



ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: All

1st Revenue Budget Monitoring Report (Q1)

Report by the Director for Digital & Resources

Executive Summary

1. Purpose

1.1 This report updates the Joint Strategic Committee with the latest expenditure and income projections for each Council in the current financial year 2020/21, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 30th June 2020, the forecast position will reflect the latest information available to ensure an up-to-date forecast is presented.

As at quarter 1, the current projection for the 2020/21 financial year are net operational budget overspends of £912,000 in Adur and £2,779,000 in Worthing. Government funding in the form of grants and the Income Guarantee Scheme will offset this and it is currently estimated that the outturn position will be a net underspend of £54,000 in Adur and an overspend of £362,000 in Worthing. A breakdown is set out in section 4.4 of the report.

1.2 The following appendices have been attached to this report:

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

2. Recommendations

- 2.1 The Joint Strategic Committee is asked to note the report and projected outturn position for the Joint Committee, Adur District Council and Worthing Borough Council against the approved revenue budgets and proposed use of reserves (Appendix 1b and 2b).

3. Context

- 3.1 The Joint Strategic Committee considered the 5-year forecast for 2020/21 to 2024/25 on 3rd December 2019.
- 3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on the strategy first proposed in 2016/17 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4. Issues for consideration - Revenue 2020/2021 Forecast

- 4.1 As part of the 2020/21 budget the Councils committed to savings of £1.379m for Adur District Council and £2.483m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. Current budget monitoring indicates that the majority of these savings are being delivered as expected.
- 4.2 However, the financial landscape has changed due to the emergence of the Coronavirus. The impact of the measures implemented to manage the pandemic has been visible in both the fall in income and the additional cost pressures falling on the Council. The Government has provided support to

Councils in the form of some grant funding, some grants are designated for specific use, such as homelessness support, other grants are non specific. Then in July the government recognised the pressures faced by local authorities related to lost income from fees and charges, and announced its support in the form of an income guarantee scheme. Within this scheme the Council is expected to bear the impact of the first 5% of lost income but will then receive 75p in every £1 thereafter. However, the scheme only covers income from fees and charges, it excludes any rental, commercial or investment income.

In summary the current government funding forecasts for Adur and Worthing are:

	Adur £	Worthing £	Total £
General Government Funding:			
Covid-19 Emergency Grant:			
- Tranche 1	31,123	47,421	78,544
- Tranche 2	635,277	1,099,477	1,734,754
- Tranche 3	102,440	175,159	277,599
New Burdens Funding	130,000	130,000	260,000
Income Guarantee Scheme	182,000	920,000	1,102,000
Total non specific funding	1,080,840	2,372,057	3,452,897
Specific - Within Service:			
Homelessness support	1,500	9,750	11,250
Re-opening High Streets Safely	56,760	98,170	154,930
Total service specific funding	58,260	107,920	166,180
Total	1,139,100	2,479,977	3,619,077

The amount that the council will receive from the income guarantee scheme is an estimate based on assumed loss of income from fees and charges.

- 4.3 The forecast year end position is a net operational overspend by services, before general government Covid-19 related funding, of £912k in Adur and £2.779m in Worthing. This includes meeting the challenges of the impact of the covid-19 pandemic on cost pressures and levels of income together with the significant savings requirements to balance the 2020/21 budget. The main factors influencing the level of spend are discussed in detail in section 4.11 of the report.

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

2020/21 Forecast Outturn	Adur £000	Worthing £000
Over/(under)spend in operational services – including share from Joint	912	2,779
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2020/21, due to reprofiling of the capital programme.	(135)	(262)
Strategic Investment Property	450	467
Use of property void allowance	(200)	(250)
Section 31 - additional grant	(500)	(700)
Net over/(under) spend before Transfer to Reserves	527	2,034
Transfer to Business Rates Smoothing Reserve	500	700
Net over/(under) spend before Government funding support	1,027	2,734
Government Grant Funding	(899)	(1,452)
Income Guarantee Scheme	(182)	(920)
Forecast net over/(under) spend	(54)	362

4.5 The key factors underpinning the current financial position include:

- The financial impact of the Coronavirus pandemic, both additional cost pressures and reduced income levels, net of financial support from the government.
- An underspend in the Minimum Revenue Provision (MRP) and net interest budgets for Worthing Borough Council. The budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current years capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2021/22.
- Shortfall in commercial property income with the requirement to use the property void allowance to manage the pressure.

