



Key Decision [No]

Ward(s) Affected: All

Budget Estimates 2021/22 and Setting of the 2021/22 Council Tax

Report by the Director for Digital, Sustainability & Resources

Executive Summary

1. Purpose

1.1 This report is the final budget report of the year, the culmination of the annual budgeting exercise, and asks members to consider:

- The final revenue estimates for 2021/22 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2021/22, prior to its submission to the Council for approval on the 23rd February 2021. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget by the Executive.

1.2 The report outlines the medium term financial challenge through to 2025/26, discusses the impact that the pandemic is having on our finances over the next year, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic property investment. This has been updated to include the latest information regarding the impact of the pandemic on the Council financial position. The current budget strategy is having a significant effect on how the Council will be funded in the future with increasing income generated from commercial income and rents. Following the delay to the fairer funding review, the challenge still remains significant for 2022/23, however the delivery of the budget strategy will ensure that this is met.

1.3 These budgets reflect the Councils' ambitions set out in *Platforms for our Places: Going Further*, and agreed savings proposals contributing to

the financial sustainability of the Councils. The report also updates members about the impact of the draft 2021/22 settlement.

1.4 The major points raised within the report include:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for 2022/23 and beyond (see section 4.2);
- Creation of a Covid 19 contingency budget from resources provided by Government to fund both covid related risks and any associated recovery actions throughout 2021/22;
- Highlights the proposed funding for initiatives to support the Councils' ambitions set out in *Platforms for our Places: Going Further* and *And Then*;
- Details the proposals to invest in services outlined in Appendix 2;
- The Executive will need to consider whether to increase Council Tax by 2.0% or by a lower amount (paragraph 5.10.6).

1.5 The budget is analysed by Executive Member portfolio. In addition, the draft estimates for 2021/22 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.6 The Police and Crime Commissioner (PCC) has already been informed that the referendum criteria for this year is an increase of £15.00 per Band D property which would be equivalent to an increase of 7.5%. The proposed 2021/22 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 28th January 2021. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 15th February 2021 at which point the Commissioner will be in a position to confirm the Council Tax for 2021/22 just in time for Council on the 23rd February 2021.

1.7 The draft Local Government Settlement allows Councils to increase core Council Tax by up to 2%. Those Councils with responsibility for Adult Social Care can increase Council Tax by up to a further 3% over the next two years. Therefore a maximum Council Tax increase of 5% for Councils with social care responsibilities is allowed for 2021/22.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 12th February 2021. The formal detailed resolution setting the overall Council Tax for next year will be presented

direct to the Council Meeting on 23rd February 2021.

1.9 The following appendices have been attached to this report:

- (i) **Appendix 1** 5 year forecast for Worthing Borough Council
- (ii) **Appendix 2** Proposals for investment in services
- (iii) **Appendix 3** Estimated Reserves
- (iv) **Appendix 4** Council Tax base for 2021/22
- (v) **Appendix 5** Summary of Executive Member Portfolio budgets for 2021/22

2. Recommendations

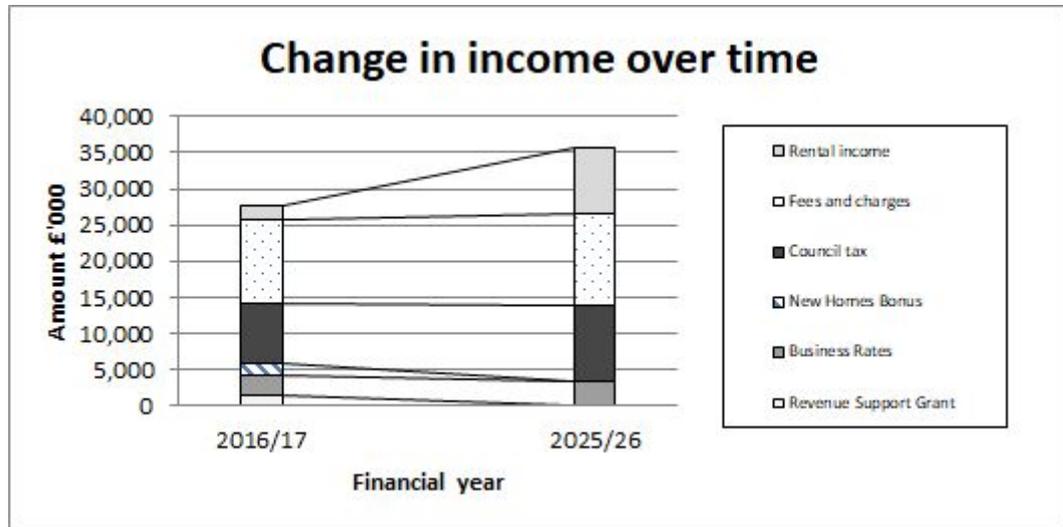
2.1 The Executive is recommended to:

- (a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;
- (b) Agree to recommend to Council the draft budgets for 2021/22 at Appendix 5 as submitted in Executive Member Portfolio order, and the transfer to Reserves leading to a net budget requirement of £14,447,780 which includes provision for the proposals in Appendix 2, subject to any amendments agreed above; and
- (c) Consider which Band D Council Tax to recommend to Council for Worthing Borough Council's requirements in 2021/22 as set out in paragraph 5.10
- (d) Approve the Council Tax base of 39,131 for 2021/22 as set out in paragraph 12.3.

3. INTRODUCTION

- 3.1 The Joint Strategic Committee considered the report 'Impact of Covid 19 on the Council's finances - Update on the current financial performance and developing a revenue budget for 2021/22' on 7th July 2020. This report outlined the current financial context, the key budget pressures and the budget strategy for Adur and Worthing Councils. The report built on the strategy first proposed in 2015/16 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 and business rates.
- 3.2 To address the known pressures and to realise its ambitions set out in *Platforms for our Places*, the Councils have set-up several strategic programmes delivering new income and savings for the next 5 years:
- The Major Projects programme will lead on delivering regeneration projects to increase employment space and additional housing;
 - The Service Redesign programme leads on the delivery of the Digital Strategy and ensure that the benefits are realised from this programme of work;
 - The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Investment Fund;
 - The Commercial programme develops initiatives to promote income growth from commercial services and seeks to improve the customer experience; and
 - The Affordable Homes Working Group leads on initiatives to improve the supply of affordable homes and to reduce the cost of temporary and emergency accommodation.
 - The Corporate Landlord programme which seeks to rationalise accommodation use and generate capital receipts from the sale of surplus assets and thereby reducing the costs associated with funding priority projects identified in *Platforms for our Place: Going Further*.
- 3.3 The successful delivery of our strategy fundamentally changes how the Council is funded while pursuing transformational approaches to how we

deliver services and work with our partners. The Council is moving increasingly away from government funding towards funding from the local community via Council Tax, and will become increasingly reliant on income from commercial activities over time. Between 2016/17 and 2025/26 income from locally controlled sources (including Council Tax) is expected to increase from £21.9m to £32.2m, whilst at the same time income controlled by central government (including a share of business rates) will reduce from £5.7m to £3.3m.



3.4 The subsequent report to the Joint Strategic Committee, on 1st December 2020 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – December forecast	1,333	2,865	3,644	4,346	5,026
Savings identified in December 2020	-1,291	-2,106	-3,193	-4,053	-4,913
Revised budget shortfall/ Surplus(-) as at December 2020	42	759	751	293	113

3.5 The 2021/22 savings proposals identified within the report amounted to £1,291,000.

3.6 Since the meeting in December, the Worthing Borough Council budget has been finalised and the last adjustments have been included subject to the

final considerations about the level of Council Tax and any proposals to reinvest back into services. Overall, therefore, the current financial position of the Council for 2021/22 can be summarised as:

	£'000
Original 2021/22 budget shortfall	1,971
<i>Changes to income from grants and taxation:</i>	
(a) Improvements to the income from Council Tax	-15
(b) Impact of current Council Tax Collection Fund deficits	-19
(c) Changes to business rate forecast	
- Updated assessment of deficit net of use of the business rate smoothing reserve	-192
- Other changes	1
<i>Other changes:</i>	
(d) Reduction in the cost of the temporary and emergency accommodation	-420
(e) Adjustment to pension budgets following the Pension Fund triennial review.	7
(f) Investment income - reduction in interest rates	18
(g) Reprofiling of capital programme	-96
(h) Funding for leisure provision to allow for the impact Covid 19.	-102
(i) Net committed growth items identified by Service Heads approved in December	270
(j) Removal of contingency budget for committed growth	-90
Revised Budget Shortfall as at 1st December 2020	1,333
<i>Impact of Settlement</i>	
Final change to business rate income following confirmation of the tariff and new multiplier	10
One off funding:	
New Homes Bonus	-118
Lower Tier Grant	-203
Council Tax losses compensation scheme (spread over three years)	-55
Additional homelessness grants	-86
<i>Covid 19 funding:</i>	
Covid 19 grant	-550
Council Tax support grant	-133
Budget deficit following settlement	198

