

ADUR & WORTHING
COUNCILS

Joint Strategic Committee
5 July 2022

Joint Overview & Scrutiny Committee
14 July 2022

Key Decision: No

Ward(s) Affected: All

Financial Performance 2021/22 - Revenue outturn

Report by the Director for Digital, Sustainability & Resources

Executive Summary

1. Purpose

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2021/22 financial year for the Joint Strategic Committee, Adur District and Worthing Borough Councils. At the time of publication of this report, the Statements of Accounts are in progress, due to be completed by the end of June with the audit scheduled to commence in August 2022. Any adjustments that emerge as the audit proceeds will be reported to members later in the year.
- 1.2 The final position for operational services were overspends in Adur District Council £208k and in Worthing Borough Council £2m. This is a variation to the projections reported at quarter 3 when operational outturns were predicted to be an overspend of £585k in Adur and £1.6m in Worthing.
- 1.3 Overall outturn positions were an underspend of £183k in Adur District Council and an overspend of £196k in Worthing Borough Council. This represents a 2% underspend against the budget for Adur and 1% overspend in Worthing.
- 1.4 The table at 4.6 below sets out the components contributing to the outturn positions in 2021/22.

1.5 There are no proposed budget carry forward requests for 2021/22.

1.6 This outcome is an improvement overall for Adur District Council and a deterioration for Worthing Borough Council from that forecast in the quarter 3 monitoring report '3rd Revenue Budget Monitoring Report (Q3)' when net overspends of £47,000 and £14,000 were being projected in Adur and Worthing respectively. The main movements in the last quarter are set out in appendix 5b.

1.7 The following appendices have been attached to this report:

Appendix 1 Joint Summary of 2021/22 Outturn

Appendix 2 (a) Adur Summary of 2021/22 Outturn
(b) Adur Use of Earmarked Reserves

Appendix 3 (a) Worthing Summary of 2021/22 Outturn
(b) Worthing Use of Earmarked Reserves

Appendix 4 HRA Summary

Appendix 5 (a) Table of Outturn Variations to budget
(b) Table of movements over £50,000 between quarter 3 and 4
(c) HRA Major Variations - Budget to Outturn

2. Recommendations

2.1 The Joint Strategic Committee is asked to recommend that Adur District Council, at its meeting on 21st July 2022 and Worthing Borough Council at its meeting on 19th July 2022:-

(a) NOTE the overall final outturn for 2021/22.

(b) APPROVE the net appropriations from General Fund Reserves in the year as detailed in section 6 of the report totalling: Adur District Council £2,050,390 Worthing Borough Council £4,971,169.

2.2 Joint Overview and Scrutiny Committee is recommended to note:

(i) the contents of the report and consider whether it needs to scrutinise any budget area in detail.

3. Context

3.1 The Joint Strategic Committee considered the 5-year forecast for 2021/22 to 2025/26 on 1st December 2020. This report 'Towards a sustainable financial position - Budget update' outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on the strategy first proposed in 2016/17 whose strategic aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.

3.2 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, becoming increasingly reliant on income from commercial activities although with this change comes more financial risk.

4. Issues for consideration

4.1 As part of the 2021/22 budget the Councils committed to savings of £0.561m for Adur District Council and £1.149m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced. The final outturn position indicates that the majority of the expenditure reductions have been delivered as expected, however the expected increases to commercial income proved challenging in the context of the pandemic recovery period.

4.2 Following the LGA peer review which referenced the low level of the reserves, the Councils have positioned themselves to better manage risk and contribute to reserves for the future through three separate initiatives:

- The centralisation of inflation provisions.
- The creation of contingency budgets for areas of uncertainty in the budget.
- Accelerating savings initiatives where possible - including generating additional commercial income.

These measures built some capacity in the Council's reserves.

4.3 The budget was approved in February 2021 with uncertainty around the pace of recovery from the impact of the Covid 19 pandemic. During 2021/22 the government made decisions to help support people and businesses as the country started to navigate its way through the recovery, this had an ongoing impact on local councils:

- Continuation of the administration of the government backed schemes for business grants and self isolation grants.
- Administration of additional business rates reliefs awarded to support business, including the re-issuing of the bills.
- A reduction in business rate income as a result of the additional reliefs.
- Continuing impact on council income, particularly sales fees and charges related to car parking.

4.4 All of these additional pressures would have had a larger impact on the councils financial position had the government not recognised the issues and provided some additional funding from new burdens grants and income compensation through the extension of the sales, fees and charges scheme until June 2021. The operational outturn position for both Councils are large overspends as set

out in the table at 4.6. The additional government support funding in 2021/22 is summarised below:

	Adur £	Worthing £	Total £
<i>General Government Funding:</i>			
New Burdens Funding	297,380	297,380	594,760
Sales Fees and Charges Income Guarantee Scheme (Q1 Claim)	81,799	395,395	477,194
Total non specific funding	379,179	692,775	1,071,954
<i>Specific - Within Service:</i>			
Cabinet Office - Elections Covid support	21,444	29,695	51,139
Rough Sleeping Grant	25,000	122,934	147,934
Domestic Abuse Safe Accommodation Grant	32,529	32,529	65,058
Next Steps Accommodation Grant	7,608	112,311	119,919
Ex Offenders Accommodation Grant	135,750	0	135,750
Contain Outbreak Management Funding	326,281	490,938	817,219
Environmental Health Covid & Compliance Grants	120,652	112,180	232,832
Environmental Health - Minimum Energy Efficiency Standard Grant	0	27,000	27,000
Pavement Licences - New Burdens grant	12,278	13,832	26,110
Test & Trace administration	122,974	74,282	197,256
Benefits - New Burdens Funding	28,855	59,135	87,990
Re-Opening the High Street - Welcome Back Grant	139,142	46,539	185,681
Redmond Review Implementation - New Burdens	19,101	18,718	37,819
Transparency Code - New Burdens	8,103	8,103	16,206
Leisure Trust Recovery Fund	110,000	213,731	323,731
Total service specific funding	1,109,717	1,361,927	2,471,644
Total	1,378,896	2,054,702	3,433,598

4.5 The significant variations that impact on the final outturn from quarter 3 to quarter 4 are identified in appendix 5b.

