



ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
9 February 2021  
Agenda Item 5

Key Decision [Yes/No]

Ward(s) Affected: All

**Final Revenue Budget Estimates for 2021/22**

**Report by the Director for Digital & 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

These budgets reflect the decisions taken by members to date in relation to agreed savings proposals and any committed growth. The budgets are still to be adjusted for the proposals to invest in services detailed in Appendix 2 which were considered by the Executives last week.

1.3 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 cost adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.4 The respective Adur and Worthing 2021/22 Estimates and Council Tax setting reports have already been considered by the Worthing Executive on 1st February 2021 and the Adur Executive on 2nd February 2021. Both the estimates for Adur District Council and

Worthing Borough Council include their respective share of the cost of the Joint Strategic Committee.

- 1.5 The following appendices have been attached to the report:
- (i) **Appendix 1** 5 year forecasts for the Joint Strategic Committee
  - (ii) **Appendix 2** Proposals for investment in services
  - (iii) **Appendix 3** Summary of Executive Member Portfolio budgets for 2021/22

## **2. Recommendations**

2.1 The Joint Strategic Committee is recommended to:

- (a) Note the proposals to invest in services outlined in Appendix 2 which were considered at the Executive meetings in early February;
- (b) Agree to the proposed 2021/22 budget detailed in Appendix 3 which will be adjusted by any growth proposals approved by the Executives.

## **3. Summary**

- 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 7<sup>th</sup> 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 On 1st December the '*Towards a sustainable financial position - Budget update*' was approved by the Joint Strategic Committee, this report updated the members on the latest budget forecast, the options for addressing the budget shortfalls and considered any unavoidable growth.
- 3.3 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.

3.4 Since the meeting on the 3rd December, the Joint Strategic Committee budget has been finalised and the last adjustments have been included. Overall, therefore, the current financial position of the Joint Strategic Committee for 2021/22 can be summarised as :

	<b>£'000</b>
<b>Original 2021/22 budget shortfall</b>	<b>588</b>
<b><i>Budgets transferred to / from the Joint Strategic Committee:</i></b>	
(a) Transfer of income budgets to the constituent authorities	53
(b) Transfer of reprographics recharge budgets	43
(c) Other net changes	42
<b><i>Other changes:</i></b>	
(c) Net committed growth items identified by Service Heads in December	253
<b>Revised Budget Shortfall as at 1st December 2020</b>	<b>979</b>

	<b>£'000</b>
<b>Revised Budget Shortfall as at 1st December 2020</b>	979
<b><i>Impact of Settlement</i></b>	
Adjustment to funding from the constituent authorities following the delay to fairer funding and savings exercise	-470
<b><i>Adjustment for final items</i></b>	
Review of energy budgets following retender exercise	10
<b>Revised Budget shortfall</b>	519
Less: Net savings agreed in December	-519
<b>Balanced budget</b>	-

3.5 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.

3.6 A full update on both the one-year spending review and settlement is included in the Budget Estimate reports for both Councils. However, the key issues which will affect the future funding for the Joint Strategic Committee include:

- i) The Council Tax referendum thresholds confirmed as the higher of 2% or £5.00 for a Band D property.
- ii) The Government has further delayed the fairer funding review to 2022/23 at the earliest and are proposing a 'roll forward' settlement for 2021/22.

The implications of this change for 2021/22 are twofold:

- 1. Existing homelessness grants will continue until absorbed into the business rate retention scheme; and
  - 2. The councils will retain all surplus business rate income for one more year.
- iii) A proposed reform to both the Business Rate Retention Scheme and the Fairer Funding Review which will consider how much of business rates each Council should keep via the tariff and top-up system is now delayed to 2022/23. This is likely to reduce the Councils share of Business Rate income in future.

In addition to the above, both constituent Councils received considerable one-off funding related to Covid 19 which has largely been placed into contingency budgets to manage any related cost pressures and risks to

income. These budgets will also be available to manage the Covid 19 pressures which affect the joint budgets.

- 3.7 This will have inevitable consequences for the services of the Joint Strategic Committee which will need to reduce its budget in line with the challenges faced by the constituent Councils.

