



ADUR & WORTHING
COUNCILS

Key Decision: No

Ward(s) Affected: All

2nd Revenue Budget Monitoring Report (Q2)

Report by the Director for Digital, Sustainability & 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 September 2020, the forecast position will reflect the latest information available to ensure an up-to-date forecast is presented.

As at quarter 2, the current projection for the 2020/21 financial year are net operational budget overspends of £920,000 in Adur and £3,897,000 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 £376,000 in Adur and a net overspend in Worthing of £9,000 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
 - (b) Table of movements over £50,000 between Quarter 1 and 2

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).
- 2.2 The Joint Strategic Committee is asked to note the revised 2019/20 outturn position and use of reserves for Adur District Council and Worthing Borough Council against the approved 2019/20 revenue budgets as set out in section 6.3 of the report.

3. Context

- 3.1 Elsewhere on the agenda, the Joint Strategic Committee is considering the latest 5-year forecasts for 2020/21 to 2025/26.
- 3.2 This report outlines the financial context, and updates 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.

The scheme compensates local authorities for 75% of any losses in sales, fees and charges income over the first 5% of the associated budgets. Claims take the form of 3 online submissions in September, January and April, with the final one being a reconciliation payment. The first forms have now been submitted for the period April to July 2020 with payments received of £157,910 for Adur and £677,810 for Worthing. Based on current forecast losses it is estimated that total compensation funds of £390,000 for Adur and £2.1m for Worthing will be received for 2020/21, this does however directly correlate to level of losses and therefore the estimate may change as we progress through the year. This is more than was originally estimated, in quarter 1 the funding was predicted to be in the region of £182,000 and £920,000 but reflects the impact of the latest restrictions on our income streams and confirmation of the funding methodology.

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 |
| - Tranche 4 | 174,454 | 290,888 | 465,342 |
| New Burdens Funding | 130,000 | 130,000 | 260,000 |
| Income Guarantee Scheme | 390,000 | 2,100,000 | 2,490,000 |
| Total non specific funding | <u>1,463,294</u> | <u>3,842,945</u> | <u>5,306,239</u> |
| Specific - Within Service: | | | |
| Homelessness support | 1,500 | 9,750 | 11,250 |
| Re-opening High Streets Safely | 56,760 | 98,170 | 154,930 |
| Covid-19 Compliance and Enforcement | 29,140 | 49,825 | 78,965 |
| Total service specific funding | <u>87,400</u> | <u>157,745</u> | <u>245,145</u> |
| Total | <u>1,550,694</u> | <u>4,000,690</u> | <u>5,551,384</u> |

- 4.3 The forecast year end position is a net operational overspend by services, before general government Covid-19 related funding, of £919k in Adur and £3.897m 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 4.12 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 | Worthing |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-----------------|
| | £000 | £000 |
| Over/(under)spend in operational services – including share from Joint | 920 | 3,897 |
| 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 | 502 | 467 |
| Use of property void allowance | (200) | (250) |
| Section 31 - additional grant | (500) | (700) |
| Net over/(under) spend before Transfer to Reserves | 587 | 3,152 |
| Transfer to Business Rates Smoothing Reserve | 500 | 700 |
| Net over/(under) spend before Government funding support | 1,087 | 3,852 |
| Government Grant Funding | (1,073) | (1,743) |
| Income Guarantee Scheme | (390) | (2,100) |
| Forecast net over/(under) spend | (376) | 9 |

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 year's 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 and strategic 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 £920k in Adur and £3.897m 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 Q2 are as follows:

| Summary of 2nd Quarter Budget Monitoring Report | | | |
|---------------------------------------------------------------------------------------------------------|--------------|--------------|-----------------|
| | Joint | Adur | Worthing |
| | £000s | £000s | £000s |
| Original Budget 2019/20 | 24,004 | 7,582 | 13,995 |
| Projected outturn | 24,581 | 8,169 | 17,147 |
| Projected Forecast over/ (underspend) before Government support packages or any transfer to reserves | 577 | 587 | 3,152 |
| Transfer to Reserves - s31 additional grant | | 500 | 700 |
| MHCLG - Government Grant Funding (Actual) | | (1,073) | (1,743) |
| MHCLG - Income guarantee funding (Estimated) | | (390) | (2,100) |
| Projected Forecast over/ (underspend) after Government funding and proposed transfer to reserves | 577 | (376) | 9 |

4.7 Comparison to the Q2 forecast:

| | Joint | Adur | Worthing |
|--------------------------------------------------|--------------|--------------|-----------------|
| | £000s | £000s | £000s |
| Forecast Over/(under)spend Q2 | 577 | (376) | 9 |
| Forecast Over/(under)spend Q1 | 864 | (54) | 362 |
| Change from Q1 to Q2 (improvement)/deterioration | (288) | (322) | (353) |

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

considerable improvement in the outturn position in quarter 2 and this is largely in relation to the increase in the amount of funding expected from the government for compensation for losses on fees and charges scheme and towards general Covid 19 pressures. Other large movements from quarter 1 to quarter 2 within revenue budgets are highlighted in appendix 4b..