4.6 The outturn position is comprised of a number of elements as set out in the table below:

2021/22 Outturn	Adur Worthing	
	£000	£000
Over/(under)spend in operational services – including share from Joint	208	2,033
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2021/22, due to reprofiling of the capital programme.	(165)	(935)
Major Projects - overspend (funded from reserves)	0	135
Net Overspend before Government Funding and Transfers to reserves	43	1,233
Non ring fenced Government grants		
Additional Non ring fenced grant	(8)	(6)
Government Covid 19 Grant Funding	(297)	(297)
Sales, Fees and Charges Guarantee Scheme	(81)	(396)
Total Non-Ring Fenced Grant Funding	(386)	(699)
Outturn underspend before impact of taxation and transfer to/from reserves	(343)	534
Impact of Taxation		
Impact on NDR income from additional reliefs	2,119	4,024
Impact on Council Tax income from additional reliefs	61	55
Section 31 grant	0	(48)
Underspend before transfer to reserves	1,837	4,565
Transfers to(from) Reserves:		
Business rates smoothing reserve	(2,003)	(3,678)
Tax Guarantee smoothing reserve	(179)	(401)
Net Operational Over/(Underspend	(345)	487
Transfer to / from (-) reserves to fund revenue expenditure	87	(290)
Outturn - net Underspend	(258)	196
Transfer to Property Risk Reserve	75	0
Outturn after total transfers to/(from) reserves	(183)	196

4.7 The key factors underpinning the outturn financial position include:

- There has been a continued financial impact as a result of the pandemic during 2021/22. Additional costs have been incurred to meet service demands including additional support for leisure services, the administration of business and personal grants and compliance requirements. The level of income from sales fees and charges particularly car parking has also not fully recovered to pre covid levels during the year. In response to the recognised financial pressures the government has during the year released additional

funding to local authorities for the new burdens. It also extended the sales, fees and charges compensation scheme until June 2021 but any income shortfall since July has been met by each council locally.

- An underspend in the Minimum Revenue Provision (MRP) and net interest budgets. The budgets are calculated on both the historic financing of previous years capital programmes and the impact of financing the current year's capital spend. Changes to the expected spend, the method of calculating the MRP for Worthing, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2022/23.

Once the above items are considered, the operational position is a net overspend by services of £208k in Adur and £2m in Worthing. A number of the factors influencing the operational position have been addressed as part of the 2022/23 revenue budget such as parking income.

4.8 In summary the overall revenue outturn positions reported for Q4 are as follows:

	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2021/22	23,609	9,581	14,448
Outturn (Including govt funding and transfer to/from reserves)	23,964	9,398	14,644
Over/(Underspend)	355	(183)	196
Percentage		-1.91%	1.36%

Comparison to the Q3 forecast:

	Joint	Adur	Worthing
	£000s	£000s	£000s
Outturn Over/(under)spend	355	(183)	196
Forecast Over/(under)spend Q3	916	47	14
	(561)	(230)	182

4.9 The reported budget variances in Adur and Worthing, in the table above, include the total share transferred from the Joint services in line with their allocated share.

4.10 There are a number of key items which require a more detailed explanation. These are listed below.

4.11 COMMUNITIES DIRECTORATE

4.11.1 Housing Needs

There continues to be cost pressures associated with homelessness in both councils with caseloads increasing by around 39% in Adur and 30% in Worthing between April 2021 and March 2022.

In Worthing additional contingency of £80,000 had been built into the budget to address ongoing costs pressures, the Local Housing Allowance rate has increased since April 2020 and the Housing Service continues to source cheaper temporary accommodation with both Rowlands Road and Downview now both becoming available for use during the year.

A Homelessness Reduction Grant was allocated in 2021/22, Adur £25,000 and Worthing £122,934, this was new burdens funding associated with the Homelessness Reduction Act. Both councils have also received Domestic Abuse Safe Accommodation grant allocations of £32,529.

Housing Needs	Adur £000	Worthing £000
Homelessness - Emergency and temporary accommodation costs - budget pressure/(underspend)	342	1,139
Local Housing Allowance Income - budget shortfall/(excess)	(271)	(979)
Next Steps Accommodation Programme Funding	(7)	(112)
Additional MHCLG Homelessness Reduction Grant (New Burdens associated with the Homelessness Reduction Act)	(25)	(123)
Additional MHCLG Domestic Abuse Accommodation Grant	(33)	(33)
Ex Offender Accommodation Grant	(135)	-
Reduction in Homeslessness reduction reserve funding	-	120
Net over/(under)spend forecast against budget	<u>(129)</u>	<u>12</u>

Overall the budget for Housing Needs was underspent in Adur by £129,000 and overspent in Worthing by £12,000. This is comparable to the projected overspends of £45,000 and £18,000 respectively. The projection for Adur in Q3 assumed a

caseload increase of 2 per month, the actual number stayed static for the last quarter leading to a more favourable outturn position.

4.11.2 Waste and Recycling

Income for green waste performed well against budget for the major part of the year however due to refunds being issued as a result of missed collections during the period of the waste dispute at the end of the year, it fell marginally short of the budget. Overall Refuse and Recycling income is £11,000 below budget. However, there were overspends of £131,000 which compound this related to repair and maintenance of vehicles and unbudgeted costs associated with the waste dispute, including payments to waste contractors and extended opening of refuse and recycling sites. Both income and expenditure positions have deteriorated since that predicted in quarter 3 with a combined increase in the overspend of £118,000. In addition, there are staff overspends of £99,000, a combination of agency and salary cost increases. This is an improvement from quarter 3 with main variance being underspends on staff costs during the period of the waste dispute. Overall the net outturn for the service is a £241,000 overspend.

The Cleansing and Clinical Waste service was underspend overall by £110,000, a combination of staff cost underspend and additional income.

Commercial Waste saw a drop in income due to both reduced demand and the impact of refunds issued as a result of the waste dispute. The shortfall in income for 2021/22 was £96,000 in Adur and £154,000 in Worthing. Partially offsetting this are underspends on disposal and equipment costs £37,000 in Adur and £41,000 in Worthing, and staff costs of £31,000. In addition there were some offsetting savings in expenditure budgets within the Joint service of £20,000. This is a demand led service and sensitive to changes in customer decisions. The outturn position compares favourably to the quarter 3 prediction when disposal costs were expected to increase significantly.

4.11.3 Bereavement Services

The Bereavement Service was overspent against budget in 2021/22 for both councils, £17,000 in Adur and £718,000 in Worthing, this compares to overspend projections in quarter 3 of £24,000 in Adur and £526,000 in Worthing.

The net overspend positions include the following income shortfalls for Adur and Worthing;

	Adur		Worthing	
	Q3 Forecast	Outturn	Q3 Forecast	Outturn
	£	£	£	£
Burials	22,000	21,000	(51,000)	(34,000)
Rental income	-	-	15,000	13,000
Cremations	-	-	356,000	553,000
Tributes	-	-	(23,000)	(53,000)
Memorial Gardens	-	-	83,000	95,000
Memorials	-	-	15,000	17,000
Other	-	-	(13,000)	(12,000)
Total under/(over) achievement	22,000	21,000	395,000	579,000

Overspends on expenditure budgets in Worthing include additional costs associated with tributes, staff and additional cleaning requirements at the crematorium including one off deep cleans due to Covid.