#### 4.0 DRAFT REVENUE ESTIMATES 2021/22

- 4.1 Detailed budgetary work for the Joint Strategic Committee is now complete (subject to any decisions arising from the Adur and Worthing Executives in February) and the estimate of the budget requirement is £23,609,200. This includes the savings agreed by the Joint Strategic Committee in December. Attached at Appendix 2 are the additional proposals for investment into services recently considered by the Executives.

- 4.2 A breakdown of each Executive Member's summary budget is attached in Appendix 3. The changes can be summarised briefly as follows:

	£'000	£'000
<b>2020/21 Original Estimate</b>		22,910
<b>Add: Net Transferred budgets</b>		138
<b>Add: General Pay and Price Increases</b>		881
<b>Add: Committed and Unavoidable Growth:</b>		
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	398	
<b>Less: Compensatory savings and additional Income:</b>		
Compensatory savings	-199	199
2021/22 budget prior to agreed savings		24,128
<b>Less: Savings agreed by members</b>		
Approved in December	-519	-519
<b>Net cost to be funded by the Councils</b>		23,609
<b>Allocated as follows:</b>		
- Adur District Council		9,545
- Worthing Borough Council		14,064
<b>Cost reallocated to both Councils</b>		23,609

- 4.3 The Joint Strategic Committee budget has been reflected in both the Adur and Worthing Estimates, which will be approved by their respective Executives on 1st and 2nd February 2021. The allocation of the costs of joint services under the remit of the JSC has again been reviewed this year. There is no significant swing of costs between the two Councils this year.

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

## 5.0 IMPACT ON FUTURE YEARS

- 5.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown at Appendix 1. However, following settlement, it is clear that the Councils will continue to have budget shortfalls for at least the next 2 - 5 years. Consequently, the Joint Strategic Committee is likely to show the following shortfalls in line with that experienced by the Constituent Councils:

	Expected shortfall (Cumulative)				
	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall as per appendix 1	519	1,316	1,635	2,178	2,732
<b>Less:</b>					
Net savings identified in 2021/22 budget round	-519	-519	-519	-519	-519
Adjusted cumulative budget shortfall	-	797	1,116	1,659	2,213
Savings required each year	-	797	319	543	554

- 5.2 To ensure that the Joint Strategic Committee continues to balance the budget there will need to be a continuing emphasis on efficiency and value for money in the annual savings exercise.

## 6.0 SIGNIFICANT RISKS

- 6.1 Members will be aware that there are several risks to the Joint Strategic Committee's overall budget. These can be summarised as follows:-

(i) **Income**

The Committee receives income from a number of services which will be affected by demand. Whilst known reductions in income have been built into the proposed budgets for 2021/22, income may fall further than expected.

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

All budgets within the public sector continue to come under intense scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, either council might lose funding for key priorities, which would leave the Joint Committee with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

(iii) **Inflation**

A provision for 2% inflation has been built into non-pay budgets. Pay budgets include an average inflationary allowance of 2.0%. Each 1% increase in inflation is equivalent to the following amount:

	<b>1% increase</b>
	<b>£'000</b>
Pay	236
Non-pay	53

6.2 To help manage these risks, both councils have put in place contingency budgets, and have both working balances and other earmarked reserves.

## **7.0 CONSULTATION**

7.1 The Council ran a consultation exercise which supported the Council's five year budget strategy. In light of this, no consultation exercise was undertaken this year.

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

## **8.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER**

8.1 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 when making their decisions.

8.2 As Members are aware, the Joint Strategic Committee must set its Estimates in advance of the start of the financial year. This is because both Councils

must 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. This includes a share of the cost of the Joint Strategic Committee. 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.

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates. 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, and income from grants.
  - External competition and declining markets, particularly during a recession.
- (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.

### **8.3 Overall view on the robustness of the estimates:**

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

### **8.4 The Chief Financial Officer and Section 151 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 Joint Strategic Committee has also demonstrated that it has a sound system of financial management in place.*

## **9.0 LEGAL IMPLICATIONS**

- 9.1 The Local Government Act 2003 requires that the Councils set a balanced budget. This report demonstrates how the Council will meet this requirement for 2021/22.