	£'000
Budget Surplus following settlement	198
<i>Adjustment for final items identified</i>	
Final assessment of Council Tax base and the deficit for 2021/22	22
Covid Contingency budget	647
Council Tax Support - measures to support vulnerable residents.	133
Provision for increased homeless demand	86
Increased costs associated with floral displays	40
Review of energy budgets following retender exercise	6
Removal of contingency for new service investment proposals	-100
Revised Budget shortfall	1,033
Less: Net savings agreed in December adjusted for the final confirmation of savings and the assessment of deliverability.	-1,149
Budget surplus based on a 2% Council Tax increase (before any further action is agreed)	-117

3. 2021/22 LOCAL GOVERNMENT FINANCE SETTLEMENT

4.1 The government published the provisional local government finance settlement for 2021-22 on 17th December 2020 via a written statement. Consultation on the provisional settlement closed on the 16th January 2021.

4.2 As part of this settlement, the Secretary of State announced further details on the Covid funding package for 2021/22, including:

- Details of the allocations for £1.55 billion of unringfenced grant;
- Details of the £670 million local council tax support grant;
- The extension of the sales, fees and charges income support scheme to June 2021; and
- A local tax income guarantee for 2020/2021

4.3 Key features of settlement included:

- ***Council Tax referendum criteria.***

District councils can increase Band D by the higher of 2% or £5. A 2% council tax referendum limit was confirmed for all authorities with responsibility for Adult Social Care (ASC) with an additional 3% ASC precept which can be spread over 2021/22 and 2022/23. The Police and Crime Commissioner can increase council tax by up to £15.

- ***Revenue support grant and baseline funding***

The Council will receive no Revenue Support Grant in 2021/22. Since 2016/17 the Council has seen Revenue Support Grant fall by £1.4m and has received no grant since 2019/20.

Whereas baseline funding (minimum amount of retained business rates) has frozen this year in line with the business rate multiplier at £2,692,550.

However, councils will be compensated for the impact of freezing of business rates via grants and the net overall impact of this change is a marginal loss of £10,000 in business rate income.

- ***Local Council Tax Support grant (£670m nationally)***

This is a new grant outside core settlement which will fund authorities for the expected increase in local council tax support payments resulting from the current pandemic in 2021-22. The Council has flexibility about how this can be used, although MHCLG are encouraging Councils to review their Local Council Tax Support schemes (LCTS) in the light of this funding. It has been set aside to support initiatives to support vulnerable residents. Worthing Borough Council will receive £132,980 .

- ***Lower tier services grant (£111m nationally)***

This is a new grant which is broadly distributed on the basis of need but also includes an element that ensures “no council – either upper or lower tier – will have less funding available in 2021-22 than 2020-21”. The Council will receive £202,840.

- ***New Homes Bonus***

New Homes Bonus (NHB) will continue for another year but the government very clearly intends to phase out the current scheme by 2023-24. For 2021-22, there is no change in the operation of the scheme: the scheme works in the same way and applies the same

threshold (0.4%). The threshold means that NHB payments will only be made on an increase in the council tax base that exceeds 0.4%.

NHB allocations of £622m will be made nationally. This is a one off allocation in 2021-22 and the Council will receive an additional grant of £118,120.

However given the transitional nature of this payment, it is not proposed to use it to balance the budget. Instead it is proposed that this grant will be set aside as part of the new Covid contingency budget discussed below.

Overall the Council is expected to use the following amounts in NHB to support the budget over the next few years.

	2020/21	2021/22	2022/23	2023/24 Onwards
	£'000	£'000	£'000	£'000
NHB used to support the budget				
Historic allocations	456	222	0	0
2019/20 allocation	68	68	68	0
2021/22 allocation	0	118	0	0
Total NHB used to support the budget	524	408	68	0
One off payment in 2020/21 used to fund projects.	437	0	0	0
Total New Homes Bonus	961	408	68	0

However, the sector as a whole needs more certainty about the future of NHB. A consultation paper is promised for Spring 2021, and it is really important that this timetable does not slip again so that we have certainty about the future to enable the Council to plan effectively.

- **£1.55bn COVID funding** was announced for 2021/22 in recognition of the on-going financial risk and pressures that all Councils are currently managing. The Council will receive £549,590. In addition the Government also announced that it would underwrite 75% of any losses in fees and charges in the first quarter of the financial year.

- **Local tax income guarantee for 2020-21**

The government intends to compensate Councils for any in-year losses in either Council Tax or Business Rates in 2020-21. This scheme will run in parallel to the requirement for billing authorities to spread the in-year 2020-21 collection fund deficit over 3 years.

Given that these losses are being funded over a three year period by the precepting bodies, this grant will be used over the same period to ensure that these losses are offset in the year in which the Council will need to fund them.

- There is further funding for **Rough Sleepers**, £750m in total next year, a 60% increase on previous spending review. The Council will benefit from an additional grant of £86,000.

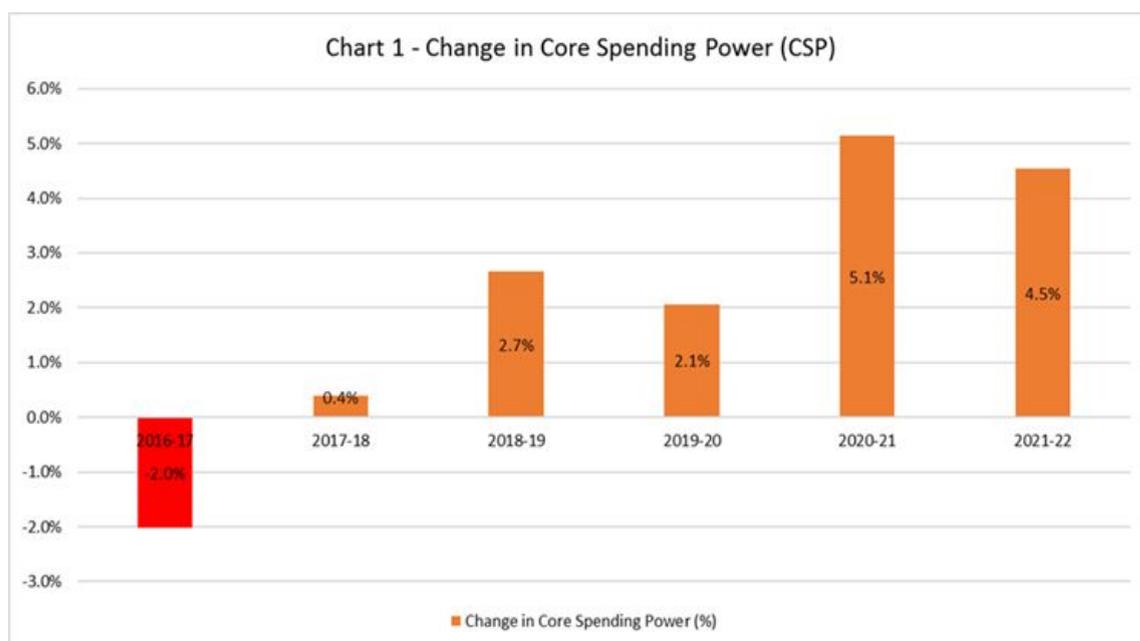
4.4 **Changes to local government funding in 2022/23 and beyond:**

The Fairer Funding Review and the changes to the Business Rate Retention Scheme have now been delayed until 2022/23 at the earliest. However, the announcement of any significant changes in local government funding will have to wait until either the Budget (expected on 3rd March 2021) or the Spending Review 2021 (which will follow in the Summer).

Looking further into the future, the Government is undertaking a fundamental review of business rates. The Government will respond to the consultation in the Spring, and this could result in changes in the operation of business rates and (potentially) to more radical reform which in turn may influence the future shape of the business rate retention scheme.