The crematorium income was below budget by £553,000. This is due to several factors:

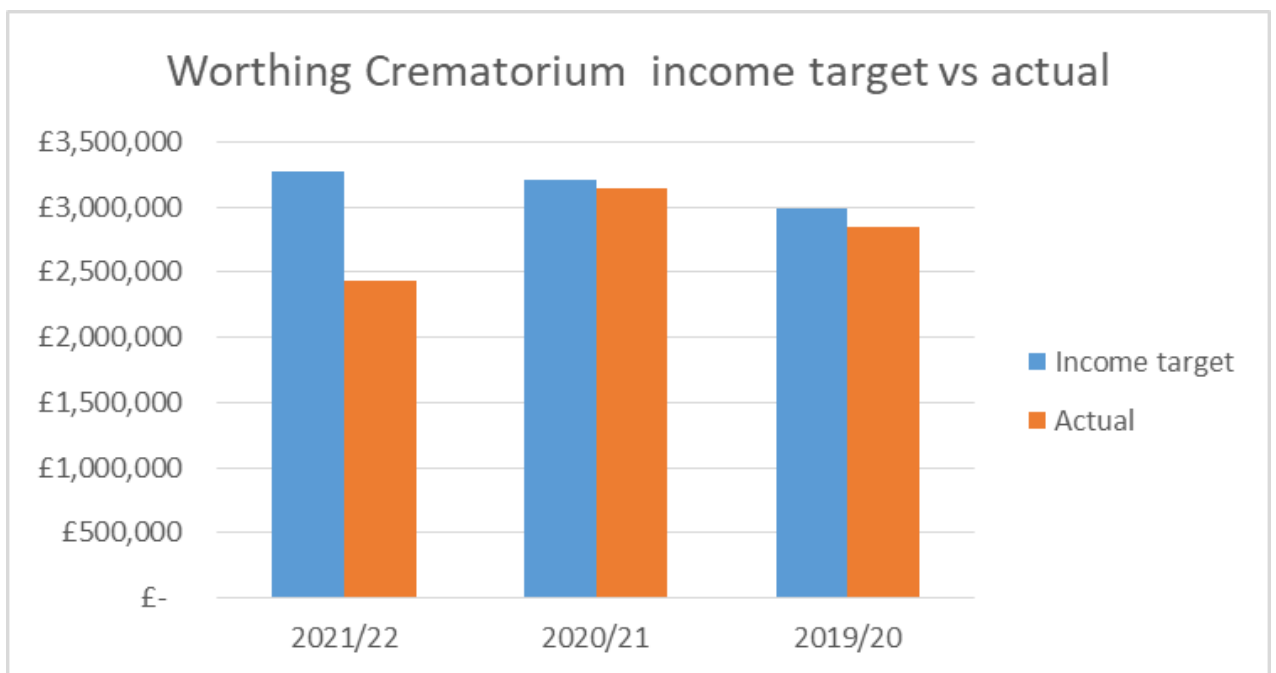
- The fees were not increased in 2021 as assumed when setting the budget and a shift in the number of direct cremations.
- A proportion of the losses incurred in quarter 1 were compensated through through the Sales, Fees and Charges scheme,
- £50,000, the remaining shortfall has been absorbed by the Council.
- A shortfall in memorial and memorial garden income of £95,000. This has been partially offset by £53,000 additional income associated with tributes and a reimbursement of £2,000 from the Cameo abatement scheme.
- There are cost pressures of £59,000 which includes additional cleaning and security.
- additional staff costs of £56,000, these relate to extra resources including agency staff and a temporary parking attendant.

The bereavement market has changed significantly in the past three years. There are two large competitors focusing on unattended cremations (direct cremations) and it is likely that these businesses will continue to take the majority of direct cremations in the future.

A substantial exercise took place last year to understand the services cost of sale and gross profit for burials and cremations. This study found the service is unable to compete due to high costs of internal in-build recharges and the income targets set corporately, it makes the cost of sale excessively high and compared to the prices our competitors charge for the same service the gross profit is negative.

Worthing Crematorium is unable to compete in this market at the present time and have cut back the number of these types of cremations this year to focus on attended.

The income targets are challenging to meet as these increase annually, but the death rate stays relatively steady. The last six years have seen outlier mortality trends: The number of excess winter deaths in 2017 to 2018 was the highest recorded since winter 1975 to 1976¹. An estimated 63,000 excess winter deaths occurred in England and Wales in winter 2020 to 2021, 6.1 times higher than winter 2019 to 2020; the growth was mostly driven by the large number of coronavirus (COVID-19) deaths in the non-winter months of 2020 (April to July) and the winter months of 2021 (December to March)².

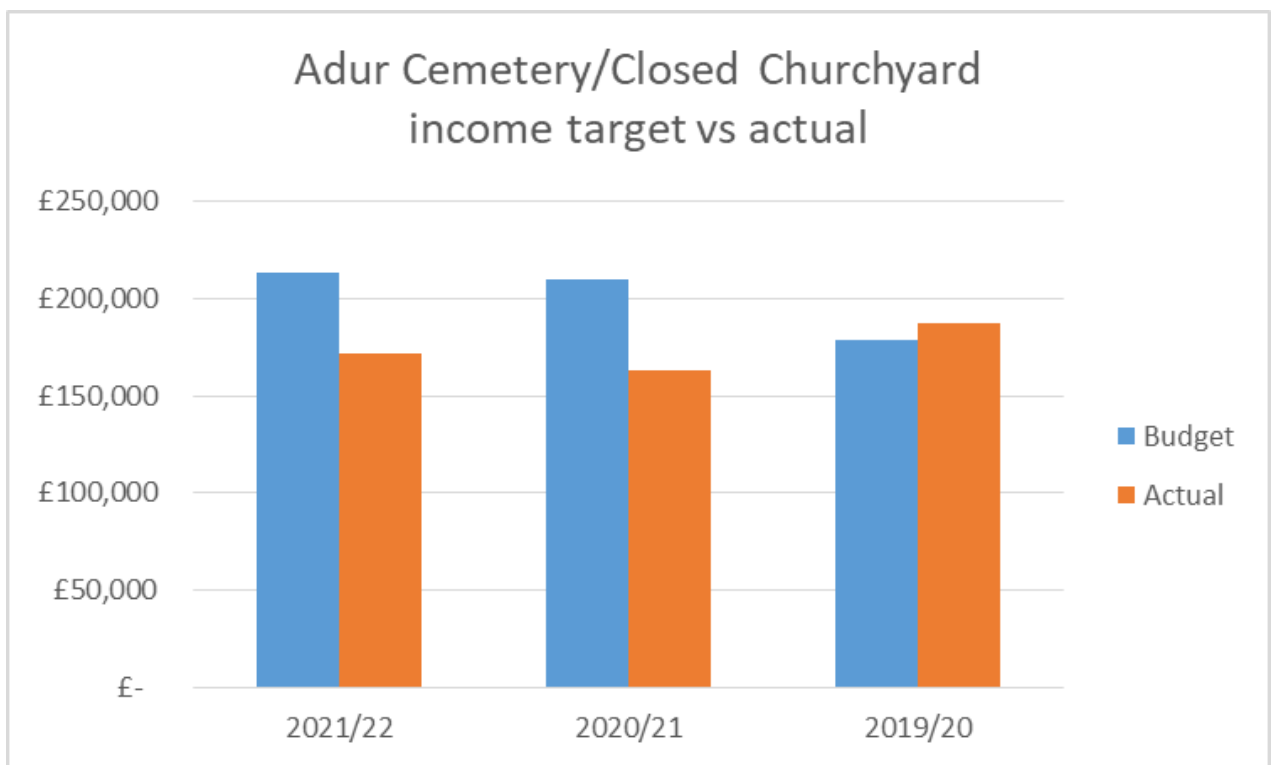
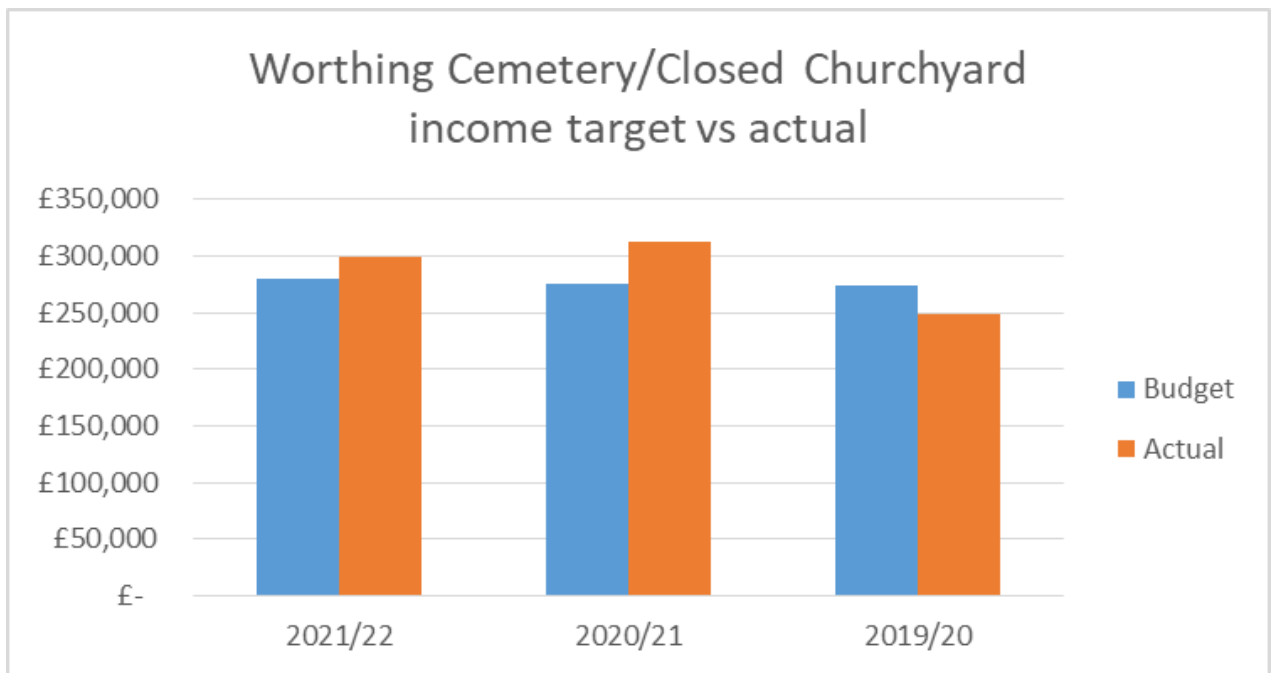


