recycled. The Councils recycle 45% locally.

The Councils are also actively considering a range of other waste recycling and minimisation initiatives in accordance with the national waste strategy. A provision of £200k per year for the cost impact of new measures to improve recycling collection rates across the two Councils is allowed for from 2022/23 onwards, although the final cost will depend on the a number of factors including the amount of Government funding available and whether there will be any funding via WSCC for initiatives that reduce landfill

#### 4.7 Councils' Budget and Shortfall:

4.7.1 A summary of the position for 2021/22 is therefore:



	Adur £'000	Worthing £'000
Main cost pressures:		
Inflationary pressures in excess of the likely increase in Council Tax	207	238
<b>Impact of Covid 19:</b>		
Impact of increased Council Tax Support claimants	71	76
Increase in demand for homelessness accommodation		500
Contingency for other pressures associated with Covid 19 emergency.	200	300
Reduction in commercial income	76	353
Overall change due to Covid 19	347	1,229
<b>Changes in funding from Government</b>		
Change in retained business rates	-281	114
Change in New Homes Bonus	1	234
Total change to funding from Government	-280	348
<b>Impact of funding platforms:</b>		
Reduction in commercial rental income		142
Gigabit Project	43	64
Refurbishment of High Street Car Park - Financing costs		4
Refurbishment of Buckingham Road car park - Financing costs		60
Worthing Integrated Care Centre - closure of Town Hall car park		59
Western Harbour Coastal Defences - Financing costs	58	
Brooklands improvement programme - net costs		20
Overall impact of funding Platforms	101	349
<b>Other items:</b>		
Net impact of the capital programme	-260	-340
Impact of reduction in interest rates on investment income	220	87
Removal of surplus / deficit on the collection fund	-9	-31
Reduction in pension costs	-95	-142
Other items	39	53
Contingency	70	90
Provision for new growth items	70	90
<b>Overall savings to be met by the budget strategy.</b>	<b>410</b>	<b>1,971</b>

Note: This breakdown of the cost pressures is given at an early point in the financial year; consequently a contingency amount has been added for unidentified items and known budget risks. This will be stripped out as the year progresses.

4.7.8 The overall estimated budget shortfall for both Councils is expected to increase for the next five years is as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>ADUR*</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	410	927	1,279	1,511	1,858
Annual shortfall	410	517	352	232	347
Total net budget	8,976	8,937	9,131	9,317	9,522
Annual savings as a percentage of overall net budget (%)	4.57%	5.78%	3.86%	2.49%	3.65%

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>WORTHING*</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	1,971	3,383	4,161	4,881	5,557
Annual shortfall	1,971	1,412	778	720	676
Total net budget	13,196	13,124	13,354	13,658	13,976
Annual savings as a percentage of overall net budget (%)	14.94%	10.76%	5.83%	5.27%	4.84%

	2020/21	2021/22	2022/23	2023/24	2024/25
<b>JOINT SERVICES**</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Overall cumulative shortfall	588	1,385	1,713	2,260	2,819
Annual shortfall	588	797	388	547	559
Total net budget	23,139	23,139	23,602	23,838	24,076
Annual savings as a percentage of overall net budget (%)	2.54%	3.44%	1.39%	2.29%	2.32%

## 5. Reserves Position

Both Councils have an established policy to maintain balances at a minimum level of 6% and a maximum level of 10% of net expenditure. However, the working balance was increased substantially at the end of 2019/20 to manage the risks associated with the pandemic with the expectation that this would be used during 2020/21 to manage the financial losses resulting from the emergency. The level of General Fund working balance as at the 1st April 2020 is:

	<b>Adur</b>	<b>Worthing</b>
	<b>£'000</b>	<b>£'000</b>
Working balance	1,597	1,705
Net budget	8,612	13,359
Percentage held	18.54%	12.76%

The working balance has been deliberately increased in 2019/20 to help fund the consequences of the pandemic. In addition to the General Fund reserves, the Councils can access other major reserves to help smooth the impact of Council Tax increases and levels of savings necessary:

- The Capacity Issues Fund which was set up to help the Council cope with a range of cost pressures including cushioning the impact of the recession and to fund one-off initiatives (both Adur District Council and Worthing Borough Council);
- The Special and Other Emergency Expenditure Reserve which was set up to fund any strategic or one-off expenditure that may arise (both Adur District Council and Worthing Borough Council).

The Councils have a policy of actively contributing to these reserves in 2020/21 by proactively managing the inflation provision. In addition, where possible, the Councils are opting to use the ability to use capital receipts to fund initiatives which make on-going savings (capital flexibilities) to further protect the reserves position. It is estimated that the balance available to support the budget will be:

	Adur District Council		Worthing Borough Council	
	Balance as at 31-Mar-20	Uncommitted resources*	Balance as at 31-Mar-20	Uncommitted resources*
	£'000	£'000	£'000	£'000
Capacity Issues Reserve	337	256	1,361	1,203
Special and other emergency expenditure reserve	60	60	0	0
<b>Total</b>	<b>497</b>	<b>316</b>	<b>1,361</b>	<b>1,203</b>

\* This allows for approvals to use the resources from 2020/21 onwards including the funding of any carry forward requests.

## 6. Options for addressing the budget gap in 2021/22 and beyond

6.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget, particularly if the Councils want to deliver on the initiatives detailed in Platforms for our Places. The savings process to be followed for the development of the budget has four stages:

1. Directors are responsible for identifying proposals to meet a significant proportion of the savings targets which are to be considered by Council Leadership Team in the autumn.
2. A "Budget Reference Group" (joint Executives) will consider the proposals identified to meet the 2021/22 budget shortfall which fit with the Councils' priorities.
3. The savings proposals are then considered by Joint Overview and Scrutiny Committee with a view to commenting on those which will impact on the Worthing Borough Council budget. Joint Overview and Scrutiny Committee can also add to the list of proposed savings with additional proposals as considered appropriate.
4. Consideration by Joint Strategic Committee of which of the savings are to be used to fund the budget shortfall.

A flowchart with outline timescales for the 2021/22 budget is attached at Appendix 2.