4.4 **Summary of 2021/22 Local Government Settlement**

- 4.4.1 In overall terms, the 2021/22 settlement revealed that core spending power (council tax, business rates, and government grant) has increased by 4.5%, whilst this is lower than 2020/21, it is still higher than any other year for more than a decade. However it should be noted that 87% of the increase in CSP is from council tax increases, and is accompanied by relatively low increases in grant funding.



4.4.2 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 14th January 2021 with final settlement expected in February.

4.4.3 There were few significant changes at this late stage in previous years. If there are any significant changes arising from the final information members will be briefed before Council.

4.5 **Update on current Business Rate Retention Scheme**

4.5.1 The business rate retention scheme has now been in place for several years. There are two key features which members are reminded of:

- 1) There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be 7.5% of Baseline Funding which is equivalent to a maximum fall in income below the baseline funding level of £201,940.
- 2) A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over its share of the business rate target.

For each additional £100,000 raised the Council will keep the following amounts:

	Share of additional income	Additional Levy paid to treasury	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
Borough Council	40	20	20
	100	25	25

4.5.2 The forecast for 2021/22 is currently being finalised. The 2021/22 NNDR return which underpins this forecast is due to be submitted by the 31st January 2021 and any substantial changes resulting from the final assessment of the business rate income will be managed through the business rate smoothing reserve which has been set up for this purpose.

4.5.3 The Collection Fund will have a significant deficit at the end of the current year, largely due to the additional Covid 19 (£15.3m) and other reliefs granted in the year. Overall the position is likely to be a deficit of £19.5m which will be recovered over three years as follows:

	2021/22 £	2022/23 £	2023/24 £
Worthing Borough Council	6,812,710	334,930	334,920
West Sussex County Council	2,557,250	83,730	83,740
Government	8,515,880	418,660	418,660
Total recovered	17,885,840	837,320	837,320

The Council will have received compensation in 2020/21 for the additional reliefs granted. This will be placed in the Business Rate Smoothing Reserve at the end of 2020/21 to be drawn down in 2021/22 to fund any losses. The Council currently expects to place £6.3m in the reserve at the year end. In addition, the Government has committed to funding 75% of other assessed

in year losses as part of the local tax guarantee scheme. Consequently the losses will be funded as follows:

Funded by:	2021/22	2022/23	2023/24
	£	£	£
S31 grants received in 2020/21 and placed in the business smoothing reserve	6,316,540	0	0
Income guarantee scheme	251,200	251,200	251,200
Business rate smoothing reserve	244,970	83,730	83,720
	<u>6,812,710</u>	<u>334,930</u>	<u>334,920</u>

4.5.4 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures especially in light of the Government's commitment to return all of business rates to Local Government. Members will be aware that there are several schemes progressing which will create employment space. Examples include: Union Place, Grafton, and Teville Gate.

4.5.5 Finally, it should be appreciated that there are still a number of risks associated with the business rate forecast:

- There has recently been an interim ruling on Material Changes in Circumstance (MCC) appeals. These appeals have been made by businesses affected by the COVID restrictions. The VOA has emailed local authorities to "assure" them that "as yet no decisions have been taken on reductions to rateable values as a result of the pandemic". It has been reported in the press that the VOA had awarded a 25% reduction in valuations as an interim judgement. This might not be far off an average reduction but it will vary by business type and area, depending on the impact of national and local restrictions. When reductions in valuations are confirmed by the VOA, 75% should be funded by the Tax Income Guarantee Scheme in 2020-21.
- It is difficult to establish the number of appeals which are likely to come forward. There is no time limit on when an appeal might be lodged. However to date far fewer appeals have been received following the 2017 revaluation following the introduction of the new 'Check, Challenge, and Appeal' process by the VOA.

- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.
- Conversion of office blocks and retail space into accommodation will result in a permanent loss of income however, this will be mitigated to some extent by the additional Council Tax generated once the conversion is completed.

4.5.6 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year. The Council will fully provide for any known backdated business rates appeals at the 2020/21 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve. For 2020/21 the losses are partially underwritten by the Local Tax Guarantee Scheme.

4.6 **Long term implications of current government policy**

4.6.1 The financing of local government has continued to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on the delivery of homes (Council Tax) and the creation of employment space (Business Rate Retention Scheme). However, the proposed Fairer Funding Review and associated review of the Business Rate retention scheme will reset the position in the short term as business income will be re-distributed on the basis of need.

The income from Council Tax forms an increasingly significant proportion of the Council's overall taxation income over the next 5 years and the decision regarding the annual increase has a greater strategic importance for both the current year and future years as well.

Breakdown of taxation income to the Council:

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	9,493	9,690	9,883	10,122	10,397	10,648
Business Rates **	3,342	3,409	3,119	3,180	3,239	3,307
New Homes Bonus	524	408	68	0	0	0
Total funding from taxation***	13,359	13,507	13,070	13,302	13,636	13,955

- * Includes any surplus or deficit on the collection fund
- ** Includes the surplus or deficit on the collection fund and any levy account payment
- ** Excludes one off funding related to Covid 19.

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Council Tax	71.06%	71.74%	75.62%	76.09%	76.25%	76.30%
Business Rates	25.02%	25.24%	23.86%	23.91%	23.75%	23.70%
New Homes Bonus	3.92%	3.02%	0.52%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

5.0 DRAFT REVENUE ESTIMATES 2021/22

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £14,447,780. This includes the savings and committed growth proposals agreed at Joint Strategic Committee in December.

5.2 *Impact of the pandemic on the Council's budgets:*

5.2.1 As part of settlement the Council received a number of one-off grants particularly in relation to the pandemic. These include:

	£'000
Covid 19 funding	550
Lower Tier grant	203
New Homes Bonus	118
One-off grants	871

5.2.2 The pandemic will continue to impact on the Councils finances throughout 2021/22. Where these impacts have been able to be quantified, provision has been included in the draft budget. Nevertheless, depending on the speed of the roll out of the vaccination and the impact of any further spread of the illness, the rate at which income recovers is difficult to quantify. Risk areas relating to the pandemic include:

- Fees and charges income, particularly in relation to car parks. During the first quarter of 2020/21, the Council lost approximately £932,000 in

income. The Government has committed to providing 75% funding for any lost income in the first quarter of the new financial year. However any losses incurred after this time will have to be funded by the Council.

- The cost of leisure provision. The recently negotiated contract has been based on our venues opening up in January and income gradually improving over the forthcoming year. The council has already committed to providing further financial support of £198,000 in 2021/22. However, if there is an extended lockdown, the Council may have to provide further financial support to the operator.
- Impact on homelessness caseload. The Council has recently seen an upswing in cases. This has been a cost pressure throughout 2020/21 and the budgets have been increased for 2021/22 to support the service further, nevertheless there remains a risk that costs may increase further.
- Additional staffing costs. At the moment there are a number of front line staff in key services such as refuse collection who have to self isolate. Given the nature of these services, agency staff are being used to ensure that these vital services continue to be delivered. Cover costs are likely to be in the region of £20,000 per month of which Worthing will be responsible for £12,000.
- Impact on rental income from commercial tenants - Whilst the Council has been successful in collecting rent (particularly on our Strategic Investments which currently stands at 93%), the pandemic will inevitably impact on our tenants who may seek support through rental holidays, reductions or deferrals.

5.2.3 In light of these risks, a significant proportion of these one-off resources have been set aside into a Covid 19 contingency budget (£647,000) which will also be available to support initiatives for economic recovery with the remainder supporting the overall budget. This budget will fall under the Leaders portfolio to be released following the presentation of a report to either the Leader or the Joint Strategic Committee.

5.2.4 In addition to the Covid 19 contingency budget, the council has also centralised the provisions for pay awards (Adur £196,249 and Worthing £300,090). This is in response to the Chancellor's desire to see pay restraint in the public sector with no increase for those earning over £24,000 as announced in the Comprehensive Spending Review in November 2020. However, the Government has no formal role in the decisions regarding the annual local government pay increases which are developed through negotiations with the trade unions. The Government cannot automatically impose a pay freeze in local government unless it uses a legislative route to do so. Nevertheless the announcement will influence the pay negotiation. The Council had originally budgeted for a 2% pay award prior to the Chancellor's announcement, consequently this has been held back pending

the outcome of the pay negotiations and will provide the council's with a further contingency budget to help manage the current risks.

5.3 *Delivering the Council's priorities:*

5.3.1 The budget is fundamental to realising the Council's ambitions set out in 'Platforms for our Places : Going further 2020-2023' and in 'And Then'. The budget enables the Council's role to lead and work with partners to develop our communities and our economies. Attached at Appendix 2 are some proposals for investment back into services to deliver the outcomes committed to in Platforms for our Places for member consideration.