- Government section 31 grants received to compensate Councils for HM Treasury decisions relating to Business Rate reliefs. A number of additional reliefs have been introduced in 2020/21 to help businesses during the Covid-19 emergency. Although additional grants are paid in 2020/21 the impact of these decisions on business rates income will not hit the general fund until 2021/22. It will therefore be prudent to transfer these additional funds to the business rates smoothing reserve. The purpose of this reserve is to smooth the effect of the cash flow volatility within the Business Rates mechanism in future years.

Once the above items are taken into account, the operational position is a net overspend by services of £912k in Adur and £2.779m in Worthing. This projection demonstrates the pressure on the Councils finances as a result of Covid-19 and the need for funding support from the government.

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

Summary of 1st Quarter Budget Monitoring Report			
	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2019/20	24,004	7,582	13,995
Projected outturn	24,868	8,109	16,029
Projected Forecast over/ (underspend) before Government support packages or any transfer to reserves	864	527	2,034
Transfer to Reserves - s31 additional grant		500	700
MHCLG - Government Grant Funding (Actual)		(899)	(1,452)
MHCLG - Income guarantee funding (Estimated)		(182)	(920)
Projected Forecast over/ (underspend) after Government funding and proposed transfer to reserves	864	(54)	362

The Adur and Worthing projected forecasts in the table above include the respective share of the Joint Services projected overspend.

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

	Expenditure	Income	Net Total
Joint	£'000	£'000	£'000
Budget	29,173	(5,169)	24,004
Forecast	30,020	(5,152)	24,868
Projected Forecast (Under)/ Overspend	847	17	864
Forecast variance % before Government funding	2.90%	-0.33%	3.60%
Adur	£'000	£'000	£'000
Budget	35,477	(27,895)	7,582
Forecast	35,639	(27,875)	7,764
Authority Projected Forecast (Under)/ Overspend	162	20	182
Share of Joint (Under) / Overspend	339	7	345
Authority Projected Forecast (Under) / Overspend	501	26	527
Forecast variance % before Government funding	1.41%	-0.09%	6.95%
Worthing	£'000	£'000	£'000
Budget	64,802	(50,807)	13,995
Forecast	65,458	(49,947)	15,511
Authority Projected Forecast (Under)/Overspend	656	860	1,516
Share of Joint (Under) / Overspend	508	10	518
Authority Projected Forecast (Under)/ Overspend	1,164	870	2,034
Forecast variance % before Government funding	1.80%	-1.71%	14.53%

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

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

4.9 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2020/21, these services are:-

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

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

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

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

4.11.1 Car Parks

Car park income has been directly and significantly impacted by the Covid-19 pandemic and the imposed lockdown. This is more significant in Worthing where income was 85% below budget in the first 3 months of the year and the projected overall shortfall for 2020/21 estimated at £1.1m. In Adur the car parks have seen demand return at a faster pace due to their type and location, however in the first quarter the shortfall in income was £100,000 with an overall shortfall forecast of £250,000 against budget. The full year projections assume a gradual increase from July to October to full performance from November, this position will be monitored and estimates adjusted as we progress through the year.

Shortfalls in car park income will be covered by the income guarantee scheme. The Council will be compensated by 75% of loss over and above the first 5%. However there will still be a loss of an estimated £315,00 to be managed within the Worthing budget and £75,000 in Adur.

In addition, there is a shortfall in the budget for maintaining the parking ANPR equipment for the three MSCPs.

4.11.2 Housing Needs

In Worthing there has been a direct impact seen from Covid-19 with the caseload numbers being typically between 170 and 186 during the first quarter of the year, up from a figure of 133 in March with an associated overall additional net cost pressure of £219,000. The service may see another increase in caseload later in the Autumn when the current prohibition on evictions comes to an end, together with an increase in Domestic Abuse which has resulted in the commissioning of a temporary additional refuge by West Sussex County Council for use by all West Sussex Districts and Boroughs.

However, additional contingency of £100,000 had been built into the budget to address ongoing costs pressures, the Local Housing Allowance rate has increased since April 2020 and the Housing Service has successfully sourced cheaper temporary accommodation. Therefore the current prediction is that the costs can be partially mitigated within the existing budget with an overspend of £128,000 projected.