4.8 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 | 29,966 | (5,385) | 24,581 |
| Projected Forecast (Under)/ Overspend | 793 | (216) | 577 |
| Forecast variance % before Government funding | 2.72% | 4.18% | 2.40% |
| Adur | £'000 | £'000 | £'000 |
| Budget | 35,477 | (27,895) | 7,582 |
| Forecast | 35,781 | (27,842) | 7,939 |
| Authority Projected Forecast (Under)/ Overspend | 304 | 53 | 357 |
| Share of Joint (Under) / Overspend | 317 | (86) | 231 |
| Authority Projected Forecast (Under) / Overspend | 621 | (34) | 587 |
| Forecast variance % before Government funding | 1.75% | 0.12% | 7.75% |
| Worthing | £'000 | £'000 | £'000 |
| Budget | 64,802 | (50,807) | 13,995 |
| Forecast | 65,793 | (48,993) | 16,801 |
| Authority Projected Forecast (Under)/Overspend | 991 | 1,815 | 2,806 |
| Share of Joint (Under) / Overspend | 476 | (130) | 346 |
| Authority Projected Forecast (Under)/ Overspend | 1,467 | 1,685 | 3,152 |
| Forecast variance % before Government funding | 2.26% | -3.32% | 22.52% |

4.9 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;

4.10 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
- Bereavement Services
- Commercial income from Property
- Homelessness
- Commercial Waste
- Development Control
- Cross cutting services including maintenance and utilities

4.11 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.

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

4.12.1 Car Parks

Car park income has been directly and significantly impacted by the Covid-19 pandemic and the imposed lockdown during April and May. At quarter 1 income shortfall from car parking was forecast to be £217,000 in Adur and £1,149,000 in Worthing. This was based on the assumption that there would be a gradual increase in demand as the Covid 19 restrictions eased, returning to 'normal' usage by November. However, new restriction announcements from the government advising remote working where possible will have a negative impact on the worker deal income in Worthing, the impact is estimated to be in the region of an additional shortfall of £22,000 per month if current levels are maintained at around 44%. Overall the footfall in Worthing is around the level that was forecast at quarter 1,

however following the introduction of a second national lockdown from 6th November to 3rd December it is inevitable that demand will not increase at the level previously expected. Forecast assumptions have been updated to assume that demand levels follow a similar pattern to those experienced during the first 6 months of the year. The projection is that demand will fall in November to the level experienced in April and then gradually increase to levels comparable to September (70%) by March. This approach will hopefully reflect the impact of the second lockdown followed by a period where restrictions will be eased locally.

In Adur actual activity has exceeded the estimate to date with demand at 93% in September against the assumed 75%. However, as with Worthing the assumption is that the usage levels fall to those levels seen in April during November, gradually returning to the current level of 93% by February and March.

Forecasts will continue to be reviewed and amended as we move through the year and more actual data is available. The revised shortfall predictions are a shortfall in Adur of £214,000 and a less favourable shortfall of £1,900,000 for Worthing. 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 £450,000 to be managed within the Worthing budget and £50,000 in Adur.

Overall, the net parking overspend against budgets including both income and expenditure items is £184,000 in Adur and £1.98m in Worthing.

4.12.2 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. In the second quarter caseload numbers did start to reduce to an average of 161 in September, however it is anticipated that the service may see another increase in caseload when both the current prohibition on evictions and furlough schemes come 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. Furthermore, a successful bid for the Next Steps Accommodation Programme has secured £234,423 of funding for sustained accommodation for those at risk of rough sleeping and accommodated due to Covid-19.

In Adur the service is projected to underspend. The combination of higher LHA rates, the sourcing of cheaper temporary accommodation and the average caseload figures marginally decreasing, means the full budget may not be required, however the issues around delayed possession proceedings may impact and reduce the current forecasted underspend.

The Councils have been allocated a small amount of funding for homelessness issues, Adur £1,500 and Worthing £9,750 which are factored into the outturn projections.

In addition 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 any overspend.

| | Adur | Worthing |
|-------------------------------------------------------------------------------------------------|-------------|-----------------|
| | £000 | £000 |
| Homelessness - Emergency and temporary accommodation costs - budget pressure/(underspend) | (330) | 873 |
| Local Housing Allowance Income - budget shortfall/(excess) | 141 | (501) |
| Next Steps Accommodation Programme Funding | (27) | (234) |
| Emergency Funding - Homelessness | (2) | (10) |
| PSL budget Over/(underspend) | - | (25) |
| MHCLG Homelessness Reduction Grant (New Burdens associated with the Homelessness Reduction Act) | (75) | (124) |
| Net over/(under)spend forecast against budget | (293) | (21) |

Overall the budget for Housing Needs is forecast to be underspent in Adur by £293,000 and Worthing by £21,000.

4.12.3 Environment - Waste and Recycling

Income for green waste has increased with an increase in demand during the first 6 months of the year, a probable explanation being that more people were at home during the lockdown period combined with a robust promotional campaign for the service and easier availability via new digital customer self-service. Currently it is predicted that the refuse and recycling income will be £195,000 above budget. However, there are overspends anticipated of £123,000 which will partially offset this mainly related to repair and maintenance of vehicles, a particular pressure arising from warranty periods are due to expire. In addition there will be projected staff

overspends of £240,000 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. The Cleansing service is projecting an overall overspend of £52,000.

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 in the second quarter but the service is likely to feel the legacy of the period of lockdown and the impact of ongoing restrictions. The prediction is a shortfall of £80,000 in Adur and £206,000 in Worthing. Disposal and equipment costs are currently projected to be under in both Adur and Worthing by £35,000 and £82,000 respectively. In addition there are cost pressures of £24,000 estimated, £12,000 relating to the vehicles. 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.

4.12.4 Environment - Bereavement Services

The Bereavement Service is projecting to be overspent against budget in 2020/2, £28,000 in Adur and £29,000 in Worthing.

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 £40,000 extra income from cremations due to increased demand during the year, £27,000 additional tribute income but this will be offset by a shortfall in memorial income of £49,000 as a result of availability and statutory limitations due to Covid -19. There are cost pressures of £41,000 including the investment in the media system of £24,000. There have also been additional staff costs that are included within the vacancy provision figures, these relate to extra resources resulting from Covid -19 pressures and the need to increase capacity.

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.

In Adur the cemeteries are projected to overspend by £28,000, a combination of a shortfall in income from burials and additional cost pressures. In Worthing the cemeteries performance is projected to be broadly on budget.