5.3.2 The budget includes specific funding for the commitments outlined in Platforms for our Places. Examples include:

5.3.3 Prosperous places

The Council recognises the importance of ongoing investment in our places to ensure that they remain vibrant locations for social, economic and culture hubs for our communities. Budgets have been created to facilitate the delivery of major projects to enable the development of Adur's town centres and provide for additional employment land.

There is also investment through the capital programme, investing in facilities to improve the local economy.

5.3.4 Thriving People and Communities

The Council continues to see an increase in demand for our Housing Service, in particular from those who are experiencing homelessness. The Council has made funding available for new investments to acquire Council-owned temporary and emergency accommodation to improve the accommodation offered to clients and reduce the costs for the Council.

The Councils are also aware of the importance of our communities to have active lives and enjoy our parks and open spaces. Funding is proposed to improve parks and play areas throughout the area to promote health and wellbeing of our communities through the capital programme.

5.3.3 Tackling Climate Change and Supporting our Natural Environment

In July 2019 the Councils declared a climate emergency and have developed a comprehensive Carbon Reduction Plan, outlining a set of ambitious and detailed actions designed to make the Councils carbon neutral by 2030.

Alongside the organisational work, the Councils have developed an area wide framework called SustainableAW which was published in December 2019. This was followed by a major community-led conference Zero2030 and a Climate Assembly process which provided a representative forum for

residents over six one day sessions to engage with the climate and ecology challenge, creating ideas for action.

As part of the 2021/22 budget there are proposals to invest in this area of the business, building capacity to take this agenda forward (see appendix 2).

5.3.4 **Good Services and New Solutions**

Much of the Medium-Term Financial Strategy is underpinned by new approaches to how we design and deliver our services, and develop our commercial activities and investment portfolios. These approaches are not only designed to improve the financial sustainability of the Councils, but also the services that our communities, clients and customers experience. We will continue to invest in service improvement, using research and design methods to understand what needs to change in our services, working with staff to drive a customer first ethos and using our digital platforms to deliver simple, efficient digital service channels.

- 5.4 The final budget will be dependent on Members consideration of the non-committed growth proposals, and the Council Tax increase that Members are prepared to support.
- 5.5 The key question of how the net budget requirement of £14.448m translates into the Council Tax charge can now be determined as the proposed details of the Local Government Finance Settlement have been received. Any final changes arising from settlement will be dealt with through the reserves. However, if there is a significant reduction in government resources, in-year action will be needed to reduce the final impact on the reserves.
- 5.6 Details of all of the main changes in the base budget from 2020/21 to 2021/22 are at Appendix 1. A breakdown of each Executive Member's summary budget is attached in Appendix 5. The changes can be summarised briefly as follows:

	£'000	£'000
2020/21 Original Estimate		13,359
Add: General Pay and Price Increases		468
Add: Committed and Unavoidable Growth:		
Cost pressure relating to Covid 19	364	
One-off Covid 19 budgets funded by one-off government grants	780	
Impact of delivering Platforms	349	
Other committed growth	377	
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	1,870	
Reduced income due to Covid 19	458	
Impact of Capital Investment and Development Programme	-436	1,892
Less: Compensatory savings and additional Income:		
Compensatory savings	-153	
Additional income	-86	-239
2021/22 budget prior to agreed savings		15,480
Less: Savings agreed by members		
Approved in December	-1,149	-1,149
Executive Member requirements		14,331
Potential contribution to reserves / amount available to invest in services (see Appendix 2)*		117
Potential budget requirement before external support		14,448
Collection fund deficit		-9
2021/22 BUDGET REQUIREMENT		14,439
* The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the proposals to invest in services at Appendix 2 and the Council Tax increase.		

5.7 The estimates reflect the Council's share of the Joint Strategic Committee budget. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year for any significant changes.

Further details can be provided by request from Emma Thomas (Chief Accountant) or Sarah Gobey (Chief Financial Officer).

- 5.8 The projected deficit on the Collection Fund is estimated to be £646,260, of which £52,960 is the Borough Council share. The in-year deficit must now be spread over three years and so the current deficit will be recouped as follows:

	2021/22	2022/23	2023/24
	£	£	£
Worthing BC	9,000	-30,980	-30,980
West Sussex CC	53,360	-183,740	-183,740
Sussex Police CC	7,410	-25,530	-25,530
	69,770	-240,250	-240,250

The deficit reflects the impact that the Pandemic is having on the amount of Council Tax Discounts claimed and the level of debt outstanding. The Government has committed to fund any in-year deficits through the Local Taxation Compensation Scheme. The Council expects to receive a grant of £166,160 which will be used over the three years to offset the losses incurred during the year. The final grant paid will be determined at the year end when the full extent of any in-year losses.

- 5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Whether to accept the growth items detailed in Appendix 2?

The decisions made today will be reflected in the budget papers presented to Council.

5.10 **The Council Tax increase:**

- 5.10.1 The decision over the level of increase to the Council Tax influences not only the current budget but future budgets as well. Over the past 10 years, the Council Tax has been increased by 12.29%, an average of 1.2% per year (in 2010/11 the Band D tax was £216.00, in 2020/21 it was £242.55). Over the equivalent period, inflation (CPI) has been 21.64%.

5.10.2 The budget forecast currently assumes that Council Tax will increase by 2.0% in 2021/22. The most recent inflation index was 0.3% (CPI in November 2021).

5.10.3 A 2% uplift would only be a modest increase in the Council share of the bill for 2021/22. The table below details how the Council Tax will change as a result of a 1%, 1.5%, 1.8%, 2% increase and the maximum increase of £5.00.

	2020/21	Annual increase for 2021/22				
		1%	1.5%	1.75%	2.00%	£5.00
	£	£	£	£	£	£
Council Tax Band D	242.55	244.98	246.15	246.78	247.41	247.55
Annual increase		2.43	3.60	4.23	4.86	5.00
Weekly increase		0.05	0.07	0.08	0.09	0.10
Council Tax Band C	215.60	217.76	218.80	219.36	219.92	220.00
Annual increase		2.16	3.20	3.76	4.32	4.44
Weekly increase		0.04	0.06	0.07	0.08	0.09
Total additional Council Tax raised		61,490	107,280	131,930	156,580	162,060
Additional Council Tax raised over a 1% increase			45,790	70,440	95,090	100,570

5.10.4 Members should also be aware that the Police and Crime Commissioner has previously consulted on a £15.00 (7.5%) increase for their share of the overall bill. Whilst the level of increase to be set by the County Council is unknown at this stage, given the financial pressures that the County is under, there are indications that the increase will be close to the maximum permitted (5%). Consequently, the total overall increase in the Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed could be just close to 4.88%:

	2020/21	2021/22 (Indicative only)	%
	£	£	
Worthing Borough Council	242.55	247.41	2.00%
West Sussex County Council	1,438.74	1,510.65	4.99%
Sussex Police and Crime Commissioner	199.91	214.91	7.50%
	1,881.20	1,972.97	4.88%

5.10.5 The decision to raise Council Tax should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to setting a Council Tax increase significantly lower than the maximum permitted. This is particularly significant at the moment given the scale of the withdrawal of government funding the Council will contend with over the next 5 years and the potential impact of the County Council budget decisions. The impact of changing the Council Tax by 1%, 1.5%, 1.75% and 2% annually would be as follows:

Total income	2021/22	2022/23	2023/24	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
1% annual increase	9,586,310	9,720,120	9,854,860	9,994,090	10,134,260
1.5% annual increase	9,632,100	9,815,590	10,003,960	10,193,680	10,388,330
1.75% annual increase	9,656,750	9,865,090	10,078,520	10,297,050	10,520,730
2% annual increase	9,681,400	9,914,590	10,153,070	10,396,840	10,645,980

Over the longer term, a higher increase will give the Council significant additional income:

5.10.6 Members are asked to consider which level of Council Tax increase that they support. An increase of 2.00% would enable the Council to set a balanced budget and fund all of the proposals for investment in services recommended for approval in Appendix 2.