In Adur the service is projected to underspend the budget by £129,000. The combination of higher LHA rates, the sourcing of cheaper temporary accommodation and caseload figures remaining static, means the full budget may not be required, however the issues delayed possession proceedings may impact and reduce the current forecasted underspend.

Housing Management - Full Year forecast						
	2019/20			2020/21 - Full Year Projection		
	Budget for Year	Actual for Year	Variance for Year Over / (Under)	Budget for Year	Forecast for Year	Projected Variance for year Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	907	648	(259)	890	689	(200)
ETA rental income	(379)	(293)	86	(379)	(308)	70
Grant funding	(140)	(139)	1	(140)	(139)	1
	387	217	(170)	371	243	(129)
WORTHING						
ETA Expenditure	1,814	1,949	135	1,845	2,329	484
ETA rental income	(689)	(858)	(170)	(689)	(1,050)	(360)
Grant funding	(150)	(156)	(6)	(152)	(148)	4
	976	935	(41)	1,004	1,131	128
	1,363	1,151	(211)	1,376	1,374	(1)

Housing Management - Comparative Financial position at June						
	2019/20 Year to Date			2020/21 Year to Date		
	Budget to P3	Actual to P3	Variance to P3 Over / (Under)	Budget to P3	Actual to P3	Variance to P3 Over / (Under)
	£'000	£'000	£'000	£'000	£'000	£'000
ADUR						
ETA Expenditure	227	168	(59)	222	161	(61)
ETA rental income	(95)	(74)	20	(95)	(69)	26
Grant Funding	(140)	(139)	1	(140)	(139)	1
	(8)	(45)	(37)	(12)	(46)	(34)
WORTHING						
ETA Expenditure	453	471	18	461	652	191
ETA rental income	(172)	(207)	(35)	(172)	(293)	(121)
Grant Funding	(150)	(152)	(2)	(152)	(148)	4
	131	113	(19)	137	211	73
	123	67	(56)	125	163	39

The Council has been allocated a small amount of funding for homelessness issues, Adur £1,500 and Worthing £9,750 which are factored into these projections.

In addition to the above there is Homelessness Reduction Grant allocated to Adur £75,000 and Worthing £124,000. This is new burdens funding associated with the Homelessness Reduction Act. In Worthing this may be utilised to offset the current overspend.

Looking forward we expect increased pressure on housing as we see the impact of the end of furlough and we will need to work to mitigate this in the next quarter and beyond.

4.11.3 Environment - Waste and Recycling

Income for green waste has increased with an increase in demand during the first quarter, a probable explanation being that more people were at home during the lockdown period. Currently it is predicted that the refuse and recycling income will be £203,000 above budget. However, there are overspends anticipated of £111,000 which will partially offset this mainly related to repair and maintenance of vehicles, a particular pressure arises from warranty periods are due to expire. In addition there will be projected staff overspends of £147,000 which are included within the vacancy provision monitoring. There has been a need for agency staff to cover resource gaps resulting from self isolation and shielding during the pandemic.

Commercial Waste income has seen a drop in income due to the impact of Covid-19 on businesses and their demand for the service. Business has started to pick up again at the latter end of the first quarter but the service is likely to feel the legacy of the last few months, the prediction is a shortfall of £114,000 in Adur and £185,000 in Worthing. Disposal costs are currently projected to be under in both Adur and worthing by £31,000 and £71,000 respectively. In addition there are vehicle savings of £16,000 estimated. This is a demand led service and sensitive to changes in customer need, there has been, and continues to be, additional volatility due to the Covid-19 pandemic as businesses react to the changeable situation. The position will continue to be closely monitored.

4.11.4 Environment - Bereavement Services

The Bereavement Service is projecting to be on budget overall for 2020/21.

The crematorium income is above budget due to the increase in demand but this is offset by a shortfall in memorial income, which is due to the Coronavirus Act 2020 requiring cremation and burial authorities to focus solely on cremation and burial during the pandemic. Forecasts indicate that there will be £89,000 extra income from cremations due to increased demand during the year but the memorial income will be £127,000 below budget as a result of availability and statutory limitations due to Covid -19 and cost pressures for the media system of £26,000.