4.12.5 Environment - Parks and Open Spaces

The Parks service is forecast to have net additional income in Adur of £77,000, This includes revenue from allotments and recreation grounds and landowner consent receipts of £32,000 for the laying of electricity cables this is offset in part by some expenditure overspends. Worthing income is on budget.

Within the Foreshores service there is a projected shortfall of income from beach huts and chalets in Adur £14,000 and Worthing £58,000 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, £6,000 Adur and £51,000 Worthing,
- unachieved budget reductions (Adur £18,000 and Worthing £13,000) which were based on an anticipated increase in the number of beach huts that has not yet been realised.
- There has been additional license fees that offset these losses of £12,000 in Adur and £8,000 in Worthing.

Overall the net projection for Parks and Foreshores including expenditure is an underspend in Adur £46,000 and an overspend in Worthing £56,000.

4.12.6 Planning & Development

Current projections are that the 2020/21 budgets will not be achieved in the Planning and Development service areas overall. Development Management is projected to exceed the budget by an estimated £40,000 in Adur and £30,000 in Worthing 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 by the end of the financial year. This will offset the projected shortfalls in Building Control and Land Charges which total £106,000 in Adur and £125,000 in Worthing. The service areas have been impacted by a slow down in activity as a result of Covid-19 however Building Control income is gradually increasing as more construction firms are mobilising.

4.12.7 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 over budget by £35,000 due to staff costs that were expected to be met from capital that will need to be funded from revenue.

Commercial and strategic property income has seen the impact of the Covid 19 pandemic with a forecast shortfall in income within Adur of £252,000 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 this administration, void periods including rates and costs of refurbishment prior to re-let that are expected to be £250,000 and £30,000 in Adur and Worthing respectively.

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, three 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 council's 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.

The potential uncertainty to revenue as a result of Covid-19 impact remains the highest risk to this income as businesses struggle to meaningfully plan for their operations, the risk of future business insolvencies and fundamental shift in various sectors, including office and retail.

4.12.8 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 £227k and for Adur there is a forecast net overspend of £39k.

4.12.9 Revenues and Benefits

There has been a significant impact on court cost recovery income due to the Covid-19 pandemic with Courts not operating during the second quarter and recovery action suspended by the Councils. The estimated income shortfalls for Adur and Worthing is £110,000 and £423,000 respectively, with an offset within Adur where financials associated with the subsidy activity is anticipated to exceed the net budget.

Overpayment income is also below budget in both councils with projected year end positions currently £144,000 in Adur and £371,000 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:

- Continue to administer the changes in business rates reliefs announced by the government in response to the pandemic
- Respond to an increase in the volume of claims for Council Tax Support
- Award up to £150 discretionary Council Tax Support to working-age customers
- Introduce a new scheme that, subject to certain qualifying criteria, provides £500 support payments to residents who are required to self isolate through the government Track and Trace system. The scheme runs until 31 January 2021 and seeks to encourage residents to adhere to self-isolation requirements

There has been some Covid-19 Emergency funding to meet these pressures as mentioned in section 4.4 of this report, and local authorities have been advised that the government will reimburse the cost of setting up the new track and trace payment system, the amount is still to be confirmed.

4.12.10 Leisure Provision

As reported in September the leisure provider for Adur, ACL declared insolvency in July 2020. Since that time the Council has been working hard to position itself able to award a shorter term service contract (5 years) to South Down Leisure Trust. An update report was taken to the Joint Strategic Committee on 3rd November which informed members that overall costs have been identified of £717,870 in 2020/21, which exceeds the original budget for leisure provision of £135,000. The Joint Strategic committee has approved the release of additional budget to be funded from the emergency grant provided by the government.

In Worthing the Council is providing financial support to provider South Downs Leisure. The additional funding package amounts to £572,000 for the 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, the second lockdown period and the probability of Social Distancing measures thereafter staying in place for the longer than expected may increase the level of subsidy required.

The government has announced that £100m has been made available nationally for local authority leisure provision. The details of the scheme and the allocations are still to be announced but we know that the Department for Digital, Culture, Media and Sport is working closely with Sport England and the Ministry of Housing, Communities and Local Government in its design. Any funding will help the Councils in their support for leisure provision locally.

4.12.11 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.

4.12.12 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.

4.13 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

4.14 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 higher than budget. Water costs in Adur are expected to be £25,000 over budget and this is mainly in allotments, parks and public conveniences. Energy expenditure in Adur is projected to be marginally overspent, the main site being Commerce Way, with the overspend in Worthing estimated to be £23,000 over various sites including the Town Hall and Portland House.

These areas of expenditure will continue to be monitored and the impact of any new contracts reviewed as the year progresses

Rates

A cost pressure has been identified in Worthing of £97,000 for business rates which relates to a number of buildings. Currently the Council is funding the rates on Cannon House whilst it is being refurbished and relet and once occupied these will cease to be the responsibility of the Councils. The legacy 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.

Maintenance

Budgets are under pressure with an estimated overall overspend in both Adur and Worthing for 2020/21 of £68,000 and £208,000 respectively.

In Worthing there has been works required at the Splashpoint site which include replacement of 7 expensive glass panels due to vandalism at a cost of an estimated £40,000 and the required replacement of the Building Management System. The current system (Trend IQ3) was installed when the leisure centre was built has since been superseded, it is now classed as obsolete by the supplier and therefore no longer supported. Recent problems have identified that the existing system has become unstable and can no longer be used to identify issues as they occur, replacement to the Trend IQ4 system will cost £13,000. In addition, work has been carried out on Parade lighting with a number of replacements required as a result of issues identified during lighting checks. The additional cremations carried out in excess of the maintenance contract will increase the amount payable by an additional £25,000 in the year.