5.11 Summary of budget position

Depending on the choices made regarding the Council Tax increase and the new growth items; the overall budget position will be (based on a 2% increase):

	£'000	£'000
Net budget requirement		14,331
Less:		
Baseline Funding	2,693	
Share of additional Business Rate income	716	
Council Tax (2.0% increase)	9,681	
Other grants	1,349	
Collection Fund Surplus	9	-14,448
Budget surplus based on 2.00% Council Tax increase		-117
Maximum impact of accepting the growth items (Appendix 2)		117
Budget balanced at a 2% Council Tax increase		-

6.0 IMPACT ON FUTURE YEARS

6.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown in Appendix 1 (which includes an assumed 2.00% tax increase for 2021/22 which is to be considered as part of this report). The settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

	Expected shortfall (Cumulative)				
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Budget shortfall prior to approving growth	1,032	3,023	3,802	4,551	5,231
Impact of accepting the growth items at appendix 2	117	117	117	117	117
Cumulative budget shortfall as per appendix 1	1,149	3,140	3,919	4,668	5,348
Less:					
Net savings identified in 2021/22 budget round	-1,149	-1,149	-1,149	-1,149	-1,149
Adjusted cumulative budget shortfall	-	1,991	2,770	3,519	4,199
Savings required each year	-	1,991	779	749	680

6.2 The continuation of the withdrawal of government funding has significant consequences for the Council . Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Councils services. There are potentially three benefits which flow from an improving economy and which will directly improve the council's financial position:

- Increased income from business rates which is discussed fully in section 4 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;

6.3 However, these measures are unlikely to be enough. The Council will also need to deliver on the strategy to generate £150k more commercial income per year, rationalise the use of assets and invest in property. Alongside this, there will need to be a continuing emphasis on efficiency in the annual savings exercise; whether this is through the digital strategy or by improving customer service or by reducing the cost of temporary and emergency accommodation. Overall, if the Council delivers upon the current budget strategy then the level of new initiatives required each year to balance the budget will reduce as follows:

	Expected shortfall per year			
	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000
Annual budget shortfall	1,991	779	749	680
Future savings from budget strategy:				
Investment in commercial property	-140	-412	-100	-100
Commercial activities	-450	-450	-450	-450
Service and digital redesign	-120	-120	-120	-120
Commercial landlord programme	-105	-105	-190	-190
Excess savings (-) / new savings initiatives to be identified	1,176	-308	-111	-180

6.4 With the delay to the fairer funding review, the challenge has now moved onto 2021/22 which becomes a more challenging year and the delivery of the budget strategy is essential to ensure the Council meets the challenges of the next few years.

7.0 RESERVES

7.1 Sections 26 and 27 of The Local Government Act 2003 require the Council's Chief Financial Officer to comment on the adequacy of the Council's reserves. The reserves have therefore been reviewed in accordance with best practice.

7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The General Fund Working Balance which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. unexpected increases in the demand for services or losses in income); and Earmarked Reserves which are sums held for specific defined purposes and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.

7.3 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The balance has been held at around £850,000 for some time, however in the light of the pandemic this was increased at the end of 2019/20 to support the Council in managing the associated financial risks. The balance as at 31st March 2020 was £1,543,000 which was 11.6% of net 2020/21 revenue expenditure – just

above the range of 6% -10% set by the Council but reflects the risks that we are currency managing. There are no plans to draw down from the working balance and if needed this reserve will be boosted over the next few years from underspend to ensure it that it remains sufficient to manage risks.

The year-end level on the General Fund Working Balance for the foreseeable future, therefore, is estimated as follows:

		£'000	%
31.03.2021	Balance carried forward – per Final Accounts	1,543	11.6
31.03.2022	No planned drawdown or contribution expected.	1,543	10.7
31.03.2023	No planned drawdown or contribution expected.	1,543	11.8
31.03.2024	No planned drawdown or contribution expected	1,543	11.6
31.03.2025	No planned drawdown or contribution expected	1,543	11.3

7.4 On the basis of the year-end figures above, and taking into account past performance and the acknowledged track record of sound financial management in this Council, I believe the working balance is adequate for its purpose. In forming this view I have considered the following factors:

1. The Government has provided Covid 19 funding for 2021/22 which has been placed into a contingency budget to enable the Council to manage financial risks next year.
2. The Government will underwrite 75% of any losses in sales, fees and charges in the first quarter of 2021/22.
3. The Council has created specific budgets to manage any void losses related to commercial property and where there are likely to be ongoing losses these have been built into the revenue budget.
4. Interest rates are extremely low at present (0.1% base rate) and this has been reflected in our budgets. A further fall in interest rates of 0.01% would cost the Council in a region of £4,000 in 2021/22 in lost investment income.
5. A pay award of 1% more than currently allowed for within the budget would cost the General Fund approximately £157,400. That said, the

Council has budgeted for a two percent pay increase at a time when the Chancellor is advocating pay restraint.

6. Any use of the working balance would be difficult to recoup in the short term. Consequently, the reserve needs to be sufficient enough to cope with at least two years of adverse impacts.

Against this background, and especially given the current economic climate and the impact of the pandemic, it is important that the Council maintains its reserves at a slightly higher amount in 2021/22.

- 7.5 However, with the planned expansion of commercial activity, especially the investment in commercial property, the council has taken two other measures to further manage risk and bolster the reserves:

- i) As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund future investment needs. The annual provision will be £100,000 in 2021/22. This provision will be gradually built up over the next 5 years to a level of £500,000 per year by 2025/26.
- ii) Following the LGA peer review, there was a change in approach to the management of general inflation (excluding inflation on items such as salaries, rates, utilities, and contractual commitments). This is no longer allocated out this year but held centrally in the Corporate Management budget. This budget will be allocated out where the inflationary pressure can be demonstrated. Any unutilised budget at the year end will be transferred to the reserves and the budget offered up as a budget saving for the forthcoming year. This also provides a contingency budget for in-year pressures.

- 7.6 In the medium term, once the challenges of the next couple of years have been addressed, the council should review the position and take proactive steps to further bolster the overall reserves.

- 7.7 The estimated balance of general fund earmarked reserves as at 31st March, 2021 is £1,332,000, excluding the Business Rates Smoothing Reserve, any Section 106 sums held for future environmental improvements, grants, and any specific capital resources. Overall, the level of reserves held by the Councils is expected to improve over the forthcoming years as follows:

Summary for report	Balance at year end				
	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000
General Earmarked Reserves	2,086	1,332	1,482	1,632	1,787
Business Rates Smoothing Reserve	437	6,754	192	108	25
Grants and Contributions	806	806	806	806	806
Total earmarked reserves	3,329	8,892	2,480	2,546	2,618
General Fund Working Balance	1,543	1,543	1,543	1,543	1,543
Total reserves	4,872	10,435	4,023	4,089	4,161

A detailed schedule of the earmarked reserves is attached at Appendix 3. The significant risks to the overall budget and the Council's reserves are detailed below.

- 7.8 Given the relatively low level of reserves, it is now critical that these reserves be used only as a funding resource of last resort until such time as the reserve level has recovered to some extent. The Council has over the past year minimised new calls on such resources, utilising the ability to use capital receipts to fund initiatives to generate budget savings where possible.
- 7.9 In all probability, the Council will continue to have occasional opportunities to put money into earmarked reserves rather than solely to drawdown on a planned basis. Even without this, I believe the earmarked revenue reserves are adequate for their particular purposes provided that they are used sparingly.
- 7.10 However the size and nature of the risks to the overall budget leaves the Council with no room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of spending its scarce earmarked reserves on:
- supporting one-off rather than recurring revenue expenditure;
 - dealing with short-term pressures in the revenue budget; and
 - managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

- 8.1 Members will be aware that there are several risks to the Council's overall budget. These can be summarised as follows:-

(i) **Pandemic**

The risks associated with the pandemic are set out in detail in paragraph 5.2.2. However in summary we are expecting risks in a number of areas - income, cost of housing provision, impact on cost of contracts, and additional staffing costs.

(ii) **Withdrawal of funding by partners**

All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

(iii) **Income**

The Council receives income from a number of services which will be affected by demand particularly at the moment due to the impact of the pandemic. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known reductions in income have been built into the proposed budgets for 2021/22, income may fall further than expected or new targets for commercial income may not be met.

The Council is investing in new commercial property, as leases expire there is an increased risk of loss of income from voids. To mitigate this risk the Council has introduced an annual provision for void rents which will be £100,000 in 2021/22. This will be increased annually in line with the level of investment in the property portfolio and the associated risk.

(iv) **Inflation**

A provision for 1% inflation has been built into non-pay budgets. Pay budgets have a 2% inflationary increase allowed for. Whilst the Bank of England inflation forecasts expect that inflation will gradually return to 2% in 2021/22, there is a risk that inflation will run at a higher rate than allowed for within the budget. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	157
Non-pay	117

8.2 To help manage these risks, the Council has created a contingency budget of £749,000. The council also has a working balance of £1,543,000 and £1.8m of other earmarked reserves are also available to the Council to help mitigate these risks.