1

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excess-wintermortalityinenglandandwales/2017to2018provisionaland2016to2017final>

2

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/bulletins/excess-wintermortalityinenglandandwales/2020to2021provisionaland2019to2020final>



A single chapel / cremator crematorium is set to be built in Yapton in Arun in the not too distant future and it will be important to invest further in the facilities already in place to make Worthing Crematorium an attractive proposition to a newer facility. There will also be more pressure to match our pricing with the new crematorium.

Work is underway to further develop and extend the memorial garden. Consultation will be the next step, followed by an invest to save report to Strategic Finance Board. Once funding is secured the garden construction and off plan sales can commence. It is estimated that the garden will be ready in January 2023.

4.11.4 Environmental Health - Private Sector Housing

The service has over-achieved against budget in Adur £72,000 and Worthing £65,000. A large part of this is due to an increase in income related to the Home Initiatives Assistance Scheme of £31,000 and £61,000 in Adur and Worthing respectively. Income is based upon size and number of grants approved, due to the scale of Better Care Fund (BCF) allocation, a discretionary Disabled Facilities Grant (DFG) policy is in place that has increased the size and number of grants.

In addition Adur collected unbudgeted income of £36,000 relating to civil penalty notices and Community Alarm income exceeded the budget. Worthing received Minimum Energy Efficiency Standards government funding of £27,000.

4.11.5 Parks and Foreshore

The parks service had an underspend in both Adur and Worthing £46,000 and £21,000 respectively. This was a combination of overspends in costs that were offset by additional income. This was partially offset by an overspend within the Joint services of £52,000 associated with repair, maintenance and service costs, together with a shortfall in income.

The Foreshore service outturn positions are also net underspends in both Adur and Worthing of £45,000 and £33,000 respectively. Both councils have seen an increase in income from beach hut licences and rental plus savings against expenditure budgets. In addition there are staff savings included within the Joint service of £31,000.

The outturn compares favourably in Adur and Worthing against the forecast year end positions reported in quarter 3 for both the Parks and Foreshore services. However the Joint service associated with the Parks service was predicted to be underspent, the variance relates to a shortfall in income.

4.12 DIGITAL, RESOURCES AND SUSTAINABILITY DIRECTORATE

4.12.1 Parking Services

Car park income was the revenue stream most impacted by the pandemic and the longer term effect of changing behaviour by customers was built into the 2021/22

budget with a reduction in income budgets of £359,000 in Worthing and £64,000 in Adur. Demand is still below the pre pandemic levels with income falling short of the budget by 13% in Adur and 20% in Worthing. Worthing has been particularly affected due to the following factors;

- Demand from the worker deal permits and season tickets has not returned to the previous pre pandemic level of demand. This may be temporary but it could be that more people are choosing to work remotely as a long term or permanent option.
- The Government's covid19 pass allowed critical NHS staff and social care workers to park for free which resulted in lower income in the car parks and on-street. The pass was officially withdrawn as of 21st June 2021.
- NHS staff were being offered free parking at Worthing hospital until April 2022, this had an impact on the income level at the Lyndhurst Road car park.

The projected net shortfall against budget for the year in quarter 3 was £57,000 and £698,000 in Adur and Worthing respectively, including cost pressures or savings within supplies and services. The actual outturn for 2021/22 £43,000 and £712,000 respectively.

Shortfalls in car park income for the first quarter of 2021/22 was covered by the income guarantee scheme, which has been extended to cover the first 3 months of 2021/22. The Council has been compensated by 75% of loss over and above the first 5% of budget. However the remaining losses of £515,000 within Worthing and £7,000 in Adur have been absorbed within the budgets.

There is a risk that Worthing may feel the impact of a permanent change in workers' behaviour with an increase in home working and a reduction in commuter parking and the demand does not fully recover to pre pandemic levels. An estimate of the longer term impact on demand has been built into the 2022/23 budgets with a reduction in income of £52,000 in Adur and £55,000 in Worthing.

