



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
8 February 2022

Key Decision [Yes/No]

Ward(s) Affected: All

Final Revenue Budget Estimates for 2022/23

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 2022/23 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 2022/23 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 2022/23 Estimates and Council Tax setting reports have already been considered by the Worthing Executive on 31st January 2022 and the Adur Executive on 1st February 2022. 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 2022/23

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) Note the proposed 2022/23 budget detailed in Appendix 3. The respective Council shares having been approved by the Adur and Worthing Executives. The budget will be adjusted for any changes to the Investment in Services proposals.

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 2022/23' on 13th July 2021. 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 7th 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 7th 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 2022/23 can be summarised as :

	£'000
Original 2022/23 budget shortfall	119
<i>Changes to Pay and inflation</i>	
(a) Impact of latest assessment of 20/21 pay award	-6
(b) Change in inflation estimate	-60
(c) Impact of 1.25% national insurance increase	172
(d) Net change to pension costs	11
Shortfall carried forward	236

	£'000
Shortfall bought forward	236
<i>Adjustment for final items</i>	
Committed growth items approved on 7th December 2021	280
Removal of contingency for growth items	-100
Increase in funding from constituent authorities	-348
Net impact of transferred budgets - Growth approved for 2021/22	195
Increase in recharges to the capital programme an HRA	-80
Revised Budget shortfall	183
Less: Net savings agreed in December	-183
Balanced budget	-

- 3.5 The government published the provisional local government finance settlement for 2022-23 on 16th December 2021 via a written statement. Consultation on the provisional settlement closed on the 16th January 2022. This is a one year settlement and in many ways is similar to the 2021/22 settlement.
- 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 will be re-starting the local government funding reforms in the spring. This means that the Fair Funding Review and baseline reset are both going to be under consideration again, for possible implementation in 2023/24. This is likely to reduce the Councils' share of Business Rate income in future.

The implications of this change for 2022/23 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.

In addition to the above, both constituent Councils received a one-off 'Service Grant' to fund core services which has been distributed to local government using the 2013/14 Settlement Funding Assessment methodology. The amounts allocated are as follows:

- Adur District Council £121,820
- Worthing Borough Council £185,618

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

4.0 DRAFT REVENUE ESTIMATES 2022/23

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 £24,477,650. 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
2021/22 Original Estimate		23,609
Add: Growth approved 2021/22		195
2021/22 Revised Estimate		23,804
Add: General Pay and Price Increases		679
Add: Increase in employer NI contributions		172
Add: Committed and Unavoidable Growth:		
Increased net expenditure as per 5 year forecast (net of any proposed use of reserves)		280
Less: Compensatory savings and additional Income:		
Reduction in pension contributions	-194	
Increase in charges to the capital programme and HRA	-80	
		-274
2022/23 budget prior to agreed savings		24,661
Less: Savings agreed by members		
Approved in December		-183
Net cost to be funded by the Councils		24,478

Net cost to be funded by the Councils Net cost allocated as follows: - Adur District Council - Worthing Borough Council Cost reallocated to both Councils	£'000	£'000 24,478
		9,874
		14,604
		24,478

- 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 31st January and 1st February 2022. 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 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)				
	2022/23	2023/24	2024/25	2025/26	2026/27
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall as per appendix 1	183	1,282	1,604	2,153	2,714
Less: Net savings identified in 2022/23 budget round	-183	-183	-183	-183	-183
Adjusted cumulative budget shortfall	183	1,099	1,421	1,970	2,531
Savings required each year		1,099	322	549	561

- 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 2022/23, 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:

	1% increase
	£'000
Pay	257
Non-pay	41

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 2022/23.

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 2022/23.

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 £183k to meet the current year's shortfall against a backdrop of the pandemic.

10.2 Looking further ahead, 2023/24 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 the Joint Strategic Committee 7th December 2021 'Towards a sustainable financial position - Budget update '

Report to the Joint Strategic Committee 7th December 2021 'Investing in our Places : Capital Programme 2021/22 to 2023/24'

Local Authority Finance (England) Settlement Revenue Support Grant for 2022/23 and Related Matters: MHCLG Letters and associated papers of 16th December 2021.