In Adur it is expected that the maintenance costs will exceed budgets for reactive expenditure on the Council sites including Commerce Way, Shoreham Community Centre, Ropetackle Centre and the Public Toilets. Maintenance budgets have regularly been insufficient for the demand for required works. This is being addressed with an increase factored into the 2020/21 budget of £25k Adur and £50k Worthing and a further increase for the same added to the medium term financial plan for 2021/22.

4.15 Future Risks

Current forecast outturn positions include assumptions based on current information. These are reviewed and updated regularly but there is a risk, particularly during this volatile period both locally and nationally, that these assumptions are inaccurate. These are unprecedented times and it is difficult to anticipate trends in performance with any firm degree of certainty.

Worthing Theatre and Museum trust have been very proactive during the pandemic, still providing a cultural offer where possible whilst adhering the restrictions and social distancing guidelines. They have actively sought out opportunities to apply for external support funding and have been successful in their claim to the Art Recovery Fund with an allocated sum of £239k. However, if the pandemic continues into the new year the Council may be required to consider the provision of additional financial support.

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 resulting from both the pay award and Covid -19 resourcing requirements. During the pandemic there has been the need for both extra agency staff and hours from employees to cover additional duties and to fill resource gaps created by the need for self isolation by some staff. The position will continue to be monitored closely on a monthly basis.

5. Housing Revenue Account

- 5.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 3.
- 5.2 The HRA is forecast to overspend against the budget for 2020/21 by £266,982, the main variances being a shortfall of rental income and an increase in 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.

6. 2019/20 Revised outturn position and Use of Reserves

- 6.1 During the period of the audit it was identified that, due to a misposting of transactions relating to the 2018/19 business rates levy payments and transitional relief reconciliation grant, there was an overestimation of the level of business rate retention income receivable for 2019/20. The adjustments have had an impact on the final 2019/20 outturn position in both Adur and Worthing.
- 6.2 The transactions should have offset outstanding assets and liabilities on the councils balance sheets but were instead charged to revenue. The required amendments have been done and the revised 2019/20 outturn positions after the additional transfer out from the Business Rate Smoothing Reserve are underspends in Adur £613,424 and Worthing £982,248.

6.3 The resulting change in the 2019/20 outturn and movement in reserves is:

| | Adur | Worthing |
|---------------------------------------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Outturn underspend as reported to JSC committee July 2020 | (1,259,099) | (1,144,334) |
| Add: Levy payment adjustment | 475,076 | 465,157 |
| Add: Business Rates Transitional Relief Reconciliation Receipt/(Payment) | 250,599 | (106,071) |
| Less: Additional transfer from Business Rates Smoothing Reserve | (80,000) | (197,000) |
| Revised 2019/20 outturn - after transfer from Business Rates Smoothing Reserve | (613,424) | (982,248) |

Additional Use of Reserves in 2019/20:

| | Transfer (in)/out as at July Outturn | Additional Transfer out | Total Transfer (in)/out of Reserves 2019/20 |
|----------------------------------|--------------------------------------|-------------------------|---------------------------------------------|
| | £ | £ | £ |
| <u>Adur</u> | | | |
| Business Rates Smoothing Reserve | 291,000 | 80,000 | 371,000 |
| General Fund working balance | (1,259,099) | 645,875 | (613,224) |
| <u>Worthing</u> | | | |
| Business Rates Smoothing Reserve | 271,000 | 197,000 | 468,000 |
| General Fund working balance | (1,144,334) | 162,086 | (982,248) |

The final reserves closing balances at 31 March 2020 after these adjustments are:

| Usable General Fund Revenue Reserves | Adur £'000 | Worthing £'000 |
|---------------------------------------------|-----------------------|---------------------------|
| Capacity Issues Fund | 337 | 1,361 |
| Insurance | 153 | 248 |
| Joint Health Promotion | - | 1 |
| Leisure Lottery & Other Partnerships | 0 | 28 |
| Grants & Contributions | 623 | 806 |
| Museum Reserve | - | 106 |
| Business Rates Smoothing Reserve | 31 | 437 |
| Theatres Capital Maintenance Reserve | - | 109 |
| Property Investment Risk | 100 | 200 |
| Special & Other Emergency Expenditure | 60 | 3 |
| Election Reserve | 8 | - |
| Total Earmarked Reserves | 1,312 | 3,299 |
| General Fund Working Balance | 952 | 1,543 |
| Total General Fund Revenue Reserves | 2,264 | 4,871 |

The revised outturn positions are closely comparable to the estimated 2019/20 underspend positions reported at quarter 3 of £887,000 in Adur and £1.1m in Worthing.

7. Engagement and Communication

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

8. Financial Implications

8.1 At this mid point of the financial year, we can see the significant impact the pandemic is having on the Council finances. It is a changing situation and the assumptions used to forecast a full year performance will continue to be reviewed and adapted as the monitoring cycle continues throughout 2020/21. Currently, operational overspends are anticipated in Adur District Council £920,000, and Worthing Borough Council £3,897,000, included within these projections is a forecast overspend within the Joint Committee of £577,000.

8.2 The Government has recognised the pressure on Councils and has committed funding through grants and support schemes to help support, additionally the Councils will benefit from the income guarantee compensation scheme. Nevertheless there is still a budget pressure that needs to be managed.

8.3 Overall the projected outturn positions net of funding and reserve transfers is an underspend in Adur of £376,000 and an overspend in Worthing of £9,000.