9.0 CONSULTATION

9.1 The Council ran a detailed consultation exercise which supported the proposed five year budget strategy. In light of this, no consultation exercise was undertaken this year.

9.2 Officers and members have been consulted on the development of the budget.

10.0 UPDATE TO PRUDENTIAL INDICATORS

10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2021/22 and future years.

10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake.

10.3 The Code of Practice has been revised. The freedom for local authorities to set the scope and size of their capital plans remains unrestricted, but the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through the governance procedures. This includes a new requirement to publish an annual capital strategy, which the Council has long complied with however this document must now contain more information on risk management.

10.4 The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. These are included with the annual Treasury Management Strategy Statement which is due to be considered by JSC on the 9th February 2021 and which will be included in the Council budget pack for approval.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its

budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.

11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient which has been considered in detail on section 7 of the report.
- Creating contingency budgets to help manage the greater risks associated with the pandemic as set out in paragraph 5.2.2

11.3 Overall view on the robustness of the estimates:

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves. The exceptions relate to:

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets particularly at the moment given the pandemic, e.g. car parks and development control fees.
 - External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
 - Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.
- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a robust budget monitoring regime during 2021/22.

11.4 The Chief Financial Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Council has also demonstrated that it has a sound system of financial management in place.

12.0 COUNCIL TAX SETTING

12.1 The Council is obliged to raise the balance of its resources, after allowing for any government grant and business rates, to finance the General Fund Revenue Budget from its local Council Taxpayers. The Council Tax for Worthing Borough Council will be added to the Precepts from West Sussex County Council and the Sussex Police and Crime Commissioner to form a combined Council Tax to levy on the taxpayers of Worthing. This will be formally approved by Council on the 23rd February 2021 via a report on the Council Tax Determination.

12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2021/22 Budget, the resulting Council Tax for the District can be set. This takes into account the Total Aggregate External Finance (Government grants and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.3 Worthing Borough Council:

(a) The following table shows the net sum to be raised from local Council Taxpayers in 2021/22 prior to the consideration of the budget proposals. This is based on 2.0% Council Tax increase, the maximum increase permitted without triggering the requirement for a referendum:

	£	£
Net 2021/22 Budget *		14,330,780
Less: Aggregate External Finance		
Baseline Funding	-2,692,550	
Additional Retained Business Rate income	-716,440	
New Homes Bonus	-407,590	
Lower Tier Services Grant	-202,840	
Covid 19 funding	-549,590	
Council Tax Support Grant	-132,980	
Local Tax Guarantee Scheme	-55,390	
Contribution to the Collection Fund surplus (as per paragraph 5.8)	-9,000	
		-4,766,380
Minimum amount to be raised from Council Tax		9,564,400
Net additional impact of proposals identified in Appendix 2 if all approved		117,000
Amount to be raised from Council Tax based on 2.0% Council Tax		9,681,400

- * 2021/22 budget requirement after any contribution to or from reserves required to balance the budget or any further increase to Council Tax.

Within section 5 of the report, members are given the options for the Council Tax and approving the service investment proposals.

(b) Council Tax Base

The Council's Tax base for 2021/22 is 39,131.0 Band D equivalent properties. There is a decrease to the current year base of 39,269.50 which is due to an increasing level of Council Tax discounts, and a lower amount of completions on new builds that originally forecast. The full calculation of the tax base is shown in Appendix 4.

(c) Worthing Borough Council Band D Council Tax

In Section 5.10, the options for the Council Tax increase are discussed in detail. An average Council Tax increase of 0.8% will ensure that the Council has a balanced budget, an average increase of 2.00% will lever in sufficient additional resources to fund the service investment proposals recommended for approval at Appendix 2 and deliver a balanced budget.

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 12th February, 2021. The proposed 2021/22 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 29th January 2021.

	2020/21 £	2021/22 £
West Sussex County Council	1,438.74	t.b.c
Sussex Police Authority	199.91	t.b.c
TOTAL	1,638.65	t.b.c.

- 12.5 The final figures for all authorities will be incorporated into the formal Council Tax setting resolution to be presented to the Council at its meeting on 23rd February 2021.

13.0 LEGAL IMPLICATIONS

- 13.1 The Local Government Act 2003 requires that the Council sets a balanced budget. This report demonstrates how Adur District Council will meet this requirement for 2021/22.

14.0 CONCLUSION

- 14.1 This has been a significantly challenging year in which the Council has had to address a budget shortfall of £1.15m whilst contending with a pandemic. The Government is providing more support in 2021/22 however much of this support is one-off in nature and related to the pandemic, consequently these additional resources have been set aside to support the Council in managing the risks associated with the pandemic. To meet this challenge the Council has identified £1.15m of savings and is now in the position to set a balanced budget.
- 14.2 However, with the further delay to the Fair Funding Review, the financial challenge now moves to 2022/23 which will again be difficult as the Council grapples with the impact reducing government funding and the building capacity to invest in the initiatives detailed in Platform for our Places. Consequently, the strategy of delivering commercial income growth and business efficiencies continues to play a vital role in balancing the budget.
- 14.3 Provided we continue to deliver on this strategy, the Council will become increasingly financially resilient over the next 5-10 years as government

funding reduces and we become largely funded by our community through Council Tax, retained Business Rates and income from our commercial services.

- 14.4 The aims of 'Platforms for our Places' are critical to our success. Developing the local economy to increase employment space and local jobs together with the provision of new homes is one of the strategic measures that the Council can take to protect its longer term financial interests, however there will inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall.
- 14.5 There will need to be a sharp focus on financial health over the next couple of years whilst we balance the budget and rebuild the reserves. However, we must not forget that the Council has a good track record in dealing with such challenges
- 14.6 Finally, in preparing the strategy and forecast for 2021/22 an assessment was carried out of the significant risks and opportunities which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.

Local Government Act 1972

Background Papers:

Report to Joint Strategic Committee 7th July 2020 – Impact of Covid 19 on the Council's finances - Update on current financial performance and developing a revenue budget for 2021/22

Report to the Joint Strategic Committee 1st December 2020 'Towards a sustainable financial position - Budget update '

Report to the Joint Strategic Committee 1st December 2020 'Investing for the future: Capital Investment Programme 2021/22 to 2023/24'

Local Authority Finance (England) Settlement Revenue Support Grant for 2021/22 and Related Matters: MHCLG Letters and associated papers of 17th December 2020.

2020 Spending Review – On-the-day briefing

Local Government Act 2003 and Explanatory Note

“Guidance Note on Local Authority Reserves and Balances” – LAAP Bulletin No. 77 - CIPFA -published in November 2008

Statement of Accounts 2019/20

Report to Joint Strategic Committee 1st December 2020 – 2nd Revenue Budget Monitoring Report (Q2)

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SUSTAINABILITY AND 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

WORTHING BOROUGH COUNCIL						
Revenue Budget Summary Statement 2020/21 - 2025/26						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Base					
Net Spending to be Financed from Taxation	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	13,359	13,359	13,359	13,359	13,359	13,359
(a) Annual Inflation						
Estimated inflation		349	799	1,248	1,687	2,134
Impact of 2020/21 pay rise		119	121	123	125	128
(b) One -off / non-recurring items						
Local Elections (held every other year - deferred in 2020/21 due to the pandemic)		-	-50	-	-	-
(c) Impact of Covid 19 pandemic						
Delay to Fairer Funding Review - Homeless funding to continue for 2021/22		-86	272	272	272	272
Increase in demand for homelessness accommodation		166	166	166	166	166
Final cost of support for leisure provision		198	-	-	-	-
Reduction in commercial income						
Car parking income		300	300	300	300	300
Trade Waste income		53	53	53	53	53
Council Tax Support - discretionary reliefs		133				
Covid 19 contingency budget		647				
(d) Impact of funding 'Platforms'						
Grafton site: Reduction in commercial rents		142	142	142	142	142
Gigabit Project - financing costs and public wifi		64	64	64	64	64
Measures to reduce waste		-	128	128	128	128
Refurbishment of High Street Car Park - Financing costs		4	50	259	259	259
Refurbishment of Buckingham Road car park - Financing costs		60	192	192	192	192
Worthing Integrated Care Centre - closure of Town Hall car park		59	59	59	59	59
Brooklands improvement programme - net costs		20	27	43	43	43
General provision for future impact of major projects			273	330	487	644