2021 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 2020/21

Report to Joint Strategic Committee 7th December 2021 – 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

JOINT STRATEGIC COMMITTEE						
Revenue Budget Summary Statement 2021/22						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Base budget	23,609	23,609	23,609	23,609	23,609	23,609
Growth approved as part of the 2021/22 budget cycle		195	195	195	195	195
(a) Annual Inflation						
Estimated inflation		660	1,391	2,103	2,798	3,507
Impact of 2021/22 pay rise		19	19	19	19	19
Impact of national insurance contributions		172	175	179	183	187
(b) Impact of funding 'Platforms'						
Measures to reduce waste		-	200	200	200	200
(c) Other items						
Reduction in pension contributions		-194	-209	-214	-214	-214
Allowance for committed growth items approved in December		280	380	480	580	680
Increase in recharges to the capital programme and HRA for approved items		-80				
Net cost to be reallocated to the Councils	23,609	24,661	25,760	26,571	27,370	28,183
Adur District Council	9,545	9,874	9,874	10,071	10,172	10,274
Worthing Borough Council	14,064	14,604	14,604	14,896	15,045	15,195
Total income for services provided to the constituent councils	23,609	24,478	24,478	24,967	25,217	25,469
(Surplus) / Shortfall in Resources	-	183	1,282	1,604	2,153	2,714
Savings identified to date:						
Efficiency Measures						
Service and Digital redesign		183	183	183	183	183
Service plan savings not included above						
Total savings identified		183	183	183	183	183
Savings still to be found/ (surplus)		-	1,099	1,421	1,970	2,531
Savings required in each year		183	1,099	322	549	561

Appendix 2

		<i>Expected cost (cumulative)</i>								
		<i>2022/23</i>			<i>2023/24</i>			<i>2024/25</i>		
Service reinvestment proposal	Grade	<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>	<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>	<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>
Democratic Services Officer Additional capacity to support new the Committee and additional meetings required due to changing political climate.	7	39,970	15,990	23,980	47,960	19,180	28,780	47,960	19,180	28,780
Assistant Waste Manager Additional capacity within the waste team to support the introduction of the requirements of the Environment Act	8	54,830	19,740	35,090	54,830	19,740	35,090	54,830	19,740	35,090
Transformation / delivery programme manager Additional capacity to support the redesign of the organisation and subsequent transformation programme.	12	96,690	48,350	48,340	96,690	48,350	48,340	96,690	48,350	48,340
Less: Contribution from the HRA (50% in 2022/23 and 2023/24)		-48,345	-24,175	-24,170	-48,345	-24,175	-24,170			
Plant Heritage Officer Part of the HLF commitment to ongoing maintenance of Highdown Gardens. The post is to be funded from fundraising via the Trust.	5	44,050	0	44,050	44,050	0	44,050	44,050	0	44,050
Less: Contribution from the Trust		-44,050	0	-44,050	-44,050	0	-44,050	-44,050	0	-44,050
Overall cost of new proposals		143,145	59,905	83,240	151,135	63,095	88,040	199,480	87,270	112,210

**JOINT SERVICE BLOCK ACTIVITY RECHARGED
TO ADUR AND WORTHING COUNCILS**

SERVICE BLOCKS	ESTIMATE 2021/2022	ESTIMATE 2022/2023
	£	£
Chief Executive & Communications	454,280	597,130
Director for Communities	8,366,680	8,919,230
Director for Digital & Resources	12,422,800	12,227,570
Director for the Economy	3,655,040	3,903,400
TOTAL SERVICES	24,898,800	25,647,330
ALLOCATION OF COSTS		
Less: Allocation to HRA and Capital Programme charged direct to Adur and Worthing	(1,094,590)	(1,169,680)
	23,804,210	24,477,650
Adur District Council	(9,623,150)	(9,873,390)
Worthing Borough Council	(14,181,060)	(14,604,260)
TOTAL SERVICE BLOCK ALLOCATIONS	(23,804,210)	(24,477,650)