6.2 The Councils fundamentally reshaped the budget strategy back in 2016/17, with new explicit strands of work designed to balance the budget and support the delivery of the Councils' priorities. The focus of this strategy has been to increase income generation and reduce the savings to be delivered from service reductions – nevertheless each year efficiency savings will still need to be found.

6.3 This programme will continue to be shaped over the coming months by the strategic work streams which are discussed in more detail below. The proposed targets for the main programmes of work are:

	2021/22	2022/23	2023/24	2024/25	2025/26	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Main programmes:						
Strategic Property Investment Fund	200	240	512	200	200	1,352
Commercial income growth	600	600	600	600	600	3,000
Digital service redesign Programme	200	200	200	200	200	1,000
Affordable housing programme	570	0	0	0	0	570
Corporate Landlord programme	190	205	205	100	100	800

6.4 Each programme of work is overseen by an internal working group as follows:

1. The Major Projects Board leads on delivering projects to increase employment space and additional housing;
2. The Commercial working group leads on the delivery of the income growth from commercial services and seeks to improve the customer experience.
3. The Service Redesign Board leads on the delivery of business transformation and the Digital Strategy and ensure that the benefits are realised from this programme of work;
4. The Strategic Asset Management Board leads on delivering the income growth associated with the Strategic Property Investment Fund

5. The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.

6.5 These strands of work reflect the priorities identified as part of ‘Platforms for our Places’:

**Platform 1: Prosperous places**

The Councils will:

- i) Provide strategic support to the business sectors to drive growth across Adur and Worthing facilitating the creation of more employment and retail space thereby increasing business rates income.
- ii) Invest in and deliver major projects and key infrastructure to increase employment space and new homes
- iii) Use the Council’s Strategic Property Investment Fund to deliver new revenue streams and support investment projects. This will be achieved through the following strands of work:
  - a) The Council will look for development opportunities for owned land. For example both Councils own land which could be developed in partnership to provide accommodation or commercial property which could be rented out to generate an income stream which potentially could exceed that generated through investment of any sale proceeds.
  - b) The Councils will look for the opportunity to acquire or develop new commercial properties. To facilitate this, within the capital strategy, funding is released each year for opportunities that will generate a return of between 2% and 3% after allowing for any financing costs. It should be appreciated that actual spend in any given year will be dependent on successfully identifying properties to purchase. An element of the additional income will be set aside each year to help fund the impact of any future void properties.

Per Council	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Expected cumulative return (after debt charges and allowance for voids)	100	200	300	400	500

- iv) Promote initiatives to increase employment and reduce the burden on the public purse associated with benefits and poverty.

## **Platform 2: Thriving People and Communities**

The Councils will:

- i) Provide and enable the delivery of new homes across Adur and Worthing. The delivery of new homes will increase Council Tax income and lever in any government reward grant (e.g. New Homes Bonus). On average each new home built (Band C) will generate £239.60 for Adur District Council and £199.68 for Worthing Borough Council in Council Tax income. There are a significant number of developments either being delivered or considered by both Councils. Adur District Council, via the HRA, is directly delivering a number of schemes to improve the supply of affordable homes.
- ii) The Council will prevent homelessness. As part of this, the councils have been proactively looking at ways in which to reduce the costs of accommodating residents in temporary and emergency accommodation including:
  - a) Preventing residents from becoming homeless;
  - b) Working with landlords on delivering fit for purpose, cost effective accommodation through the Open Door scheme; and
  - c) Acquiring or developing Council owned accommodation to meet community need. Three schemes have been approved to date which will generate savings for the Council whilst providing good quality temporary and emergency accommodation.
- iii) Encourage social innovation, social financing and supporting community and social entrepreneurs to create and deliver solutions that work for our places. This will include:
  - a. Extension of Community self-management of facilities such as sports sites and allotments;
  - b. Extension of the TCV project to involve communities in volunteering and conservation

## **Platform 3: Tackling Climate Change and Supporting our Natural Environment**

The Councils will:

- i) Becoming Carbon Neutral by 2030

As part of this commitment, the councils will investigate options for a solar farm, and additional options for widespread solar PV. £735,680 has been allocated to deliver these and other energy efficiency improvements in the 2020/21 capital investment programme. A detailed Carbon Reduction Plan will be developed by the end of 2020 will identify prioritised interventions to deliver cost effective carbon reduction and long term cost savings. As an example, Worthing Borough Council lowered energy costs by 63% in two Worthing car parks by investing in replacement LED lighting

ii) Reducing waste, increasing reuse, recycling and composting

Engage with our communities to promote and support the zero to landfill objective thereby minimising the costs associated with meeting the 2023 recycling targets.

**Platform 4: Good Services and New Solutions**

The Councils will identify and maximise the financial return on our services to support the Council’s budgetary position by:

a. Increasing the range of modern digital services:

The Councils have embarked on a radical digital transformation programme as approved by the Joint Strategic Programme on the 2<sup>nd</sup> December 2014. There is an ongoing programme of work designed to lever in significant savings which the Council has continued to roll-out.

	2021/22	2022/23	2023/24	2024/25 and beyond
	£'000	£'000	£'000	£'000
Annual Savings	200	200	200	200
Cumulative impact	200	400	600	800

b. Grow our commercial & traded income and external sources of funding:

There are two elements to this area of work:

- Existing fee earning services are being reviewed:
  - Services which either have fees set by central government or can only break-even by statute will be reviewed to ensure that income is sufficient to cover costs. This includes Land Charges, Building Control and Development Management.



- Services which operate on a commercial basis will be encouraged to maximise profit margins where possible.
- The Councils will look for new income generating opportunities.