4.12.2 Revenues and Benefits

Overpayment income was below budget in both councils, with £183,000 in Adur and £328,000 in Worthing. The budget for overpayments was reviewed for the 2022/23 budget process and reduced by £100,000 in Worthing. The value of overpayments raised has fallen for a number of reasons including the continued increase in the automation of records received from the DWP. Nevertheless, comparing the value of outstanding overpayments since October 2017 there has

been a significant reduction (almost £480,000 for Adur and more than £1.1m for Worthing).

There has been an improvement in the shortfall of recovery of court cost income for 2021/22 than was forecast in quarter 3. Previous estimations were cautious due to the closure of the courts during the pandemic, however they are now open and there is an element of backlog cases to be processed.

There was Covid and new burdens funding for additional work resulting from the pandemic, this together with departmental underspends offset the recovery shortfalls.

Additional system, staff and printing costs have continued in 2021/22:

- Administration of changes in business rates reliefs announced by the government in the March 2021 budget. This included a mid-year reduction of two reliefs from 1 July 2021
- An on-going increase in the volume of claims for Council Tax Support (albeit the live caseload for working age customers has remained broadly static)
- Awards up to £150 discretionary Council Tax Support to working-age customers in respect of 2021/22
- In conjunction with the Communities Team, continuing to administer self-isolation £500 payments including a new category for parents/guardians. The scheme was extended and ran until 24 February 2022.

The net outturn positions are overspends in Revenues and Benefits of £327,000 in Adur and £705,000 including the joint element of costs and housing subsidy.

4.12.3 External Borrowing Costs, Investments and Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The budget is based on previous unfunded capital expenditure plus the estimated charge for the approved capital expenditure for the year. Consequently, it is not until the accounts have been closed and the calculation has been updated for the capital spend in the previous year that there is certainty about the charge for the forthcoming year. This may result in a significant variance.

Worthing has an underspend on its MRP budget of £451k, this is as a result of the following;

- the reprofiling to 2021/22 of a proportion of the 2020/21 Capital Programme and the impact of changes to planned financing due to increased levels of capital receipts and capital grants, both of which offset the need to borrow.
- A technical review of the MRP calculations in preparation for the 2022/23 budget has resulted in substantial in-year savings.

Adur has an overspend of £168k in the MRP budget which reflects the delay in the sale of the Adur Civic Centre and the timing of the associated capital receipt. We had originally expected the receipt in 2020/21 and to be able to use it to reduce the Council's reliance on debt.

Interest receivable from treasury investments is above budget for both Councils, mainly due to the unused portions of government Covid grants which are held until final reconciliations have been completed. The interest payable on borrowing is below budget, due to the reprofiling of capital budgets together with an extended period of low interest for new borrowing. There are forecast net underspends in interest and other financing costs of £333k for Adur and £484k for Worthing.

Overall the position is as follows:

Treasury Management (Under) / Overspends	Adur (General Fund)	Worthing
	£000	£000
Minimum Revenue Provision	168	(451)
Interest on Borrowing and TM costs	(295)	(416)
Interest from Investment Income	(26)	(63)
Other financing costs	(12)	(5)
Total	(165)	(935)

The final outturn position is in line with previous budget monitoring forecasts for MRP with a more favourable outcome on net interest payable. The projections were overall underspends of £133k in Adur and £882k in Worthing. The difference is due to further reprofiling of the capital programmes in quarter 4.

4.13 ECONOMY DIRECTORATE

4.13.1 Planning & Development

In Adur current projections are that there will be a net shortfall in income against the 2021/22 budgets in the Planning and Development service area:

	Q3 Forecast	Outturn
	£	£
Building Control	75,000	79,000
Land Charges	31,000	39,000
Development Management	(20,000)	(105,000)
Total under/(over) achievement of income	86,000	13,000

There are some small underspends in expenditure of £12,000 to offset this shortfall in income, an overall net overspend against a budget of £1,000. Additional applications received in quarter 4 have resulted in a better than predicted outturn at quarter 3 of £89,000 overspend.

In Worthing there was an £106,000 budget pressure within Planning Policy associated with the commencement of the Local Plan Examination during the year. This cost was originally expected in 2022/23 in the financial planning exercise but the timing and the amount is always difficult to predict. The Local Plan Examination was held in November and the Main Modifications consultation finished last month. The final Local Plan Inspector's report is not due until late Summer and at this point the Planning Inspectorate will send in the final invoice.

The Council is also pursuing a challenge to the separate appeal decision to allow 475 dwellings at Chatsmore Farm as the decision would seriously undermine the emerging Local Plan and result in a significant incursion into the important Green Gap between Worthing and Ferring. The Council has been granted leave to appeal and a two day Hearing has been set for the 20th and 21st July. There is a risk of costs being awarded against the Council if the Judicial Review is unsuccessful and this could be in the order of £50,000.

There are also projected shortfalls in Development Management as there have been few large scale developments attracting larger planning fees in the

last quarter. Income is also down for Land Charges as the number of house sales has and continues to be lower than anticipated:

	£
Building Control	(4,000)
Land Charges	46,000
Development Management	92,000
Total under/(over) achievement of income	<u>134,000</u>

There are some underspends in expenditure of £63,000, an overall net overspend against a budget of £197,000. This compares with a projected £289,000 overspend in quarter 3, the variance driven from applications received in quarter 4 and underspends in expenditure.

4.13.2 Major Projects and Investment

The Major Projects team has actively been working on a number of development sites and investments across the areas. The nature of these projects inevitably spans over a number of budget years and commissioning timetables vary according to projects' complexity and challenges that arise from market forces, public engagement, and viability issues. The effect of this is that projects have an uneven spend profile often with large amounts of money being paid over short time periods. In Worthing the expenditure came in £139,000 higher than budget, but within this are the costs associated with the Teville Gate proposed development which are met by Reserves. It also includes £46,000 staff costs that were expected to be met from capital that have had to be funded from revenue. Adur has a small overspend of £25,000.

Commercial and strategic property income managed to stay within budget in Adur including allowing for the effect of the Covid 19 pandemic. It has meant that some of the budgeted allowance for the transfer of funds to the Property risk reserves has been possible for 2021/22 £75,000, at quarter 3 it was forecast that the in year allowance may have been used to totally offset the income shortfalls.

The position in Worthing is different where the risk reserve budget has been required to offset the net income shortfall, the final outturn position is a net shortfall of £122,000. This is due to activity around the retail properties in Montague Street and Cannon House which is being refurbished before being re-let, costs during void periods such as rates and service charges, and preparing the properties for letting.

4.13.3 Place and Economy

The Place and Economy outturn in Adur is favourable against the budget with a net underspend of £20k. This is comparable with the quarter 3 projection. This is due to the continued success of the street markets, event space hire and the promotional service.

In Worthing there is a net overspend of £105,000. The Worthing Observation Wheel had a successful operating season on Worthing seafront which came to an end in October. The attraction's return was delayed due to the Coronavirus but has traded well, a lower payment by the operator of £60,000 was agreed for 2021/22. It was anticipated at quarter 3 that the shortfall would be mitigated by additional income from other concessions and events but despite good financial performance in these areas, this hasn't balanced the overall position of a net overspend. The overspend includes expenditure relating to works associated with Montague Street (£145,000), it was anticipated that this would be fully covered by the Re-Opening the High Street grant however this is now unlikely.