9. Legal Implications

9.1 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

<https://democracy.adur-worthing.gov.uk/documents/g1484/Public%20reports%20pack%2007th-Jul-2020%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

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Sustainability & Risk Assessment

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

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

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

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

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

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

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

SUMMARY - 2ND QUARTER PROJECTED OUTTURN 2020/21

APPENDIX 1a

| Actual Previous year 2019/20 | ADUR CABINET MEMBER PORTFOLIOS | Original Estimate 2020/21 | Current Estimate 2020/21 | Projected Outturn to 31st March 2021 | Forecast Over/ (Under) |
|------------------------------|--------------------------------------------------------------------------|---------------------------|--------------------------|--------------------------------------|------------------------|
| 2,474,696 | CM for Environment | 2,555,220 | 2,555,220 | 3,348,102 | 792,882 |
| 1,218,545 | CM for Health & Wellbeing | 1,274,720 | 1,288,710 | 1,366,710 | 78,000 |
| 1,442,175 | CM for Customer Services | 1,443,050 | 1,443,050 | 1,288,050 | (155,000) |
| 677,922 | Leader | 638,050 | 638,050 | 588,050 | (50,000) |
| 1,803,786 | CM for Regeneration | 1,734,060 | 1,734,060 | 2,102,060 | 368,000 |
| 795,344 | CM for Resources | (118,450) | (51,720) | (363,120) | (311,400) |
| 0 | Holding Accounts | 55,670 | 55,670 | 55,670 | 0 |
| 8,412,468 | Total Cabinet Member | 7,582,320 | 7,663,040 | 8,385,522 | 722,482 |
| (1,401,117) | Credit Back Depreciation | (1,326,600) | (1,326,600) | (1,326,600) | 0 |
| 1,391,306 | Minimum Revenue Provision | 2,356,630 | 2,356,630 | 2,221,630 | (135,000) |
| (525,336) | Non ring fenced grants | 0 | 0 | 0 | 0 |
| 7,877,321 | | 8,612,350 | 8,693,070 | 9,280,552 | 587,482 |
| 0 | Government Grant funding | 0 | 0 | (1,463,294) | (1,463,294) |
| | Transfer to/from reserves | | | | |
| 0 | Contribution to/(from reserves) | 0 | 0 | 500,000 | 500,000 |
| (477,561) | Transfer from reserves to fund specific expenditure (inc carry forwards) | 0 | (80,720) | (80,720) | - |
| 1,078,490 | General Fund Working balance | 0 | 0 | 0 | 0 |
| 180,609 | Net Underspend/(Overspend) | 0 | 0 | 375,812 | 375,812 |
| | Recommended For Transfer To/ (From) Reserves | | | | |
| 8,658,859 | Total Budget requirement before External Support from Government | 8,612,350 | 8,612,350 | 8,612,350 | 0 |

|  ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS | Opening Balance 2020/21 | Estimated Transfers Out 2020/21 | Estimated Transfers In 2020/21 | Projected Closing Balance 2020/21 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------------|
| | £ | £ | £ | £ |
| Capacity Issues Reserve including approved Carry Forward budgets Friends of Shoreham Fort (JSC 6 May 2014) New Salts Farm Lancing (JSC/047/20-21 8 September 2020) Adur carry forwards from 2019/20 underspends, agreed Joint Strategic Committee 7th July, 2020 Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC) Budgeted contribution (to)/from revenue Balance | 337,445 | (10,000) (40,000) (80,700) (25,500) | - | 181,245 |
| Insurance Fund | 153,344 | (30,250) | 30,700 | 153,794 |
| Business Rates Smoothing Reserve | 30,735 | | | 30,735 |
| Grants and Contributions held in Reserves | 622,769 | | | 622,769 |
| Election Reserve | 7,880 | | | 7,880 |
| Special and Other Emergency Reserve | 60,254 | | | 60,254 |
| Property Investment Risk Reserve | 100,000 | | | 100,000 |
| Projected Underspend/(Overspend) (Reserve to be identified at outturn) | | | 375,812 | 375,812 |
| General Fund Reserve | 951,497 | - | - | 951,497 |
| TOTALS | 2,263,924 | (186,450) | 406,512 | 2,483,986 |

SUMMARY - 2ND QUARTER PROJECTED OUTTURN 2020/21

APPENDIX 2a

| Actual Previous year 2019/20 | WORTHING CABINET MEMBER PORTFOLIOS | Original Estimate 2020/21 | Current Estimate 2020/21 | Projected Outturn to 31st March 2021 | Forecast Over/ (Under) |
|---------------------------------------|--------------------------------------------------------------------------|---------------------------------|--------------------------------|-----------------------------------------------|------------------------------|
| 3,736,134 | CM for Digital & Environment | 3,020,850 | 3,020,850 | 3,823,850 | 803,000 |
| 1,739,403 | CM for Health & Wellbeing | 1,729,360 | 1,729,360 | 1,729,360 | 0 |
| 5,406,394 | CM for Customer Services | 5,266,890 | 5,266,890 | 5,934,890 | 668,000 |
| 770,406 | Leader | 810,290 | 810,290 | 735,290 | (75,000) |
| 2,885,345 | CM for Regeneration | 2,050,920 | 2,160,920 | 4,569,768 | 2,408,848 |
| 859,966 | CM for Resources | 727,290 | 774,790 | 383,690 | (391,100) |
| - | Holding Accounts | 389,570 | 389,570 | 389,570 | 0 |
| 15,397,648 | Total Cabinet Member | 13,995,170 | 14,152,670 | 17,566,418 | 3,413,748 |
| (3,638,521) | Credit Back Depreciation | (3,195,320) | (3,195,320) | (3,195,320) | 0 |
| 1,456,805 | Minimum Revenue Provision | 2,472,600 | 2,472,600 | 2,210,600 | (262,000) |
| (395,355) | Non ring fenced grants | 0 | 0 | 0 | 0 |
| 12,820,577 | | 13,272,450 | 13,429,950 | 16,581,698 | 3,151,748 |
| 0 | Government Grant funding | 0 | 0 | (3,842,945) | (3,842,945) |
| | Transfer to/from reserves | | | | |
| 0 | Contribution to/(from reserves) | 86,250 | 86,250 | 786,250 | 700,000 |
| (260,900) | Transfer from reserves to fund specific expenditure (inc carry forwards) | 0 | (157,500) | (157,500) | 0 |
| 836,843 | General Fund Working balance | 0 | 0 | 0 | 0 |
| 307,491 | Net Underspend/(Overspend) | 0 | 0 | (8,803) | (8,803) |
| | Recommended For Transfer To/(From) Reserves | | | | |
| 13,704,011 | Total Budget requirement before External Support from Government | 13,358,700 | 13,358,700 | 13,358,700 | - |