A target increase in income from commercial activities has been agreed. It is expected that this strand of work will generate an additional £600k per annum which, if achieved, will be a substantial contribution to resolving the budget shortfall.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Annual Savings	600	600	600	600	600
Cumulative impact	600	1,200	1,800	2,400	3,000

c. Develop a Corporate Landlord approach to managing our property estate

Platforms for our Places Going Further identified the development of a Corporate Landlord approach to property management as a means to instigate a ongoing programme of modernisation and improvement in how the Councils manage its property and assets. The recently adopted Joint Strategic Asset Management Plan (JSC March 2020) is the initial step setting out clear objectives and principles around how the Councils will look to manage its assets. The programme will involve a number of workstreams to improve existing approaches:

- Finance & Budgets Workstream
- Data, Information & Compliance Workstream
- Governance Workstream
- Revenue Generation Workstream
- Asset Challenge Workstream
- Property Rationalisation Workstream

The cumulative effect of delivering these workstreams will means that the councils' land and resources will be managed as corporate resources in a holistic and strategic manner seeking to involve the right stakeholders to meet the needs and priorities of the councils. This will be a change to the historic approach, which is being explored through the corporate landlord group.

The Corporate Landlord Model means that the ownership and responsibility for the asset in terms of management and maintenance will

transfer from services to the corporate centre. The service then transitions to a customer/corporate tenant approach as a key stakeholder freeing services to focus on planning and delivery of their service area.

Corporate landlord will take responsibility for acquisition, development, management, maintenance, disposal of land and buildings but also asset planning, review and feasibility/options appraisals to ensure that assets are challenged to be working to deliver council priorities.

In advance of this change programme three initial strands of work have been identified to drive financial return to the council in the shorter term and in accordance with the recently adopted Property Asset Management Plan:

- Property Rationalisation Workstream - initiatives to rationalise the amount of accommodation and depot space used by the Councils
- Revenue Generation Workstream - Work to ensure that rent reviews are up to date and continue effectively manage the councils' estates
- Asset Challenge Workstream - Identify surplus assets which could be disposed of to reduce the borrowing costs to the Councils for other priority projects identified in Platforms for our Places Going Further.

It is expected that this programme will lever in the following savings over the next 5 years.

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Annual Savings	190	205	205	100	100
Cumulative impact	190	395	600	700	800

To take this programme forward, the Councils will need to invest in additional capacity in the organisation to identify and plan in detail a disposals programme, including undertaking investment and site appraisals.

Consequently, it is recommended that a budget of £125,000 be released funded through the capital flexibility facility, which will enable the Council to fund this work from the capital receipts released.

A further report on the proposed disposal programme will be presented to the Joint Strategic Committee in the late Autumn.

d. Effective procurement and contract management, driving sustainability and value for money

The Councils will continue to identify opportunities to lever in further procurement savings by implementing a category management approach to procurement with partners, working with other organisations to pool both specialist procurement resources and aggregate contracts to deliver value for money. The clear intention is to identify potential 'procurement savings' within existing budgets where possible thereby protecting front-line services.

e. Base budget review

The Councils will undertake a base budget review to ensure that the budgets are as accurate as possible and strip out any unneeded provisions.

6.6 The Councils currently have uncommitted reserves (excluding the working balance) of:

	£'000
Adur	316
Worthing	1,203

Given the current financial position of the Councils and the level of risk associated with the current pandemic, the reserves should only be used to balance the budget for 2021/22 as a last resort. Nevertheless, there remains a limited option to use some reserves to smooth the impact of the savings required. However, any use of reserves can only be regarded as a short-term and non-sustainable solution and should have due regard to the level of reserves available. At this point of time in the budget cycle, it is not proposed to use reserves to balance the budget for 2021/22, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Councils have a clearer understanding of the financial challenges ahead.

6.7 To ensure that the savings offered later in the year reflect the Councils' priorities, all the proposals which affect Worthing will also be presented to the Joint Overview and Scrutiny Committee for consideration and comment.

## 7. **2022/23 and beyond**

7.1 The detailed budget projections for 2021/22 to 2025/26 are also shown in Appendix 3. It is clear that many of the cost pressures identified in 2021/22 will continue on for the coming years and that there is a continuing need to make significant savings although the level of annual savings should decline once the Council has addressed the impact of the Fairer Funding Review .

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Adur District Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated cumulative savings required to balance the budget	410	927	1,279	1,511	1,858
Savings required each year	410	517	352	232	347
<b>Worthing Borough Council</b>					
Estimated cumulative savings required to balance the budget	1,971	3,383	4,161	4,881	5,557
Savings required each year	1,971	1,412	778	720	676

- 7.2 It is an inherent feature of the budget strategy that officers will continue to be asked to identify annual “cashable” efficiency and procurement savings to help meet the budget gap and to protect priority services. However, the focus of the current strategy is to meet a significant proportion of the challenge through income generation by:
- i) Building new homes and increasing income from Council Tax.
  - ii) Increasing business rates through the development of new employment spaces.
  - iii) Increasing income from commercial activity;
  - iv) Investing in property using the Strategic Property Investment Fund.
  - v) Using the Councils assets through the asset management plan to best support the Council’s priorities.
  - vi) To address the costs of homelessness through preventative measures and acquiring better value homes for emergency accommodation.
- 7.3 This strategy will have long term benefits. Overall as a result of the strategy adopted both Council will be able to address significant proportions of the budget shortfalls identified.

	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
<b>Adur District Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Estimated cumulative savings required to balance the budget	410	927	1,279	1,511	1,858
Savings strategy:					
Strategic Property Investment	-100	-200	-300	-400	-500
Commercial income and commissioning	-150	-300	-450	-600	-750
Service and digital redesign	-80	-160	-240	-320	-400
Commercial landlord programme	-50	-150	-250	-280	-310
Affordable housing projects	-30	-30	-30	-30	-30
Residual savings to be identified	0	87	9	-119	-132
<b>Worthing Borough Council</b>					
Estimated cumulative savings required to balance the budget	1,971	3,383	4,161	4,881	5,557
Savings strategy:					
Strategic Property Investment	-100	-200	-300	-400	-500
Commercial income and commissioning	-450	-900	-1,350	-1,800	-2,250
Service and digital redesign	-120	-240	-360	-480	-600
Commercial landlord programme	-140	-245	-350	-420	-490
Affordable housing projects	-540	-540	-540	-540	-540
Residual savings to be identified	621	597	-309	-20	-64

Shown at Appendix 4 is a 10 year forecast which considers whether the current strategy will result in a more sustainable budget for the future based on known cost pressures. Whilst the next 2 to 3 years are challenging, if the Councils are successful in delivering the strategy detailed above, the financial issues faced in the future should be manageable.