The crematorium has made a number of changes recently which include restructuring the pricing for direct cremations, effective from 11 May, which

ensures that Worthing Crematorium charges the same at an entry level with neighbouring crematoriums in the county and reduces the gap between the different subscription bands. In addition the time between services has been extended to allow for thorough cleaning between services during the pandemic. This has been a popular change with the length of the service remaining the same at 40 minutes and 20 minutes for cleaning, it also provides a buffer between services entering and exiting the chapels. Engineers have been engaged to progress the hard landscaping for the extension to the private garden, which will provide approximately 280 rockery plots, 412 burial capacity in ribbon gardens and 912 capacity in private gardens.

4.11.5 Environment - Parks and Open Spaces

The Parks service is forecast to have net additional income in both Adur £43,000 and Worthing £18,000 with additional income projected from allotments and recreation grounds receipts.

Within the Foreshores service there is a projected shortfall of income from beach huts and chalets in Adur £39,000 and Worthing £80,000 for 2020/21. This is due to a number of factors;

- the impact of Covid-19 - refunds have been issued to customers for periods where the units could not be utilised,
- unachieved budget reductions (Adur £18,000 and Worthing £13,000) which were based on an anticipated increase in the number of beach huts that have not yet been built.

4.11.6 Planning & Development

Current projections are that the 2020/21 budgets will be achieved in the Planning and Development service areas. Development Management is currently exceeding its budget estimate due to an increase in recent planning applications (particularly larger applications). It is worth noting that despite the increased workload, planning performance has increased by approximately 10% compared to the sametime last year.

The increase in Development Management income is due to increase further with a number of other major applications expected in the next few months and this will help address the current shortfall in Building Control and Land Charges. Building Control income is gradually increasing as more construction firms are mobilising.

4.11.7 Place and Economy

The Worthing Observation Wheel is now back and operational on Worthing seafront. The attraction's return was delayed due to the Coronavirus but it is now open for business and ready for customers during the summer period. However, the council has had discussions with the operator and agreed a lower payment for 2020/21 to reflect the reduced period of operation. The income shortfall is expected to be £50,000. Seasonal concessions, although couldn't operate during lockdown, have seen an increase in applications during the easing of conditions with income back to the same levels.

In Adur, income from bus shelter advertising and markets is currently projected to be £43,000 below budget. During the period of lockdown markets were not able to take place, and those that are now taking place include a reduced number of stalls to ensure the required social distancing measures are met. Due to trader interest the operation is being reviewed to establish whether a greater number of markets can operate in the next quarter to offset lost income during lockdown.

4.11.8 Major Projects and Investment

The Major Projects team has actively been working on a number of development sites and investments across the areas. The nature of these projects inevitably spans over a number of budget years and commissioning timetables vary according to projects' complexity and challenges that arise from market forces, public engagement, and viability issues. The effect of this is that projects have an uneven spend profile often with large amounts of money being paid over short time periods, currently it is anticipated that the expenditure within this area will be on budget.

Commercial property income has seen the impact of the Covid 19 pandemic with a forecast shortfall in income within Adur of £200,000 and Worthing £437,000. Current forecast assumptions indicate that any rental shortfalls can be managed initially through use of the in year budgeted void allowance (Adur £200,000, Worthing £250,000) and any further shortfall by use of the property void reserve. Of the strategic Investment Portfolio, Adur has seen one of its tenants announce they have gone into administration (this tenant makes up 2.6% of the total portfolio income) and work is under way to re-let this premises. In addition it is forecast that there will be costs associated with void periods including rates and costs of refurbishment prior to re-let.

In Worthing, whilst rent collection has performed well to date, the council owned retail premises on Montague Street continue to present a risk to

income. Of the five retail premises, two have closed through entering administration and one has re-opened having left administration. Work is underway to activate and occupy these spaces with new tenants, without prejudicing and wider regeneration plans for the Grafton Multi Storey Car Park.