4.13.4 Leisure Provision

Adur and Worthing Councils were successful with claims to the National Leisure Recovery Fund, receiving allocations of £110,000 and £200,000 respectively. These are being used to support the reopening of the Leisure facilities.

In December 2021 Adur District Council awarded the contract to South Downs Leisure to run the leisure centres in the district following the previous operators going into administration. It has supported the re-opening of the sites and has a net overspend of after the use of funding of £88,000.

In Worthing the Council has provided some financial support to leisure operator South Downs Leisure. This has been met from the recovery grant.

4.14 CORPORATE

4.14.1 Business Rates

The Covid-19 emergency has resulted in an exceptional couple of years for business rates. The government, in response to pressures emerging from the pandemic, awarded a significant level of additional business rate reliefs to retail, hospitality and leisure businesses to reflect their inability to trade normally. The result was a sizable drop in business rate income for local authorities which has been compensated by the government through section 31 grant funding.

There is an inherent timing difference in the accounting for business rates between when the budget is set and future decisions made by Treasury in relation to reliefs where compensation is funded through section 31 funding. Local taxation is accounted for transparently through a separate account known as the Collection Fund with any differences between what is expected to be collected and what is actually collected by the authority accounted for through the general fund as surplus or deficit adjustments. An estimated surplus/deficit is calculated in January and that is used in the budget for the next financial year, any variance will then not flow through to the general fund until the following year.

The financial impact on the general fund in 2021/22 is shown below:

	Adur		Worthing	
	Budget	Outturn	Budget	Outturn
	£m	£m	£m	£m
Income from business rates collected	7.226	7.434	12.503	12.933
Less: Tariff payment to government	-5.126	-5.125	-10.228	-10.228
Add: Section 31 grant	1.005	2.188	1.850	3.710
Less: Levy 2021/22	-0.669	-0.440	-0.716	-0.190
Add: Adjustment related to overprovision for the 2020/21 levy	0.000	0.205	0.000	0.240
Less: Recovery of estimated 2020/21 deficit	-3.829	-3.829	-6.734	-6.734
Add: Withdrawal from Business Rates Smoothing / Local Income Tax Guarantee reserves to fund net deficit	3.829	2.003	6.734	3.678
Income expected from Business rates	<u>2.436</u>	<u>2.436</u>	<u>3.409</u>	<u>3.409</u>
Balance on Smoothing reserve 31 March 2022		1.766		3.307

Business Rate income is volatile and can be affected by many factors: government decisions, changing use of commercial properties, valuations, appeals. The amount of income to benefit the General Fund is set at the outset of the financial year and will not change irrespective of the actual level of business rate income received. In 2021/22, the Government awarded significant additional reliefs in-year which generated a deficit within the collection fund which the Council will need to fund in 2023/24. However the balance on the Smoothing

Reserve will be used over the next two years to fund the deficit on the Collection Fund.

4.14.2 Local Tax Income Guarantee

The government has committed to compensating Councils for any in-year losses for Council Tax and Business Rates in 2020-21. This scheme runs 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 is being used over the same period to ensure that these losses are offset in the year in which the Council will need to fund them. A prudent approach was adopted in 2020/21 when these funds were transferred to reserves. The use of the reserves in 2021/22 is as follows:

	Adur		Worthing	
	Council Tax	NNDR	Council Tax	NNDR
	£	£	£	£
Balance of Reserve 1 April 2021	181,376	115,959	127,570	575,784
Approved use 2021/22	62,710	115,959	55,390	346,015
Balance 31 March 2022	118,666	0	72,180	229,769

4.15 CROSS CUTTING

4.15.1 Maintenance

Maintenance expenditure was overspent in Adur by £64,000, an improvement on the expected overspend at quarter 3 of £84,000. The overspend is due to both inflationary pressures on costs, an increase in demand on the budget and new legislative requirements for water testing.

In Worthing there was a significant underspend of £198,000, higher than the £100,000 underspend forecast at quarter 3. A review of the Technical Services approach to Procurement to meet the requirements of our Contract Standing Orders has meant that this year a large proportion of our Worthing Planned Maintenance Programme works were packaged up and consolidated into one tender/contract to maximise value for money. This new approach along with resourcing issues within the team has caused some delays in completing the

works by the end of March 2022. It has also been difficult to carry out planned maintenance works during winter months (e.g. external redecorations) when the weather conditions make it difficult to complete works. The learnings from this procurement approach will be taken into 2022/23.

4.15.2 Utilities

The impact of Inflationary pressures on utility costs are being experienced with both councils overspending against the budget for 2021/22, £74,000 in Adur and £139,000 in Worthing. In addition the exchange of a large number of gas meters to the SMATS2 AMR version have led to more accurate usage readings and increased charges to the councils.

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

5.1 Adur Homes is held within a ring fenced Housing Revenue Account, which is shown in Appendix 4. Overall the HRA shows an overspend against its budget of £470,205 which is a deterioration on the £361,230 overspend projected in quarter 3. The movement is due to an increase in the bad debt provision and depreciation charges. Details of the significant variances are detailed in appendix 5(c).

5.2 The HRA Reserve stood at £0.545m at 31st March 2022 with earmarked reserves totalling £0.560m.

6.0 TRANSFERS TO RESERVES

6.1 Movements and Use of Earmarked Reserves

As part of the 2021/22 final accounts process, officers have identified amounts that are recommended for transfer to reserves for specific purposes or planned as part of the budget process, as detailed below.

In 2021/22, both authorities drew down on reserves to fund other costs. A detailed breakdown of the reserve positions is included in **Appendix 2b** for Adur and **Appendix 3b** for Worthing.

Adur District Council:

Adur District Council transfers from General Fund Earmarked Reserves 2021/22		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none"> ● Decrease in Grants Carried Forward ● Local Tax Income Guarantee ● Self-insurance charges and proposed contributions ● Approved use of reserves ● Business Rate Smoothing Reserve ● Transfer to Property Investment Risk Reserve ● Unused provisions & grants released to reserves 	<p>(139,889)</p> <p>(178,669)</p> <p>30,700</p> <p>(112,728)</p> <p>(2,002,721)</p> <p>75,674</p> <p>93,807</p>	(2,233,826)
Contribution to reserves from general underspend:		
<ul style="list-style-type: none"> ● General Fund underspend transferred to Capacity Issues Reserve to fund future one-off projects ● General Fund underspend transferred to General Fund Working Balance 	<p>83,436</p> <p>100,000</p>	183,436
Total recommended net withdrawals from Reserves		(2,050,390)

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will increase to £1.051m which, at 11.2% of net expenditure of £9.398m, is just above the range of 6%-10% normally set by the Council. However this is a deliberate move in the light of the significant financial risks that the current inflation rate presents to the Council's overall finances for 2022/23.

In addition the Council would retain earmarked revenue reserves of £1.359m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), an increase of £0.171m over 31st March, 2021. The full listing of earmarked reserves is attached at **Appendix 2b**.