- 7.4 Challenging times are ahead, however if the Councils focus on delivering the strategy and continue to target limited resources on priorities, then we are in a good position to respond to the inevitable budget shortfalls.

## **8. Housing Revenue Account**

- 8.1 The Housing Revenue Account (HRA) has a 30-year financial plan which was included in the rent setting report considered in February this year. It is not intended to replicate those financial projections within this report but update the forecast later once the asset management plan has been refreshed. However, like the General Fund, the HRA is facing some significant challenges, not least the legacy of the 1% rent reduction and increasing maintenance costs associated with the condition of the housing stock.
- 8.2 Nevertheless, the HRA will be subject to the same budget process and strategy as outlined below.

## **9. Budget strategy for the development of the 2021/22 budget**

- 9.1 A detailed budget strategy now needs to be agreed, to underpin the preparation of the budget throughout the coming months and to reflect the discussion outlined above. The following are recommended as principles to be used in the preparation of the 2021/22 revenue and capital budgets:

### **9.2 Revenue Budget Strategy**

- The Councils will aim to keep Council Tax increases to a minimum;
- The Councils will seek to increase income from business rates and council tax by facilitating the creation of new homes and employment space.
- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Councils' Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (2.0%) or such higher increase as the individual markets can bear
- Expenditure is to be increased by: 2% for pay (plus an allowance has been made for increments which are a contractual commitment) and 1.0% for all other expenditure (except for inflation arising from contractual indexation provisions and energy for which an appropriate provision is to be made);
- The Council aims to set a balanced budget. Any proposed use of reserves is to have regard to the adequacy of such reserves and any such policy

must be sustainable in the longer term. In addition, the Council aims not to have any planned call upon the General Fund Working Balance;

- The Council will identify the majority of savings through six proposed programmes of work:
  - Strategic Property Investment Fund
  - Commercial strategy
  - Affordable homes programme
  - Corporate Landlord programme
  - Digital and service redesign programme
  - Investment in renewable energy
- Officers are to identify other 'cashable' efficiency savings, options for reducing non-priority services, and undertake a critical review of budgets to identify further options for balancing the budget.

### 9.3 Capital Investment Programme

- The maximum level of funding be made available per year for the next 5 years to fund new General Fund schemes as follows:

**Adur District Council:** £1.5 m core funding in 2021/22 and 2022/23  
(plus £5.6m for the Housing Investment Programme)

**Worthing Borough Council:** £2.5m core funding

The funding of the programme is to be comprised of prudential borrowing, capital grants and capital receipts. This reflects concerns about affordability; however members need to be aware that the number, age and condition of the Councils' assets continue to be a cause for concern and that the programmes may need to be increased if any unavoidable expenditure that cannot be accommodated within the programme is identified.

- Additional capital expenditure to be only agreed where additional funding from capital grants, contributions, earmarked receipts, approved additional prudential borrowing or use of reserves has been secured.

## 10. **Engagement and Communication**

- 10.1 The budget proposals will be the subject of internal officer consultation.
- 10.2 All savings proposals will be scrutinised by the Joint Overview and Scrutiny Committee at its meeting of November 2020.
- 10.3 All members will participate in the setting of the annual budget at the Council meetings in February.

- 10.4 If appropriate the budget consultation this year will be undertaken over the autumn. The final form of the consultation is not yet decided.
- 10.5 The Adur Consultative Forum (tenants' forum) will be consulted regarding any proposed changes to the HRA.

## **11. Financial Implications**

- 11.1 There are no other financial implications other than those outlined above.

## **12. Legal Implications**

- 12.1 The Council is required to set a robust budget under the Local Government Act 2003. This report is the first step towards the Council achieving this aim for the 2020/21 budget round.

## **Background Papers**

Report to Adur District Council Executive 4<sup>th</sup> February 2020 - Estimates 2020/21 and setting of 2020/21 Council Tax

Report to Worthing Borough Council Executive 3<sup>rd</sup> February 2020 - Estimates 2020/21 and setting of 2020/21 Council Tax

Report to Joint Strategic Committee 7<sup>th</sup> July 2020 – Final Revenue Outturn for Joint, Adur and Worthing 2019/20.

Budget Statement 2020 – Report from HM Treasury

Report to Joint Strategic Committee 2<sup>nd</sup> December 2014 – Investing in New Technology: The Springboard to Excellent Customer Experience and Business Efficiency.

Report to the Joint Strategic Committee 3<sup>rd</sup> December 2019 – *Platforms for our Places - Going Further (2020-2022)* : Unlocking the Power of People, Communities and our Local Geographies

Letter to all Council Leaders from the Secretary of State for MHCLG dated 30th April 2020

## **Officer Contact Details:-**

Sarah Gobey  
Chief Financial Officer  
(01903) 221221



[sarah.gobey@adur-worthing.gov.uk](mailto:sarah.gobey@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

The budget contains funding for commitments made under Platform 1: Our Financial Economies.