|  WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS | Opening Balance 2020/21 | Estimated Transfers Out 2020/21 | Estimated Transfers In 2020/21 | Projected Closing Balance 2020/21 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------|
| | £ | £ | £ | £ |
| Capacity Issues Reserve including approved Carry Forward budgets Marketing/legal costs re disposal of High St & Civic Centre car park sites (28/02/12 JSC/094/11-12) up to £50k each Funding for Decoy Farm survey (22/7/14 JSC/031/14-15) Development of Natural Burial Area (5 March 2019 JSC/105/18-19) Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC) Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21) Worthing carry forwards from 2019/20 underspends, agreed Joint Strategic Committee 7th July, 2020 Budgeted contribution (to)/from revenue Balance | 1,361,700 | (40,560) (108,404) (100,000) (59,500) (246,000) (157,500) | - | 649,736 |
| Insurance Reserve | 247,687 | (30,250) | 26,250 | 243,687 |
| Joint Health Promotion Reserve | 1,485 | | | 1,485 |
| Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre | 27,766 | | | 27,766 |
| Museum reserve | 106,396 | | | 106,396 |
| Theatres Capital Maintenance Reserve | 108,733 | | | 108,733 |
| Special and Other Emergency Reserve | 3,053 | | | 3,053 |
| Business Rates Smoothing Reserve | 436,515 | | | 436,515 |
| Property Investment Risk Reserve | 200,000 | | | 200,000 |
| Grants & Contributions | 805,648 | | | 805,648 |
| Capital Expenditure Reserve | 29,658 | (29,658) | | 0 |
| Projected Underspend/ (Overspend) (Reserve to be identified at outturn). | | (8,803) | | (8,803) |
| General Fund Working Balance | 1,543,373 | | | 1,543,373 |
| TOTAL | 4,872,014 | (780,675) | 26,250 | 4,117,589 |

HOUSING REVENUE ACCOUNT SUMMARY

Appendix 3

| | ORIGINAL BUDGET | YTD ACTUALS | FORECAST ACTUALS | FORECAST VARIANCE |
|---------------------------------------------------------------------|---------------------|--------------------|---------------------|----------------------|
| | £ | £ | £ | £ |
| EXPENDITURE | | | | |
| General Management | 4,285,500 | 382,442 | 4,211,761 | (73,739) |
| Special Services | 685,670 | 74,533 | 656,340 | (29,330) |
| Rent, Rates, Taxes & Other Charges | 32,320 | 1,597 | 65,908 | 33,588 |
| Repairs & Maintenance | 2,693,680 | 597,180 | 2,769,983 | 76,303 |
| Bad/Doubtful Debt | 50,000 | 0 | 100,000 | 50,000 |
| Capital Financing Costs | | | | |
| Depreciation and Revenue Contribution to Capital | 4,102,190 | 0 | 4,102,190 | 0 |
| Interest charges | 2,228,460 | (100,246) | 2,200,260 | (28,200) |
| TOTAL EXPENDITURE | 14,077,820 | 955,506 | 14,106,442 | 28,622 |
| INCOME | | | | |
| Dwelling Rents | (12,163,820) | (2,761,551) | (12,013,459) | 150,361 |
| Non-Dwelling Rents | (591,380) | (151,152) | (569,369) | 22,011 |
| Heating and Other Service Charges | (512,710) | (123,308) | (535,446) | (22,736) |
| Leaseholder's Service Charges | (255,410) | (12,650) | (169,686) | 85,724 |
| Interest Received | (28,000) | 0 | (25,000) | 3,000 |
| TOTAL INCOME | (13,551,320) | (3,048,661) | (13,312,960) | 238,360 |
| NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE | 526,500 | (2,093,155) | 793,482 | 266,982 |