Worthing Borough Council:

Worthing Borough Council net transfers from General Fund Earmarked Reserves 2021/22		
Budgeted/Committed contributions to/(from) reserves:	£	£
<ul style="list-style-type: none"> ● Decrease in Grants Carried Forward ● Net withdrawal from Theatres Maintenance Reserve ● Approved use of reserves ● Local Tax Income Guarantee ● Self-insurance charges and proposed contributions ● Business Rates Smoothing Reserve ● Unused provisions & grants released to reserves 	<p>(370,095)</p> <p>(57,855)</p> <p>(413,026)</p> <p>(401,405)</p> <p>46,306</p> <p>(3,677,916)</p> <p>98,847</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p>(4,775,144)</p>
Withdrawal from reserves for general overspend:		
<ul style="list-style-type: none"> ● General Fund overspend withdrawn from the General Fund Working Balance 	<p>(196,025)</p>	<p>(196,025)</p>
Total recommended net withdrawals from Reserves		<p>(4,971,169)</p>

If all the proposals in the above table are adopted, Worthing Borough Council's General Fund Working Balance will reduce to £1.347m which, at 9.2% of net expenditure of £14.644m, is above the range of 6%-8% normally set by the Council. However, the working balance is being retained at this level to help mitigate the impact of the current inflationary pressures on the Council's overall finances.

In addition the Council would retain earmarked revenue reserves of £2.469m (excluding the revenue grants reserve, the Business Rates Smoothing Reserve and the Local Tax Income Guarantee), a decrease of £0.326m over 31st March 2021. The full listing of earmarked reserves is attached at **Appendix 3b**.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2021/22 AND DEBT POSITION

MRP Requirement for 2021/22

7.1 The Local Authorities (Capital Finance and Accounting) (England)(Amendment) Regulations 2008 require the Councils to make a prudent provision within the accounts for repayment of debt. This provision is called the Minimum Revenue Provision (MRP) and is charged to revenue expenditure.

7.2 The Councils' MRP policy was approved by the Joint Strategic Committee at its meeting of 2nd June 2016 and was recommended for approval by Worthing Council at its meeting on 19th July 2016 and by Adur Council at its meeting on 21st July 2016. It was agreed that: firstly for any debt associated with unfunded capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt.

This does not apply to Worthing Borough Council which had no debt as at 1st April 2008. Secondly, for both Councils' non-HRA capital expenditure which forms part of the Capital Financing Requirement (the CFR), (excluding loans to RSLs or other approved bodies), after 1st April 2008, the MRP will be calculated as the annual amount required to repay the CFR using the Annuity Method over the life of the assets acquired. The option remains to use additional revenue contributions or capital receipts to repay debt earlier. Where a building is being constructed, the MRP will be set aside once the building has been completed. The CFR is a prescribed calculation which is used to measure the Councils' underlying need to borrow to finance all capital expenditure.

7.3 The MRP policy will ensure that, by the time debts are due to be repaid, sufficient funds will have been set aside.

7.4 As MRP is applied in the year after that in which capital expenditure is funded from borrowing, the MRP for 2021/22 relates to unfunded expenditure incurred up to and including 31st March 2021. Voluntary MRP may be set aside, which can be offset in future years.

7.5 By applying the approved methodologies, described in paragraph 7.2, the following MRP determinations have been provided for in the 2021/22 accounts:

- For Adur District Council General Fund the MRP was £2,324,250. £10,000 of Voluntary MRP was offset. No Voluntary MRP was set aside for the HRA.

- For Worthing Borough Council the MRP was £1,695,975. £160,000 of Voluntary MRP was offset.

Debt Position at 31 March 2022

- 7.6 In recognition of the introduction of the HRA Self-Financing regime, the Councils' joint treasury management policy also includes a requirement to account separately for General Fund and HRA debt in accordance with the "two pool approach" recommended by CIPFA within the Treasury Management Code of Practice. This approach apportioned historic debt at 31 March 2012 between the HRA and General Fund in accordance with the Code guidance, and requires new borrowing from 1 April 2012 onwards to be attributed to either the General Fund or HRA according to the purpose for which it is obtained.
- 7.7 For Adur Council the separation of General Fund and HRA debt facilitates a comparison with the corresponding underlying need to borrow (the Capital Financing Requirement) i.e. capital expenditure not financed from internal resources. The purpose of the comparison is to enable General Fund and HRA treasury management decisions to be taken independently of each other, and in an equitable and transparent manner.
- 7.8 Accordingly, there follows a comparison of the respective debt outturn positions compared to the CFR for each Council, albeit that as Worthing does not have an HRA it therefore does not operate a two pool approach.

Debt Position at 31 March 2022	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Actual Long Term Debt 01/04/21	98,015,938	60,476,126	158,492,064	137,724,926
New Long Term Debt Raised in year	10,000,000	0,000,000	10,000,000	35,375,000
Long Term Debt Repaid in Year	(5,673,619)	(1,851,167)	(7,524,786)	(19,349,053)
Actual Long Term Debt 31/03/22	102,342,319	58,624,959	160,967,278	153,750,873

CFR v Long Term Debt Position at 31 March 2022	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Capital Financing Requirement (CFR)	106,971,263	61,802,206	168,773,469	154,870,223
(Over) / Under Borrowing	4,628,944	3,177,247	7,806,191	1,119,350

7.9 Adur also held the Parish Precept of £550,000 on behalf of Lancing Parish Council.

7.10 For Adur Council the General Fund is under-borrowed by approximately £4.629m. The HRA is under-borrowed by £3.177m. We have used this approach because, in the light of the cost of borrowing compared to the income from investments, we are opting to finance some of the capital expenditure through the use of internal resources. This position largely reflects the opening position at 1st April 2012 arising from the application of the two pool split, where-in the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR, so that any under or over borrowing at that time was fully attributed to the General Fund. The General Fund took out new long term borrowing to fund the capital programme and the refinancing of maturing debt.

7.11 Worthing is under-borrowed by £1.119m due to the use of internal resources as described above for Adur. New loans have been taken out in 2021-22 to fund economic regeneration projects, the capital programme and the refinancing of maturing debt.

8.0 ENGAGEMENT AND COMMUNICATION

8.1 The Corporate Leadership Team, Heads of Service and budget managers have all collaborated on the content of this report providing explanation and narrative on the outturn variances.

9.0 FINANCIAL IMPLICATIONS

- 9.1 There are no further financial implications. The report sets out the final outturn position with both Adur and Worthing presenting underspends against budget.

10.0 LEGAL IMPLICATIONS

- 10.1 Local authorities have a statutory duty under section 28 of the Local Government Act 2003, to monitor their income and expenditure against their budget, and be ready to take action if overspends or shortfalls in income emerge. Section 151 of the Local Government Act 1972 requires the Councils to make arrangements for the proper administration of their financial affairs.