### **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.

### Government Funding Streams

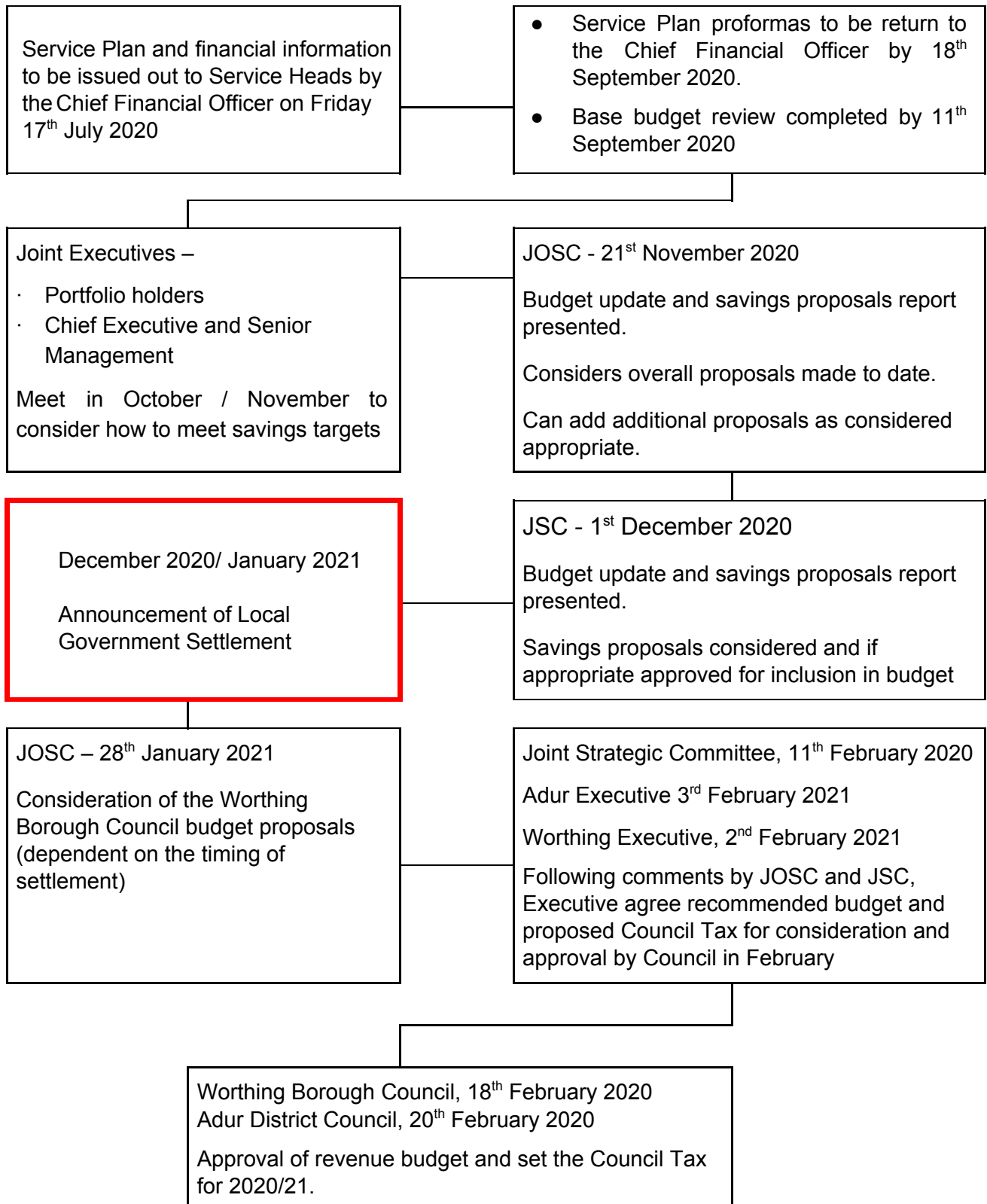
- **Homelessness Funding**  
£3.2m has been made available nationally. Local authorities will claim costs incurred from the government. Each local authority will be notified as to the provisional maximum amount it is entitled to claim back, which is calculated based on the number of rough sleepers reported in the Autumn 2019 snapshot. On this basis, the maximum grant available for Adur is £1,500 and for Worthing is £9,750 which will be insufficient to cover the cost of the Emergency Accommodation acquired.
- **Emergency Grant**  
The government announced initial funding of £1.6bn which is intended to help Local Authorities address the pressures we are facing in response to the Covid-19 pandemic across all the services you deliver. The amount allocated to Adur and Worthing was £78,540 (Adur £31,120 and Worthing £47,420).

A second tranche of £1.6bn funding was announced in May 2020. The amount allocated to Adur and Worthing was £1.7m (Adur £635,280 and Worthing £1,099,480). A letter from MHCLG clarified that this was to fund a range of cost pressures. This funding is un-ringfenced on the basis that councils are best placed to determine the specific needs of their local communities.

- **Business Grants**  
The Government has announced business grants which are to be paid based on set criteria. Worthing has received £26.1m and Adur £17.6m. The use of this funding has recently been extended with a new discretionary scheme announced on 1st May 2020.
- **Hardship fund**  
The Government has released funding of £0.5bn to support vulnerable individuals, of this total Adur has received £453,180 and Worthing has £709,580 . The Government expects billing authorities to use the majority of the funding to provide relief to individual council taxpayers in the form of an additional £150.00 Council Tax discount to existing local council tax support claimants. This will help to provide additional support to those households most likely to be economically vulnerable to the impacts of COVID-19.
- **Reopening the high streets safely**  
The Government have provided £50m to support the safe reopening of high streets and other commercial areas. The money will allow local authorities in England to put in place additional measures to establish a safe trading environment for businesses and customers, particularly in high streets, through measures that extend to the end of March 2021.

The Councils have been awarded £154,930 (Adur £56,760 and Worthing £98,170) which is to be claimed back on a quarterly basis.

## Appendix 2



## Appendix 3

ADUR DISTRICT COUNCIL Revenue Budget Summary Statement 2020/21 - 2025/26						
	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>
<b>Base budget</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>	<b>8,612</b>
<b>(a) Annual Inflation</b>						
Estimated inflation		271	567	861	1,147	1,438
Impact of 2020/21 pay rise		82	84	86	88	90
<b>(b) One -off / non-recurring items</b>						
Local Elections (held every other year - deferred in 2020/21 due to the pandemic)		-	(18)	-	(19)	-
<b>(c) Impact of Covid 19 pandemic</b>						
Delay to Fairer Funding Review - Homeless funding to continue for 2021/22		-	94	94	94	94
Contingency for other Covid 19 pressures		200	200	200	200	200
Reduction in commercial income		76	76	76	76	76
<b>(d) Impact of funding 'Platforms'</b>						
Gigabit Project		43	43	43	43	43
Measures to reduce waste		-	72	72	72	72
Western Harbour Arm Coast Defences		58	58	58	58	58
<b>(e) Treasury Management</b>						
Capital programme financing costs		(260)	(224)	(85)	(31)	117
Investment income		220	179	135	90	42
<b>(f) Other items</b>						
Reduction in pension contributions		(95)	(223)	(226)	(226)	(226)
Building maintenance		25	50	50	50	50
Loss of rental income from registrars		14	14	14	14	14
Provision for new committed growth items		70	140	210	280	350
<b>(g) Approved Growth items</b>						
Provision for new growth items		70	140	210	280	350
<b>Total Cabinet Member Requirements</b>	<b>8,612</b>	<b>9,386</b>	<b>9,864</b>	<b>10,410</b>	<b>10,828</b>	<b>11,380</b>
<b>Funding from Grants and Taxation</b>						
<b>Baseline funding:</b>	<b>1,767</b>	<b>1,802</b>	<b>1,838</b>	<b>1,875</b>	<b>1,913</b>	<b>1,951</b>
Add: Retained additional business rates	614	659	336	342	345	353
Add: Share of previous year's surplus / (deficit)	(300)	(99)				
<b>Adjusted Baseline funding</b>	<b>2,081</b>	<b>2,362</b>	<b>2,174</b>	<b>2,217</b>	<b>2,258</b>	<b>2,304</b>