## **10.0 CONCLUSION**

- 10.1 The Councils have implemented a budget strategy which plans for the reduction in the resources provided via Government. The strategy outlines a series of proactive steps which would contribute significantly to meeting the financial challenge by increasing income or by promoting business efficiency through the use of digital technology. Overall the Committee has successfully contributed to this strategy by identifying savings of £519k to meet the current year's shortfall against a backdrop of the pandemic.
- 10.2 Looking further ahead, 2022/23 will again be challenging as the Council grapples with the impact of the fairer funding review. Consequently, the strategy of delivering commercial income growth and business efficiencies through the digital agenda continues to play a vital role in balancing the budget.
- 10.3 However, provided we continue to deliver on this strategy, the Councils will become increasingly financially resilient over the next 5-10 years as government funding reduces, New Homes Bonus disappears and we become largely funded by our community through Council Tax and income from our commercial services.

### **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

## Appendix 1

JOINT STRATEGIC COMMITTEE						
Revenue Budget Summary Statement 2020/21 - 2025/26						
Net Spending to be Financed from Taxation	2020/21 Base	2021/22	2022/23	2023/24	2024/25	2025/26
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Base budget</b>	22,910	22,910	22,910	22,910	22,910	22,910
Budgets transferred from the constituent Councils authorities		138	138	138	138	138
<b>(a) Annual Inflation</b>						
Estimated inflation		691	1,390	2,085	2,764	3,457
Impact of 2020/21 pay rise		190	194	198	202	206
<b>(b) Impact of funding 'Platforms'</b>						
Measures to reduce waste		-	200	200	200	200
<b>(c) Other items</b>						
Reduction in pension contributions		-199	-405	-413	-413	-413
Loss of income from registrars		35	35	35	35	35
Increase in energy costs		10	10	10	10	10
Committed growth items approved in December		353	453	553	653	753
<b>Net cost to be reallocated to the Councils</b>	<b>22,910</b>	<b>24,128</b>	<b>24,925</b>	<b>25,716</b>	<b>26,499</b>	<b>27,296</b>
Adur District Council	9,337	9,545	9,545	9,736	9,833	9,931
Worthing Borough Council	13,573	14,064	14,064	14,345	14,488	14,633
<b>Total income for services provided to the constituent councils</b>	<b>22,910</b>	<b>23,609</b>	<b>23,609</b>	<b>24,081</b>	<b>24,321</b>	<b>24,564</b>
<b>(Surplus) / Shortfall in Resources</b>	<b>-</b>	<b>519</b>	<b>1,316</b>	<b>1,635</b>	<b>2,178</b>	<b>2,732</b>
<b>Savings identified to date:</b>						
<b>Commercial activities and commissioning</b>						
Commercial and Customer Board		215	215	215	215	215
<b>Efficiency Measures</b>						
Service and Digital redesign		45	45	45	45	45
<b>Service plan savings</b>		259	259	259	259	259
<b>Total savings identified</b>		<b>519</b>	<b>519</b>	<b>519</b>	<b>519</b>	<b>519</b>
<b>Savings still to be found/ (surplus)</b>		<b>-</b>	<b>797</b>	<b>1,116</b>	<b>1,659</b>	<b>2,213</b>
<b>Savings required in each year</b>		<b>519</b>	<b>797</b>	<b>319</b>	<b>543</b>	<b>554</b>

	<b>Expected cost (cumulative)</b>					
	<b>2021/22</b>			<b>2022/23 and beyond</b>		
	<b>Joint (memo only)</b>	<b>Adur</b>	<b>Worthing</b>	<b>Joint (memo only)</b>	<b>Adur</b>	<b>Worthing</b>
<b>Service reinvestment proposal</b>	£	£	£	£	£	£
<p><b>Digital Apprentices</b></p> <p>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.</p>	50,000	20,000	30,000	50,000	20,000	30,000
<p><b>Sustainability &amp; Environmental Initiatives</b></p> <p>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.</p>	50,000	20,000	30,000	50,000	20,000	30,000

	<b>Expected cost (cumulative)</b>					
	<b>2021/22</b>			<b>2022/23 and beyond</b>		
	<b>Joint (memo only)</b>	<b>Adur</b>	<b>Worthing</b>	<b>Joint (memo only)</b>	<b>Adur</b>	<b>Worthing</b>
<b>Service reinvestment proposal</b>	£	£	£	£	£	£
<b>Data lead</b> 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.	95,000	38,000	57,000	95,000	38,000	57,000
Impact of growth proposals	195,000	78,000	117,000	195,000	78,000	117,000