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under)/ over spend | Worthing £000s (under)/ over spend | Description of Significant Variations |
|-------------------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director of Communities | | | | |
| Env Health - Housing | - | - | (60) | Home Improvement Assistance fee income expected to exceed budget WBC (£36k), Civil penalty notices and HMO licences in excess of budget (£24) |
| Housing Needs | - | (218) | 103 | Adur: homeless caseload decreased from 43 households at end June down to 37 at end September, combination of higher LHA rates and the sourcing of cheaper accommodation means that the additional budget that was built into the budgets in 2019/20 is not expected to be required. Worthing: Covid-19 has had large impact on Worthing caseload, homeless households increased from 157 end June up to 166 end September. However success in sourcing accommodation at a relatively affordable nightly rate has meant that much of the additional costs are almost covered by the rent charge. In addition there is a £25k underspend projected within PSL budget. |
| Housing Needs Grant | - | (75) | (124) | MHCLG Homelessness Reduction Grant in respect of New Burdens associated with the Homelessness Reduction Act. Funding will be carried forward to 2021/22 if not spent in year (£75k Adur, £124k WBC). |
| Parks & Foreshore | - | (46) | 56 | Adur - includes income associated with landowners consent for laying electricity cables £32k. There is additional income related to allotments and parks that £32k which is partly offset by a shortfall in beach hut income. Worthing - includes a shortfall in income from beach huts. Beach Hut income has been impacted in 20/21 by the Coronavirus pandemic where refunds have been issued for the period of lockdown during April and May. |
| Environmental Services (Waste) | 31 | (40) | (11) | Although vehicle repair costs continues to be monitored, the budget is currently not sufficient with costs expected to rise due to age of fleet and warranty ending. There has also been an increase pressure on the costs within the cleansing teams due to the increase numbers of visitors to the beach. |
| Commercial Waste | 24 | 45 | 124 | Disposal costs are underspend due to COVID and the associated fall in demand, Worthing £82.3k & Adur £27k plus there is a projected £8k underspend on equipment. Within the Joint service there is a projected overspend on vehicles and on other supplies & services £19.1k. Shortfall in trade waste income estimated due to COVID, Worthing £206k, Adur £80k |
| Bereavement Services (Cemeteries) | - | 28 | 6 | Adur - shortfall in income £20k plus some overspend in supplied and services expenditure. Worthing - Expenditure on equipment has been required where there is no budget, including grave shoring related to Covid-19, HAVS monitoring equipment and defibrillators. This is partly offset by income in excess of budget. |
| Bereavement Services (Crematorium) | - | - | 23 | Overspends in expenditure budgets of £41k include costs associated with security and the new media system. This has been partly offset by some additional income from cremations and tributes. There is a shortfall in memorial income as the Coronavirus Act limits work to funeral services only. |
| | 55 | (306) | 117 | |
| Director of Digital and Resources | | | | |
| Elections | - | (50) | (75) | Elections were due to be held for both Adur & Worthing Councils on 7 May 2020. Due to the pandemic, all scheduled elections have been postponed until 6 May 2021. |
| Parking Services | - | 184 | 1,980 | The maintenance for the parking ANPR equipment for the three MSCPs is overspending, the contract expires September 2021. There is low usage across the surface car parks and multi-storey car parks due to COVID. Companies have cancelled their season tickets which is impacting on the income. Teville Gate has very low usage, this will improve once HMRC leases the site. Offset by a slight decrease in monthly costs from NSL. |

| Service Area | Joint £000s (under)/over spend | Adur £000s (under)/over spend | Worthing £000s (under)/over spend | Description of Significant Variations |
|-------------------------------------------------------|--------------------------------|-------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenues | - | (6) | 378 | Due to the COVID-19 situation there is already an increase in Live CTS caseloads. Every time a CTS claim is adjusted a Council Tax adjustment notice is produced so it is highly likely that the print & postage budgets will be over-spent. Recovery action is currently suspended and therefore no Court costs are being raised; the Courts are also not currently operating. It is therefore highly likely that Court costs income for 2020/21 will be below the income achieved for 2019/20. |
| Benefits | - | 144 | 371 | Due to Covid-19 it is highly likely that the print & postage budgets will be overspent but offset by underspends in other areas. The estimate for Overpayments income has seen a downturn of £300k due to COVID19 as there is an increase in non recoverable write offs for Worthing. There is also a shortfall projected in Adur £150k. |
| Finance | 41 | (9) | 36 | Worthing: Various savings in Miscellaneous expenses to budget with a 50K insurance excess fee that is over budget. |
| Business Rates - S31 Grant | - | (500) | (700) | Additional grant compensation for additional business rate reliefs. |
| Finance:Treasury Interest | | 39 | (227) | Adur is forecast to overspend - interest receivable is estimated to under achieve by £205k due to the reduction in interest rates and the delay to the capital receipt for the sale of the Civic Centre site. Net interest for Worthing is projected to be favourable - interest receivable will be below budget by £64k due to the significant reduction in interest rates. Both income shortfalls are offset by a reduction in the estimated interest payable on borrowing due to the re-profiling of the capital program for both authorities (Adur £166k and Worthing £291k). |
| Finance:Treasury MRP | - | (135) | (262) | MRP: Adur £135k and Worthing £262k both forecast underspends due to changing profiles within the capital programme. |
| | 41 | (333) | 1,501 | |
| Director of the Economy | | | | |
| Major Projects and Investment (Estates) | - | 302 | 217 | Impact of COVID 19 for Investment properties that have now become vacant, this includes Montague Street in Worthing and the Luton complex Uxbridge in Adur. To manage and offset the shortfall in income during the year the budgeted transfer to the void reserves in both ADC and WBC will not be possible. There are also associated costs for rates and refurbishment of these properties. |
| Planning and Development (Building Control) | - | 71 | 90 | Loss of income due to impact of Covid-19. The Section is, however, seeing an increase in applications and with the number of applications going through the planning process at the moment the Service is hoping to recoup some of the losses unless further lockdown measures affect the construction industry. |
| Planning and Development (Development Control) | - | (40) | (30) | Income for the first part of the year was better than expected. This underspend should be sustained as long as expected major developments materialise before the end of the financial year |
| Planning and Development (Land Charges) | - | 35 | 35 | Covid has had a major impact on the first six months of the year but there is also a lot more activity in the housing market and income is increasing in Land Charges. The extent to which the shortfall can be expected at year end will largely depend on the longer term economic effects of Covid and whether the second wave over the winter period results in further reduction of income. |
| Business & Facilities | (25) | - | - | Additional cost pressure due to Covid -19 emergency including security costs, PPE and food bank offset against underspends mainly in equipment budgets. |
| Emergency Planning | 195 | | | COVID 19 related expenditure which will be funded from the government emergency funding. |
| Admin Buildings | 63 | - | - | Net overspend on rates and other non pay under and over spends. Shortfall in income from rental payments and staff car parking during to COVID19. |