**ADUR DISTRICT COUNCIL**  
**Revenue Budget Summary Statement 2020/21 - 2025/26**

	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
<b>Net Spending to be Financed from Taxation</b>						
<b>Council Tax</b>	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax income	6,529	6,675	6,825	6,977	7,133	7,293
Impact of increases to Council Tax Support		(71)	(72)	(73)	(74)	(75)
<b>Total Council Tax income</b>	<b>6,529</b>	<b>6,604</b>	<b>6,753</b>	<b>6,904</b>	<b>7,059</b>	<b>7,218</b>
<b>Other grants</b>						
New homes bonus (2017/18 - 2020/21)	1	-	-	-	-	-
New homes bonus (2019/20 - 2022/23)	10	10	10	10	-	-
<b>Total NHB</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Collection fund surplus/deficit (-)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other grants and contributions</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>
<b>Total Income from Grants and Taxation</b>	<b>8,612</b>	<b>8,976</b>	<b>8,937</b>	<b>9,131</b>	<b>9,317</b>	<b>9,522</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>-</b>	<b>410</b>	<b>927</b>	<b>1,279</b>	<b>1,511</b>	<b>1,858</b>
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	<b>-</b>	<b>410</b>	<b>927</b>	<b>1,279</b>	<b>1,511</b>	<b>1,858</b>
<b>Savings strategy:</b>						
<b>Strategic Property Investment Fund</b>						
Future purchases		200	400	600	800	1,000
Provision for future voids		(100)	(200)	(300)	(400)	(500)
<b>Commercial and Customer Activities</b>		150	300	450	600	750
<b>Service and Digital redesign</b>		80	160	240	320	400
<b>Affordable Housing Programme</b>						
Approved projects		30	30	30	30	30
<b>Commercial Landlord Programme</b>		50	150	250	280	310
<b>Total initiatives identified</b>		<b>410</b>	<b>840</b>	<b>1,270</b>	<b>1,630</b>	<b>1,990</b>
<b>Cumulative savings still to be found/ (surplus)</b>		<b>-</b>	<b>87</b>	<b>9</b>	<b>(119)</b>	<b>(132)</b>
<b>Annual savings still to be found</b>		<b>-</b>	<b>87</b>	<b>(78)</b>	<b>(128)</b>	<b>(13)</b>
<b>Council Tax increase</b>		<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Annual increase (Band D property)		£6.11	£6.23	£6.35	£6.48	£6.61
Weekly increase (Band D property)		£0.12	£0.12	£0.12	£0.12	£0.13
Average annual increase (Band C property)		£5.43	£5.54	£5.64	£5.76	£5.88
Average weekly increase (Band C property)		£0.10	£0.11	£0.11	£0.11	£0.11

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2020/21 - 2025/26**

	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
Net Spending to be Financed from Taxation Base budget	£'000 13,359	£'000 13,359	£'000 13,359	£'000 13,359	£'000 13,359	£'000 13,359
<b>(a) Annual Inflation</b>						
Estimated inflation		349	799	1,248	1,687	2,134
Impact of 2020/21 pay rise		119	121	123	125	128
<b>(b) One -off / non-recurring items</b>						
Local Elections (held 3 years in 4 - deferred in 2020/21 due to the pandemic)		-	(50)	-	-	-
<b>(c) Impact of Covid 19 pandemic</b>						
Delay to Fairer Funding Review - Homeless funding to continue for 2021/22		-	152	152	152	152
Increase in demand for homelessness accommodation		500	500	500	500	500
Contingency for other Covid 19 pressures		300	300	300	300	300
Reduction in commercial income		353	353	353	353	353
<b>(d) Impact of funding 'Platforms'</b>						
Grafton site: Reduction in commercial rents		142	142	142	142	142
Gigabit Project - financing costs and public wifi		64	64	64	64	64
Measures to reduce waste		-	128	128	128	128
Refurbishment of High Street Car Park		4	50	259	259	259
Refurbishment of Buckingham Road car park		60	192	192	192	192
Worthing Integrated Care Centre - Closure of Town Hall car park		59	59	59	59	59
Brooklands improvement programme - net costs		20	27	43	43	43
Provision for future impact of major projects			273	330	487	644
<b>(e) Treasury Management</b>						
Financing costs - General Programme		(340)	(129)	(18)	305	605
Investment income		87	38	(23)	(100)	(193)
<b>(g) Other items</b>						
Fall out of SDLT pension costs.		(18)	(36)	(36)	(36)	(36)
Triennial pension valuation - Reduction in contributions		(142)	(316)	(321)	(321)	(321)
Building maintenance		50	100	100	100	100
Loss of rental income from registrars		21	21	21	21	21
Provision for new committed growth items		90	180	270	360	450
<b>(h) Approved Growth items</b>						
Provision for new growth items		90	180	270	360	450
<b>Total Cabinet Member Requirements</b>	<b>13,359</b>	<b>15,167</b>	<b>16,507</b>	<b>17,515</b>	<b>18,539</b>	<b>19,533</b>