WORTHING BOROUGH COUNCIL						
Revenue Budget Summary Statement 2020/21 - 2025/26						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
(e) Treasury Management						
Financing costs - General Programme		-436	-130	-21	300	600
Investment income		105	62	6	-65	-153
(g) Other items						
Fall out of SDLT pension costs.		-18	-36	-36	-36	-36
Triennial pension valuation - Reduction in contributions		-135	-310	-315	-315	-315
Building maintenance		50	100	100	100	100
Loss of rental income from registrars		21	21	21	21	21
Committed growth items approved in December		260	350	440	530	620
Increase in energy costs		6	6	6	6	6
Floral displays		40	40	40	40	40
(h) Approved Growth items						
Provision for new growth items (see appendix 2).		117	207	297	387	477
Total Executive Member Requirements	13,359	15,597	16,265	17,276	18,304	19,303
Income from taxation:						
Retained business rates:						
Baseline funding	2,693	2,693	2,747	2,802	2,858	2,915
Add: Net retained additional business rates	649	716	372	378	381	392
Adjusted business rate income	3,342	3,409	3,119	3,180	3,239	3,307
Council Tax income	9,524	9,681	9,914	10,153	10,397	10,648
Other Grants and Contributions:						
New Homes Bonus	524	408	68	-	-	-
Lower Tier Services Grant		203				
Local tax compensation scheme		55	55	55		
Covid 19 Funding Allocation		550				
Covid 19 Funding - Council Tax Support Grant		133				
Collection fund surplus/deficit (-)	-31	9	-31	-31	-	-
Total other grants and contributions	493	1,358	92	24	-	-
Total Income from Taxation	13,359	14,448	13,125	13,357	13,636	13,955

WORTHING BOROUGH COUNCIL						
Revenue Budget Summary Statement 2020/21 - 2025/26						
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET	-	1,149	3,140	3,919	4,668	5,348
Savings / Initiatives identified to date:						
Strategic Property Investment Fund						
Future property purchases		200	400	600	800	1,000
Provision for future voids and repairs		-100	-200	-300	-400	-500
Wellbeing centre and car park			40	352	352	352
Affordable Housing Programme						
Approved projects		129	129	129	129	129
Commercial activities and commissioning						
Commercial and Customer Activities		279	729	1,179	1,629	2,079
Efficiency Measures						
Service and Digital redesign programme		27	147	267	387	507
Corporate Landlord Programme		260	365	470	660	850
Other efficiency savings (net of growth)		354	354	354	354	354
Total savings initiatives identified to date		1,149	1,964	3,051	3,911	4,771
Cumulative savings still to be found/ (surplus)		0	1,176	868	757	577
Annual savings still to be found		0	1,176	-308	-111	-179

	Expected cost (cumulative)					
	2021/22			2022/23 and beyond		
	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
Service reinvestment proposal	£	£	£	£	£	£
Digital Apprentices						
With the success of our in-house digital team during COVID-19 (building several applications to support residents and businesses), we see even more opportunities to develop our digital services to better meet the needs of our communities. The move to digital channels has rapidly accelerated and this increased internal capacity will help us maximise the opportunity. Two digital apprenticeships are proposed which will provide much needed opportunities for the young or those looking to re-skill.	50,000	20,000	30,000	50,000	20,000	30,000
Sustainability & Environmental Initiatives						
Our ambitious plans require us to conduct feasibility studies and project work to ensure that the Council meets its Platform commitments. Feasibility studies serve to unlock significant government grant funding and support for community projects will unlock significant voluntary capacity, following on from the recommendations expected from the Climate Assembly.	50,000	20,000	30,000	50,000	20,000	30,000

	Expected cost (cumulative)					
	2021/22			2022/23 and beyond		
	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
Service reinvestment proposal						
	£	£	£	£	£	£
Data lead	95,000	38,000	57,000	95,000	38,000	57,000
The use data of is a critical capability in a modern, digital organisation. In order to take the next step in our digital journey and build our skills and capacity in this area we want to appoint a data lead who will be able to drive forward development of our data skills and infrastructure. A report to the Joint Strategic Committee on the 9th February will provide further details on this area of work.						
Impact of growth proposals	195,000	78,000	117,000	195,000	78,000	117,000

	Balance as at 01.04.20	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.21	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1. CAPACITY ISSUES RESERVE Purpose: The Capacity Issues Reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise from 2006/07 onwards.	1,361	-	(711)	650	-	-	650
2. INSURANCE RESERVE Purpose: The Insurance Reserve was established in 1993/94 to develop risk management, fund self-insurance and to achieve longer-term revenue savings.	248	26	(30)	244	30	(30)	244
3. JOINT HEALTH PROMOTION Purpose: The Joint Health Promotion reserve was established in 2005 with funding received from the local Primary Care Trust for health promotion projects.	1	-		1	-	-	1
4. PROPERTY INVESTMENT RISK RESERVE Purpose: To offset future void rental periods in investment properties	200	-	-	200	-	-	200
5. LEISURE LOTTERY & OTHER PARTNERSHIP Purpose: The Leisure, Lottery & Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies & other funding agencies & organisations. This reserve is currently earmarked for support to the Museum Redevelopment bid & the Football Foundation bid.	28 C	-	-	28	-	-	28
C = Capital Contribution							

	Balance as at 01.04.20	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.21	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
6. MUSEUM RESERVE Purpose: The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.	106	-	-	106	-	-	106
7. THEATRE CAPITAL RESERVE Purpose: Established in 2013/14 to fund refurbishment and other works for all of WBC's theatres.	109	TBC	TBC	109	TBC	TBC	109
8. SPECIAL AND OTHER EMERGENCY EXPENDITURE The Special and Other Emergency Expenditure Reserve was set up to fund strategic or unforeseen one-off expenditure, which may arise.	3	-	-	3	-	-	3
9. GRANTS & CONTRIBUTIONS Held in reserves*	806	-	-	806	-	-	806
10. BUSINESS RATES SMOOTHING RESERVE	437	6,317	-	6,754	-	(6,562)	192
11. CREMATORIUM IMPROVEMENT RESERVE	-	60	(60)	-	60	(60)	-
12. PROJECTED UNDERSPEND Reserves to be identified at outturn.		-	(9)	(9)	150	-	141
13 GENERAL FUND WORKING BALANCE	1,543			1,543			1,543
14 CAPITAL EXPENDITURE RESERVE	30	-	(30)	-	-	-	-
TOTAL	4,872	6,403	(840)	10,435	240	(6,652)	4,023
* Contribution to be confirmed at the year-end							

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE										
Properties	Band A -	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Number of Dwellings	0.00	8,110.00	11,423.00	13,106.00	9,601.00	5,519.00	2,365.00	903.00	25.00	51,052.00
Less: Exemptions	0.00	-195.00	-216.00	-136.00	-122.00	-67.00	-23.00	-12.00	0.00	-771.00
	0.00	7,915.00	11,207.00	12,970.00	9,479.00	5,452.00	2,342.00	891.00	25.00	50,281.00
Disabled Relief Adjustment (net)	8.00	32.00	21.00	-12.00	14.00	-31.00	6.00	-21.00	-17.00	0.00
Chargeable Dwellings	8.00	7,947.00	11,228.00	12,958.00	9,493.00	5,421.00	2,348.00	870.00	8.00	50,281.00
Broken down as follows:										
Full Charge	4.00	2,645.00	6,126.00	8,797.00	6,912.00	4,182.00	1,893.00	706.00	5.00	31,270.00
25% Discount (Including Adj for SP dis)	4.00	5,229.00	5,044.00	4,134.00	2,549.00	1,218.00	410.00	134.00	0.00	18,722.00
50% Discount	0.00	3.00	10.00	9.00	14.00	14.00	44.00	28.00	3.00	125.00
Second Homes 0% discount	0.00	68.00	103.00	124.00	93.00	68.00	20.00	10.00	1.00	487.00
Empty receiving 0% discount	0.00	246.00	179.00	118.00	66.00	25.00	16.00	10.00	0.00	660.00
100% Discount LT Empty	0.00	39.00	25.00	14.00	5.00	3.00	0.00	1.00	0.00	87.00
0% Discount (Long Term Empty Homes)	0.00	31.00	23.00	4.00	13.00	4.00	1.00	1.00	0.00	77.00
Total Equivalent Number of Dwellings	7.00	6,636.25	9,963.00	11,910.00	8,857.75	5,111.50	2,224.50	822.50	6.50	45,539.00
Total Equivalent Number of Dwellings (after family annexe)	7.00	6,631.87	9,963.00	11,910.00	8,857.75	5,111.50	2,224.50	822.50	6.50	45,534.62
Reduction in tax base due to Council Tax Support	1.64	1,415.23	1,304.62	920.97	312.90	109.87	25.07	4.01	0.00	4,094.31
Adjusted equivalent total dwellings	5.36	5,216.64	8,658.38	10,989.03	8,544.85	5,001.63	2,199.43	818.49	6.50	41,440.31
Band D Equivalents										
Revenue Support Settlement	3.00	3,477.80	6,734.30	9,768.00	8,544.80	6,113.10	3,177.00	1,364.20	13.00	39,195.20
Add: Forecast new homes	0.00	7.00	10.50	8.40	77.50	42.50	0.70	-0.80	0.00	145.80
Add: Second Homes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Adjustments for Losses on Collection, and Void Properties	0.00	0.00	0.00	0.00	210.00	0.00	0.00	0.00	0.00	210.00
COUNCIL TAX BASE	3.00	3,484.80	6,744.80	9,776.40	8,412.30	6,155.60	3,177.70	1,363.40	13.00	39,131.00