Pressure across both portfolios is being felt on car parking investment assets leased to third party operators. This is not dissimilar to the councils own car parking income. Whilst no agreements have been reached, with the increase in parking demand and the ongoing active dialogue with the tenant's representative, officers are keeping the rent payment position under constant review in light of government guidance (The Code of Practice for the Commercial Property Sector) and the Coronavirus Act 2020

Across both councils a number of tenants have approached the Council requesting rent free periods and payment support. The Estates team are in dialogue with clients where possible and reviewing all the information available to form any decisions, supporting local businesses where possible with moves to monthly payments, lease regears that provide value to both parties deferred payments and where necessary rent holidays and waivers.

4.11.9 External Borrowing Costs, Investments and Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The calculation is based on the level of historic capital spend that has been financed from borrowing. Consequently, once the accounts have been closed and the calculation has been updated for the capital spend in 2019/20, there is certainty about the charge for the forthcoming year.

Worthing has an underspend on its MRP budget of £262k and Adur has an underspend of £135k due to the reprofiling to 2020/21 of a proportion of the 2019/20 Capital Programmes and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow.

Interest receivable from treasury investments will be below budget for both Councils due to the significantly lower than forecast rates available in the market. For Adur there is the additional loss due to the delayed capital receipt from the sale of the Civic Centre site in Shoreham. However the interest payable on borrowing will also be reduced, again due to the reprofiling of capital budgets. For Worthing there is a forecast net underspend of £121k and for Adur there is a forecast net overspend of £76k.

4.11.10 Revenues and Benefits

There has been a significant impact on court cost recovery income due to the Covid-19 pandemic with Courts not currently operating and recovery action suspended by the Councils. The estimated income shortfalls for Adur and Worthing is £75,000 and £225,000 respectively.

Overpayment income is also below budget in both councils with projected year end positions currently £20,000 in Adur and £68,000 in Worthing. The assumptions are based on activity to date but the position will continue to be monitored as the year progresses.

There were some additional system, staff and printing costs incurred to

- Implement and administer the changes in business rates and council tax reliefs announced by the government in response to the pandemic
- Respond to a significant increase in the volume of notifications received from the Department for Work & Pensions in relation to residents claiming Universal Credit, plus additional claims for Council Tax Support

There has been some Covid-19 Emergency funding to meet these pressures as mentioned in section 4.4 of this report.

4.11.11 Leisure Provision

In Adur, the leisure provider ACL have now gone into voluntary liquidation. The buildings are under the responsibility of the liquidator to secure any assets for the creditors and following this they will be returned to the Council to secure a temporary provision pending a full procurement exercise. The cost of mothballing the facilities (including staffing costs) is estimated at £30k per month, rising to £45k per month in 2021/22 once the temporary business rates reliefs are removed. In addition, we do not know whether or not we will have to subsidise the temporary provision of leisure activities. Overall we have allowed an additional cost of £0.5m in the current financial year and a further £0.2m in 2021/22. A report to Committee is planned for September to release the budgets for temporary closure and to chart the further steps required to reactivate the centres.

For Worthing Borough Council, the request from South Downs Leisure is for additional funding of £0.6m in this current year which includes additional support to enable the re-opening of the swimming pool. The key issue facing the Council is the unknown timeline for the current pandemic. If the

Social Distancing measures stay in place for the longer than expected or quarantine measures are reintroduced, then this would increase the subsidy required. A report is planned for September JSC to discuss future support for SDLT.

There is the possibility that the Government will step in to support Leisure Trusts via DCMS. Currently there is an inconsistency in the Government's approach. Those Councils who provide leisure directly will be covered by the income guarantee, whereas Councils who have chosen to outsource their leisure services will not receive the same level of support.

4.11.12 Business Rates

Additional net income is anticipated in relation to Business Rates S31 grants by Adur £500,000 and Worthing £700,000. The variance is due to the timing difference between when the budget was set and decisions made by Treasury in relation to reliefs where compensation is funded through section 31 funding. Additional reliefs have been awarded in 2020/21 following the expansion of the retail discount to include some previously excluded business categories, the government implemented these changes to support businesses in a year where the Covid-19 emergency has impacted on their ability to trade normally.

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

4.11.13 Pay Award

The pay award currently with the union for consultation is 2.75% which is an additional 0.75% above the increase built into the 2020/21 budget. This translates to an extra £198,000 cost pressure in the current year across the Councils.

4.12 Budget variations greater than £20,000

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

There are some expenditure items that are not identified until the year end that will impact on the final outturn. These items can have a positive or negative impact on the final position.