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2020/21 - 2025/26**

	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Total Cabinet Member Requirements</b>	<b>13,359</b>	<b>15,167</b>	<b>16,507</b>	<b>17,515</b>	<b>18,539</b>	<b>19,533</b>
<b>Baseline funding</b>	<b>2,693</b>	<b>2,747</b>	<b>2,802</b>	<b>2,858</b>	<b>2,915</b>	<b>2,973</b>
Add: Net retained additional business rates	649	673	343	347	350	359
Add: Share of surplus /deficit (-)	-	(192)				
<b>Adjusted Baseline funding</b>	<b>3,342</b>	<b>3,228</b>	<b>3,145</b>	<b>3,205</b>	<b>3,265</b>	<b>3,332</b>
<b>Council Tax income</b>	<b>9,524</b>	<b>9,754</b>	<b>9,989</b>	<b>10,229</b>	<b>10,475</b>	<b>10,728</b>
Impact of increases to Council Tax Support		(76)	(78)	(80)	(82)	(84)
<b>Total Council Tax income</b>	<b>9,524</b>	<b>9,678</b>	<b>9,911</b>	<b>10,149</b>	<b>10,393</b>	<b>10,644</b>
New homes bonus (2017/18 - 2020/21)	234	-	-	-	-	-
New homes bonus (2018/19- 2021/22)	222	222	-	-	-	-
New homes bonus (2019/20 - 2022/23)	68	68	68	-	-	-
<b>Total New Homes Bonus</b>	<b>524</b>	<b>290</b>	<b>68</b>	-	-	-
<b>Collection fund surplus/deficit (-)</b>	<b>(31)</b>	-	-	-	-	-
<b>Total other grants and contributions</b>	<b>493</b>	<b>290</b>	<b>68</b>	-	-	-
<b>Total Income from Taxation</b>	<b>13,359</b>	<b>13,196</b>	<b>13,124</b>	<b>13,354</b>	<b>13,658</b>	<b>13,976</b>
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>	<b>-</b>	<b>1,971</b>	<b>3,383</b>	<b>4,161</b>	<b>4,881</b>	<b>5,557</b>



**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2020/21 - 2025/26**

	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
<b>AMOUNT REQUIRED TO BALANCE BUDGET</b>		<b>1,971</b>	<b>3,383</b>	<b>4,161</b>	<b>4,881</b>	<b>5,557</b>
<b>Savings / Initiatives identified to date:</b>						
<b>Strategic Property Investment Fund</b>						
Future property purchases		200	400	600	800	1,000
Provision for future voids and repairs		(100)	(200)	(300)	(400)	(500)
Wellbeing centre and car park			40	352	352	352
<b>Affordable Housing Programme</b>						
Approved projects		540	540	540	540	540
<b>Commercial and Customer Activities</b>		450	900	1,350	1,800	2,250
<b>Service and Digital redesign programme</b>		120	240	360	480	600
<b>Commercial Landlord Programme</b>		140	245	350	420	490
<b>Total savings initiatives identified to date</b>		<b>1,350</b>	<b>2,165</b>	<b>3,252</b>	<b>3,992</b>	<b>4,732</b>
<b>Cumulative savings still to be found/ (surplus)</b>		<b>621</b>	<b>1,218</b>	<b>909</b>	<b>889</b>	<b>825</b>
<b>Annual savings still to be found</b>		<b>621</b>	<b>597</b>	<b>(309)</b>	<b>(20)</b>	<b>(64)</b>
<b>Council Tax increase</b>		<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>
Annual increase (Band D property)		£4.84	£4.95	£5.05	£5.15	£5.25
Weekly increase (Band D property)		£0.09	£0.10	£0.10	£0.10	£0.10
Average annual increase (Band C property)		£4.30	£4.40	£4.49	£4.58	£4.67
Average weekly increase (Band C property)		£0.08	£0.08	£0.09	£0.09	£0.09

**JOINT STRATEGIC COMMITTEE**  
**Revenue Budget Summary Statement 2020/21 - 2025/26**

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Net Spending to be Financed from Taxation</b>						
<b>Base budget</b>	<b>22,910</b>	<b>22,910</b>	<b>22,910</b>	<b>22,910</b>	<b>22,910</b>	<b>22,910</b>
(a) <b>Annual Inflation</b>						
Estimated inflation		691	1,390	2,085	2,764	3,457
Impact of 2020/21 pay rise		190	194	198	202	206
(b) <b>Impact of funding 'Platforms'</b>						
Measures to reduce waste		-	200	200	200	200
(c) <b>Other items</b>						
Reduction in pension contributions		(199)	(405)	(413)	(413)	(413)
Loss of income from registrars		35	35	35	35	35
Provision for new committed growth items		100	200	300	400	500
<b>Net cost to be reallocated to the Councils</b>	<b>22,910</b>	<b>23,727</b>	<b>24,524</b>	<b>25,315</b>	<b>26,098</b>	<b>26,895</b>
Adur District Council	9,337	9,430	9,430	9,619	9,715	9,812
Worthing Borough Council	13,573	13,709	13,709	13,983	14,123	14,264
<b>Total income for services provided to the constituent councils</b>	<b>22,910</b>	<b>23,139</b>	<b>23,139</b>	<b>23,602</b>	<b>23,838</b>	<b>24,076</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>-</b>	<b>588</b>	<b>1,385</b>	<b>1,713</b>	<b>2,260</b>	<b>2,819</b>