WORTHING BUDGET 2021/2022

Summary of Executive Member Portfolios



WORTHING BOROUGH
COUNCIL

APPENDIX 5

EXECUTIVE PORTFOLIO	ESTIMATE	ESTIMATE
	2020/2021	2021/2022
	£	£
Digital and Environment	2,968,190	3,379,080
Health and Wellbeing	1,782,020	1,892,810
Customer Services	5,266,890	5,634,900
Leader	887,840	1,526,670
Regeneration	2,154,440	2,650,210
Resources	547,330	618,890
Support Services Depreciation Not Charged To Services	388,480	359,420
NET SERVICE EXPENDITURE	13,995,190	16,061,980
Credit Back Depreciation / Impairments	(3,195,320)	(3,804,240)
Minimum Revenue Provision	2,472,600	1,986,790
	13,272,470	14,244,530
Transfer to / from Reserves	86,250	86,250
Balance Available to Transfer To / (From) Reserves	-	117,000
Total budget requirement before external support from government	13,358,720	14,447,780
Baseline Funding	(2,692,550)	(2,692,550)
Additional business rate income	(648,590)	(716,440)
Lower Tier Services Grant	-	(202,840)
Local Tax Guarantee Scheme	-	(55,390)
Covid 19 Funding Allocation	-	(549,590)
Covid 19 Funding - Council Tax Support Grant	-	(132,980)
Other unfenced grants (New homes bonus)	(523,660)	(407,590)
Contribution to/ (from) Collection Fund	30,920	(9,000)
Amount required from Council Tax	9,524,840	9,681,400
Council Tax Base	39,269.5	39,131.0
Average Band D Council Tax - Worthing Borough	242.55	247.41
% increase	2.00%	2.00%

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
DIRECTOR OF THE ECONOMY		
Head of Business and Technical Services		
Flood Defence	18,620	21,010
Public Conveniences	373,790	374,810
	392,410	395,820
DIRECTOR FOR COMMUNITIES		
South Downs Leisure	1,092,390	1,298,750
	1,092,390	1,298,750
Head of Environmental Services		
Allotments	15,550	26,020
Cemeteries	36,360	91,400
Crematorium	(1,804,900)	(1,843,620)
Parks	1,712,880	1,888,270
Abandoned Vehicles	1,800	1,800
Clinical Waste	(340)	(620)
Recycling	(211,060)	304,470
Refuse	1,315,380	773,370
Street Cleansing (includes Pest Control and Graffiti)	678,060	721,620
Trade Refuse	(354,540)	(371,480)
	1,389,190	1,591,230
Head of Wellbeing		
Pollution Control	94,200	93,280
	94,200	93,280
TOTAL ENVIRONMENT PORTFOLIO	2,968,190	3,379,080

HEALTH AND WELLBEING PORTFOLIO



WORTHING BOROUGH
COUNCIL

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
DIRECTOR FOR COMMUNITIES		
Worthing Festival	3,580	3,610
	3,580	3,610
Head of Housing		
Housing Standards	160,240	163,260
	160,240	163,260
Head of Wellbeing		
Community Centres & Grants	460,100	478,900
Community Safety	317,130	321,580
Food Safety & Health & Safety	187,610	261,220
Licensing	126,630	127,010
Public Health & Regulation inc Dog Control	445,230	454,270
	1,536,700	1,642,980
DIRECTOR OF THE ECONOMY		
Head of Business and Technical Services		
Bus Shelters, Drainage, Footway Lighting	81,500	82,960
	81,500	82,960
TOTAL HEALTH AND WELLBEING PORTFOLIO	1,782,020	1,892,810

**CUSTOMER SERVICES
PORTFOLIO**



WORTHING BOROUGH
COUNCIL

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
DIRECTOR FOR COMMUNITIES		
Head of Housing		
Housing including Homelessness	2,002,080	2,053,490
Housing Strategy	115,040	116,820
Housing Improvement Assistance	100,390	121,850
	2,217,510	2,292,160
Head of Wellbeing		
Community Centres	2,920	2,960
	2,920	2,960
DIRECTOR OF THE ECONOMY		
Culture client	2,329,230	2,465,020
	2,329,230	2,465,020
Head of Business & Technical Services		
Wedding venue	(13,860)	(13,860)
	(13,860)	(13,860)
DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES		
Chief Financial Officer		
Fraud, Verification & Adjudication	33,900	165,900
	33,900	165,900
Head of Revenues and Benefits		
Revenues Includes Non Domestic Rates	239,470	260,040
Benefits	457,720	462,680
	697,190	722,720
TOTAL CUSTOMER SERVICES PORTFOLIO	5,266,890	5,634,900

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
CHIEF EXECUTIVE OFFICE Performance and Scrutiny & Covid budget	210	644,210
	210	644,210
DIRECTOR FOR COMMUNITIES Head of Wellbeing Democratic Services - Members & Mayoral	453,380	444,270
	453,380	444,270
DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES Sustainability Energy and Sustainability	77,550	82,080
	77,550	82,080
Head of Customer & Digital Services Elections	356,700	356,110
	356,700	356,110
TOTAL LEADER PORTFOLIO	887,840	1,526,670

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES		
Head of Customer & Digital Services		
Parking	(855,290)	(711,720)
	(855,290)	(711,720)
DIRECTOR FOR COMMUNITIES		
Head of Environmental Services		
Lido/Pier/Southern Pavillion	179,960	184,230
Foreshores	643,240	678,210
	823,200	862,440
DIRECTOR OF THE ECONOMY		
Head of Business and Technical Services		
Emergency Planning & Business Continuity	34,640	34,640
Coastal Protection, Street Nameplates, Pedestrian Precincts	129,360	151,600
Seats & Public Clock	13,780	13,920
	177,780	200,160
Grants		
Commit to Culture	89,330	96,000
	89,330	96,000
Head of Planning & Development		
Planning Policy	410,120	403,720
Development Control	837,980	871,370
Building Control	145,200	152,030
	1,393,300	1,427,120
Head of Place & Economy		
Economic Development (including Tourism)	472,370	500,460
	472,370	500,460
Head of Major Projects & Investment		
Major Projects	53,750	275,750
	53,750	275,750
TOTAL REGENERATION PORTFOLIO	2,154,440	2,650,210

**RESOURCES
PORTFOLIO**



WORTHING BOROUGH
COUNCIL

SERVICE	ESTIMATE 2020/2021	ESTIMATE 2021/2022
	£	£
DIRECTOR FOR DIGITAL, SUSTAINABILITY AND RESOURCES		
Chief Financial Officer		
Corporate Management	3,143,900	3,020,360
Treasury Management	2,282,270	2,271,650
	5,426,170	5,292,010
DIRECTOR OF THE ECONOMY		
Head of Business and Technical Services		
Administrative Buildings	(780)	(790)
Meadow Road Depot	80	180
	(700)	(610)
Head of Major Projects & Investment		
Estates - Core Estate & New Investments	(4,885,320)	(4,659,210)
	(4,885,320)	(4,659,210)
Head of Planning & Development		
Land Charges	7,180	(13,300)
	7,180	(13,300)
TOTAL RESOURCES PORTFOLIO	547,330	618,890