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under)/ over spend | Worthing £000s (under)/ over spend | Description of Significant Variations |
|-------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leisure | - | 600 | 572 | ADC: ACL ceased operating in Adur due to COVID 19 and liquidators were called in. There has been progress on reopening with SDL as a provider, but this will require additional support from the Council. WBC: Impact of support package to SDL - income shortfall from non payment of service fee (2 years) and Grounds maintenance charges and £38k p/m support costs for the operating of the pool at Splashpoint to end of March 2021. |
| | 233 | 968 | 884 | |
| Cross Cutting services | | | | |
| Maintenance | - | 68 | 208 | Adur During quarter 2 most of our buildings and contractors have reopened following closure during quarter 1 due to Covid-19 Government restrictions. This has meant that the maintenance and servicing works that we would usually expect during quarter 1 has also taken place during quarter 2. There will be some costs with sites previously run by Adur Community Leisure during the interim handover period. Worthing As with Adur, many of the buildings have been and in some cases still are closed. These closures have meant that some maintenance works were delayed until quarter 2. In Addition, costs have occurred at Splashpoint following the failure of the chillers (£21k) and the vandalism of 7 windows (Estimated cost £35k). There are continuing pressures on the budgets as usual for which an increased budget is being built into the maintenance budget over a number of years. |
| Vacancy Provision | 272 | (28) | - | Vacancy provision not currently meeting target but following request to delay some recruitment due to COVID 19 pressures this may improve during the year. |
| Corporate Budgets | 198 | - | - | Cost impact of the agreed 2.75% pay award (0.75% above the budgeted pay inflation). |
| Water | 13 | 25 | (1) | Water costs are overspent in Adur and Joint (Public conveniences, allotments and in recreational grounds). |
| Energy Costs | | 10 | 23 | Commerce way overspend on electricity by 6k but Townhall and Portland house currently under by 13.6K and 8.2K respectively due to Covid reduced use. Various large variances in Worthing Electricity |
| Rates | (14) | (15) | 97 | Small variances between Adur and Joint, Worthing: £48K overspend associated with cannon house (investment with no budget in place) plus other small variances. |
| Other | (222) | (32) | (23) | Joint : Wellbeing Grant |
| | 248 | 28 | 304 | |
| Allocation of Joint Variance | | 231 | 346 | Share of joint services allocated 40:60 to Councils |
| Total Variance | 577 | 587 | 3,152 | |

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under)/ over spend | Worthi ng £000s (under)/ over spend | Description of Significant Variations |
|------------------------------------------------|---------------------------------------------|--------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director of Communities | | | | |
| Housing Needs | - | (89) | (25) | The homelessness caseload has decreased since quarter 1, this together with an increase in the LHA rates and the success in sourcing accommodation at more affordable nightly rates has resulted in an improvement to the overspend/underspend against the budget for both Adur and Worthing. |
| Environmental Services (Waste) | 136 | (27) | (7) | The vehicle repair costs have increased due to age of fleet and the end of the warranty period. Additional visitors numbers to the beach during the summer have resulted in extra cost pressure on the cleansing teams. |
| Director of Digital and Resources | | | | |
| Parking Services | - | (33) | 831 | Decrease in projected income as a result of the impact of lower parking park footfall. Demand has reduced due to COVID19 - periods of lockdown and a change in worker and general customer behaviour. |
| Digital & ICT | (189) | - | - | Forecast is now expected to be on budget as any additional costs to maintain systems not yet migrated to the cloud are now forecast to be absorbed within the existing budget. |
| Revenues | - | (101) | 55 | Due to the COVID-19 situation there is an increase in Live Council Tax Support caseloads. Recovery action is currently suspended due to the Courts being closed. |
| Benefits | - | 103 | 371 | Overpayments income has seen a downturn due to COVID19 and is continuing to do so along with decisions on writing off debt is also impacting. |
| Finance | (37) | 85 | 13 | Joint: The previously forecast costs are now to be absorbed within existing budgets. Adur: Includes an overspend of £46k on pension costs and £27k on exit costs. Worthing: This includes a £50k insurance excess pressure together with service cost underspends. |
| Finance: Treasury Interest | - | 115 | (106) | Adur: The continued decline in interest rates plus budgeted sales receipt costs now not expected have impacted on the swing in Adur's forecast. Worthing: Net interest reduction. Interest. Drop. Decrease in income receivable is offset by the fall in interest payable on borrowing due to the re-profiling of the capital program. |
| Director of the Economy | | | | |
| Major Projects and Investment (Estates) | - | 52 | - | Due to the ongoing pandemic, this has reduced the expected income from rental income along with increased costs of business rates for empty properties. |

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under)/ over spend | Worthing £000s (under)/ over spend | Description of Significant Variations |
|----------------------------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Place and Economy (Economic Development) | - | (43) | (50) | Increased income in concessions will offset loss of income from Markets, the Worthing Observation Wheel & Bus Shelter advertising. |
| Planning and Development (Building Control) | - | 71 | 90 | Loss of income due to impact of Covid-19 now being felt. |
| Business & Facilities | (165) | - | - | Reduction in expected cost pressure due to Covid -19 emergency due to offsetting projected underspends (mainly within equipment budgets). |
| Emergency Planning | 195 | - | - | COVID 19 spend - this will be covered by New Burdens funding. |
| Leisure | - | 50 | (22) | Increased ongoing support required from the Council for the closing of the Leisure facilities due to the pandemic. |
| Cross Cutting services | | | | |
| Maintenance | - | 68 | 208 | Adur - Maintenance and servicing works that we would usually expect during quarter 1 has also taken place during quarter 2 therefore not saving any cost during the lockdown period, plus expected costs with sites previously run by Adur Community Leisure during the interim handover period. Worthing Additional costs have occurred at Splashpoint following the failure of the chillers (£21k) and the vandalism of 7 windows (Estimated cost £40k) together with the need to replace the building management system (£13k). The Lido Substructure budget will over spend due to additional structural surveys (£26k) and additional cremations in excess of the maintenance contract leading to an extra £25k cost pressure. |
| Other | (272) | (45) | (19) | Joint : Estimated additional wellbeing grants |
| Total Variance | (288) | 471 | 2,978 | |