## Appendix 4

	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31
<b>Adur District Council</b>	<b>Base</b>										
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Base	8,612	8,612	8,612	8,612	8,612	8,612	8,612	8,612	8,612	8,612	8,612
Inflation		353	651	947	1,235	1,528	1,821	2,113	2,406	2,700	2,995
Net growth		421	601	851	981	1,240	1,588	1,876	2,151	2,447	2,698
<b>Net expenditure funded by taxation</b>	<b>8,612</b>	<b>9,386</b>	<b>9,864</b>	<b>10,410</b>	<b>10,828</b>	<b>11,380</b>	<b>12,021</b>	<b>12,601</b>	<b>13,169</b>	<b>13,759</b>	<b>14,305</b>
<b>Income from taxation</b>											
Business rates	2,081	2,362	2,174	2,217	2,258	2,304	2,335	2,383	2,431	2,479	2,528
Council Tax	6,520	6,604	6,753	6,904	7,059	7,218	7,379	7,543	7,712	7,884	8,060
Other grants	11	10	10	10	0	0	0	0	0	0	0
<b>Total income from taxation</b>	<b>8,612</b>	<b>8,976</b>	<b>8,937</b>	<b>9,131</b>	<b>9,317</b>	<b>9,522</b>	<b>9,714</b>	<b>9,926</b>	<b>10,143</b>	<b>10,363</b>	<b>10,588</b>
<b>Cumulative shortfall</b>	<b>0</b>	<b>410</b>	<b>927</b>	<b>1,279</b>	<b>1,511</b>	<b>1,858</b>	<b>2,307</b>	<b>2,675</b>	<b>3,026</b>	<b>3,396</b>	<b>3,716</b>
<b>Budget strategy initiatives:</b>											
Investment in commercial property		100	200	300	400	500	650	800	950	1,100	1,250
Development of commercial income		150	300	450	600	750	900	1,050	1,200	1,350	1,500
Impact of digital strategy		80	160	240	320	400	400	400	400	400	400
Corporate Landlord Programme		50	150	250	280	310	340	370	400	430	460
Affordable Housing Programme		30	30	30	30	30	30	30	30	30	30
<b>Total savings initiatives identified</b>		<b>410</b>	<b>840</b>	<b>1,270</b>	<b>1,630</b>	<b>1,990</b>	<b>2,320</b>	<b>2,650</b>	<b>2,980</b>	<b>3,310</b>	<b>3,640</b>
Remaining savings to be identified		0	87	9	-119	-132	-13	25	46	86	76
Savings per year to be identified		0	87	-78	-128	-13	119	38	22	40	-10

	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31
<b>Worthing Borough Council</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Base	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359	13,359
Inflation		468	920	1,371	1,812	2,262	2,712	3,163	3,616	4,072	4,530
Net growth		1,340	2,228	2,785	3,368	3,912	4,294	5,187	5,619	6,001	6,332
<b>Net expenditure funded by taxation</b>	<b>13,359</b>	<b>15,167</b>	<b>16,507</b>	<b>17,515</b>	<b>18,539</b>	<b>19,533</b>	<b>20,365</b>	<b>21,709</b>	<b>22,594</b>	<b>23,432</b>	<b>24,221</b>
<b>Income from taxation</b>											
Business rates	3,342	3,228	3,145	3,205	3,265	3,332	3,379	3,443	3,514	3,585	3,655
Council Tax	9,493	9,678	9,911	10,149	10,393	10,728	10,986	11,251	11,521	11,799	12,083
Other grants	524	290	68	0	0	0	0	0	0	0	0
<b>Total income from taxation</b>	<b>13,359</b>	<b>13,196</b>	<b>13,124</b>	<b>13,354</b>	<b>13,658</b>	<b>14,060</b>	<b>14,365</b>	<b>14,694</b>	<b>15,035</b>	<b>15,384</b>	<b>15,738</b>
<b>Cumulative shortfall</b>	<b>0</b>	<b>1,971</b>	<b>3,383</b>	<b>4,161</b>	<b>4,881</b>	<b>5,473</b>	<b>6,000</b>	<b>7,016</b>	<b>7,559</b>	<b>8,049</b>	<b>8,484</b>
<b>Budget strategy initiatives</b>											
Investment in commercial property		100	200	300	400	500	650	800	950	1,100	1,250
Development of commercial income		450	900	1,350	1,800	2,250	2,680	3,110	3,540	3,970	4,400
Impact of digital strategy		120	240	360	480	600	600	600	600	600	600
Corporate Landlord Programme		140	245	350	420	490	560	630	700	770	840
Affordable Housing Programme		540	540	540	540	540	540	540	540	540	540
<b>Total savings initiatives identified</b>		<b>1,350</b>	<b>2,125</b>	<b>2,900</b>	<b>3,640</b>	<b>4,380</b>	<b>5,030</b>	<b>5,680</b>	<b>6,330</b>	<b>6,980</b>	<b>7,630</b>
Remaining savings to be identified		621	1,258	1,261	1,241	1,093	970	1,336	1,229	1,069	854
Savings per year to be identified		621	637	3	-20	-148	-123	366	-107	-161	-215

	2020/ 21 Base	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26	2026/ 27	2027/ 28	2028/ 29	2029/ 30	2030/ 31
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Overall</b>											
<b>Overall budget shortfall</b>											
Adur		410	927	1,279	1,511	1,858	2,307	2,675	3,026	3,396	3,716
Worthing		1,971	3,383	4,161	4,881	5,473	6,000	7,016	7,559	8,049	8,484
<b>Total</b>		<b>2,381</b>	<b>4,310</b>	<b>5,440</b>	<b>6,392</b>	<b>7,331</b>	<b>8,307</b>	<b>9,690</b>	<b>10,585</b>	<b>11,445</b>	<b>12,200</b>
<b>Budget strategy initiatives</b>											
Investment in commercial property		200	400	600	800	1,000	1,300	1,600	1,900	2,200	2,500
Development of commercial income		600	1,200	1,800	2,400	3,000	3,580	4,160	4,740	5,320	5,900
Impact of digital strategy		200	400	600	800	1,000	1,000	1,000	1,000	1,000	1,000
Corporate Landlord Programme		190	395	600	700	800	900	1,000	1,100	1,200	1,300
Affordable Housing Programme		570	570	570	570	570	570	570	570	570	570
<b>Total budget strategy initiatives</b>		<b>1,760</b>	<b>2,965</b>	<b>4,170</b>	<b>5,270</b>	<b>6,370</b>	<b>7,350</b>	<b>8,330</b>	<b>9,310</b>	<b>10,290</b>	<b>11,270</b>
Remaining cumulative savings to be identified		621	1,345	1,270	1,122	961	957	1,360	1,275	1,155	930
Annual savings still to be identified		621	724	-75	-148	-161	-4	403	-85	-121	-225