They include:-

- Movement in the estimate for doubtful debts
- A review of any amounts needed to be set aside for liabilities that are likely to occur in the future
- Changes in allocations of staff time to outside the General Fund

4.13 Cross Cutting Budgets

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

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

Utilities expenditure overall is currently forecast to be on budget. These areas of expenditure will continue to be monitored and the impact of any new contracts reviewed as the year progresses

A cost pressure has been identified in Worthing of £134,000 for business rates which relates to a number of buildings where there is insufficient budget, such as Cannon House, and legacy a budget that will not be achieved. The legacy credit budget was created a number of years ago ahead of the planned revaluation round by the Valuation Office, the actual valuations were higher than estimated. This will be resolved as part of the 2021/22 budget preparation.

4.14 Future Risks

Current forecast estimates assume gradual recovery of services, in most cases to normal levels by March 2021. Should there be any further periods of lockdown this will need to be factored into the assumptions and the forecasts re-modelled. The projection for the recovery of the leisure services provision is assumed to be at a slower rate beyond 2020/21.

Worthing Theatre and Museum depend to a large extent on the income generated from the annual pantomime. If the current restrictions relating to Coronavirus continue and it is not operational or financially viable for the

2020 pantomime to take place, it is anticipated that the trust will require support from Worthing Borough Council of £500,000.

The budget includes a vacancy target of £758,530 and there is a risk that this will not be met. Currently recruitment is being tightly controlled with director approval required for any new appointments, however current projections are that the target will not be met with pressures particularly in waste and Cleansing where agency staff continue to be required to fill resourcing gaps . The position will be monitored closely on a monthly basis.

4.15 Housing Revenue Account

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

4.15.2 The HRA is forecast to overspend against the budget for 2020/21 by £287,320 the main variances being a shortfall of rental income and repairs and maintenance expenditure. The approved budget includes the use of HRA reserves of £526,500 which is required to meet the cost pressures from rent limitation and maintenance and repair work required to the housing stock resulting from the condition survey.

5. Engagement and Communication

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

6. Financial Implications

6.1 At this early stage at the end of the first quarter of the revenue budgetary cycle, we can already see the financial impact the Coronavirus pandemic has had on the Councils. This is a changing situation and the assumptions used to forecast a full year performance will need to adapt as the monitoring cycle continues throughout 2020/21. Currently, operational overspends are anticipated in Adur District Council £912,000, and Worthing Borough Council £2,779,000, included within these projections is a forecast overspend within the Joint Committee of £864,000. The Government has recognised the pressure on Councils and has committed grant funding to help support, additionally the Councils are expected to benefit from the income guarantee compensation scheme. Nevertheless there is still a budget pressure that needs to be managed. Overall the projected outturn positions net of funding and reserve transfers is an underspend in Adur of £54,000 and an overspend in Worthing of £362,000.

7. Legal Implications

- 7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge.

Background Papers

Joint Overall Budget Estimates 2020/21

<https://democracy.adur-worthing.gov.uk/documents/g226/Public%20reports%20pack%2011th-Feb-2020%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

Adur District Council Budget Estimates 2020/21 and Setting of the 2020/21 Council Tax

<https://democracy.adur-worthing.gov.uk/documents/b4175/2020.02.20%20-%20Adur%20Council%20-%20Revenue%20Budget%202020-21%20complete%2020th-Feb-2020%2019.00%20Adur%20Council.pdf?T=9>

Worthing Overall Budget Estimates 2020/21 and Setting of 2020/21 Council Tax

<https://democracy.adur-worthing.gov.uk/documents/b4180/Supplementary%20WBC%20Budget%20Pack%2018th-Feb-2020%2018.30%20Worthing%20Council.pdf?T=9>

Financial Performance 2019/20 - Revenue Outturn

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Sustainability & Risk Assessment

- 1. Economic**
Matter considered and no issues identified

- 2. Social**
 - 2.1 Social Value**
Matter considered and no issues identified

 - 2.2 Equality Issues**
Matter considered and no issues identified

 - 2.3 Community Safety Issues (Section 17)**
Matter considered and no issues identified

 - 2.4 Human Rights Issues**
Matter considered and no issues identified

- 3. Environmental**
Matter considered and no issues identified

- 4. Governance**
Matter considered and no issues identified