11.0 CONCLUSION

- 11.1 The Councils have had a difficult year with additional pressures resulting from the ongoing impact from the global pandemic both in terms of demands on services, capacity and finances. There have also been cost pressures from inflation, a pay award above that budgeted for the year and the impact of the waste dispute. The outturn positions in 2021/22 have only been achievable as a result of additional funding from the government both in the form of Covid, new burdens and specific grants and the extension of the Sales, fees and charges scheme from the April to June 2021. As highlighted in section 4.6 before any funding the position for Adur District Council and Worthing Borough Council are oversends of £43k and £1.233m respectively.
- 11.2 Adur District Council is in a position to be able to contribute to reserves, which is welcome at a time when local government faces ongoing financial pressures, including the reduction in central government funding and the ongoing strain on expenditure and income streams.

Background Papers:

Joint Overall Budget Estimates 2021/22

<https://democracy.adur-worthing.gov.uk/documents/g1490/Public%20reports%20pack%2009th-Feb-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

<https://democracy.adur-worthing.gov.uk/documents/b4556/Summary%20of%20Executive%20Member%20Portfolio%20Budgets%20for%20202122%2009th-Feb-2021%2018.30%20Joint%20Strategic%20Comm.pdf?T=9>

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

<https://democracy.adur-worthing.gov.uk/documents/g1626/Public%20reports%20pack%2024th-Feb-2022%2019.00%20Adur%20Council.pdf?T=10>

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

<https://democracy.adur-worthing.gov.uk/documents/g1625/Public%20reports%20pack%2022nd-Feb-2022%2018.30%20Worthing%20Council.pdf?T=10>

Financial Performance 2020/21 - Revenue Outturn

<https://democracy.adur-worthing.gov.uk/documents/g1583/Public%20reports%20pack%2013th-Jul-2021%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

3rd Revenue Budget Monitoring Report (Q3)

<https://democracy.adur-worthing.gov.uk/documents/g1697/Public%20reports%20pack%2016th-Mar-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

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Sustainability & Risk Assessment

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

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

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


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


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


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


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


2021/22 FINAL REVENUE OUTTURN JOINT SUMMARY

 ADUR & WORTHING COUNCILS	ORIGINAL ESTIMATE 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	(UNDER)/ OVERSPEND 2021/22
	£	£	£	£
Chief Executive	454,280	454,280	482,683	28,403
Director for Communities	8,271,680	8,366,680	8,495,073	128,393
Director for Digital & Resources	12,322,770	12,422,800	11,889,644	(533,156)
Director for the Economy	3,655,040	3,655,040	3,983,306	328,266
TOTAL SERVICES	24,703,770	24,898,800	24,850,705	(48,095)
ALLOCATION OF COSTS				
Recharged to Capital	(963,960)	(963,960)	(541,714)	422,246
Other Recharges to Joint	(130,590)	(130,590)	(148,803)	(18,213)
	23,609,220	23,804,250	24,160,188	355,938
Adur District Council	(9,545,150)	(9,623,150)	(9,743,930)	(120,780)
Worthing Borough Council	(14,064,060)	(14,181,100)	(14,416,258)	(235,158)
TOTAL SERVICE BLOCK ALLOCATIONS	(23,609,210)	(23,804,250)	(24,160,188)	(355,938)

 ADUR DISTRICT COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	1,054,800	1,054,800	668,467	30,681	72,461	(489,475)
<i>CM for Environment</i>	2,952,860	2,952,860	3,305,819	92	38,318	314,549
<i>CM for Health & Wellbeing</i>	1,336,850	1,336,850	1,368,016	6,881	76,805	(52,520)
<i>CM for Customer Services</i>	1,459,500	1,459,500	1,605,369	(2,500)	37,423	110,947
<i>CM for Regeneration</i>	1,630,370	1,630,370	1,730,959	(4,260)	65,923	38,926
<i>CM for Resources</i>	249,940	249,940	96,312	50,291	(39,105)	(164,814)
<i>Holding Accounts</i>	255,570	255,570	-	(120,557)	(251,824)	116,811
TOTAL CABINET MEMBER	8,939,890	8,939,890	8,774,943	(39,372)	-	(125,576)
<i>Credit Back Depreciation</i>	(1,504,540)	(1,504,540)	(1,465,168)	39,372		0
<i>Minimum Revenue Provision</i>	2,145,950	2,145,950	2,314,250			168,300
<i>Financial Instrument Adjustment</i>	-	-				-
	9,581,300	9,581,300	9,624,025	-	-	42,725
<i>COVID 19 Support Grants</i>			(297,480)			(297,480)
<i>Sales, Fees & Charges Grant</i>			(80,399)			(80,399)
<i>Additional Non Ring Fenced Grants</i>			(7,872)			(7,872)
<i>Additional grant funding</i>			(385,751)			(385,751)
			9,238,273	-	-	(343,027)
<i>Section 31 grants and Collection Fund adjustments</i>			2,118,684			2,118,684
<i>Council Tax Income Guarantee Grant</i>			60,693			60,693
<i>NNDR Tax Income Guarantee Grant</i>			-			-
			11,417,651	-	-	1,836,351
<i>Transfer to/from reserves:</i>						
<i>Tax Income Guarantee Reserve</i>			(178,669)			(178,669)
<i>Transferred to Smoothing reserve</i>			(2,002,721)			(2,002,721)
<i>Transfer from reserves to fund specific expenditure</i>			161,603			161,603
<i>Net Underspend Transferred to Reserves</i>			183,437			183,437
Total Budget requirement before External Support from Government	9,581,300	9,581,300	9,581,300	-	-	0

 ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2021/22	Estimated Transfers Out 2021/22	Estimated Transfers In 2021/22	Projected Closing Balance 2021/22
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets	673,504			
New Salts Farm Lancing (JSC/047/20-21 8 September 2020)		(4,000)	4,743	
Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC)		(25,500)		
Carbon Neutral - match funding for Heat Network bid (JSC/128/20-21 2 March 2021)		(4,760)		
consolidation of reserves			68,134	
Unused provisions and grants released to the Reserve			93,807	
Adur carry forwards from 2020/21 underspends , agreed Adur Council 22nd July, 2021		(58,311)		
Under/(over) spend transferred to/from revenue			83,436	
Balance				831,053
Insurance Fund	146,899	(24,900)	30,700	152,699
Election Reserve * consolidated into Capacity Issues Reserve	7,880	(7,880)		-
Special and Other Emergency Reserve * consolidated into Capacity Issues Reserve	60,254	(60,254)		-
Property Investment Risk Reserve	300,000	-	75,674	375,674
Grants and Contributions held in Reserves	1,342,991	(394,181)	254,292	1,203,102
Local Tax Income Guarantee	297,335	(178,669)		118,666
Business Rates Smoothing Reserve	3,768,261	(2,002,721)		1,765,540
General Fund Reserve	951,497	-	100,000	1,051,497
TOTALS	7,548,621	(2,761,176)	710,786	5,498,231

 WORTHING BOROUGH COUNCIL CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2021/22	CURRENT ESTIMATE 2021/22	OUTTURN 2021/22	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	1,556,460	1,556,460	1,034,267	(930)	53,734	(574,997)
<i>CM for Digital and the Environment</i>	3,379,150	3,379,150	4,084,007	(147,920)	113,347	739,430
<i>CM for Health & Wellbeing</i>	1,892,870	1,892,870	2,004,253	2,260	81,128	27,995
<i>CM for Customer Services</i>	5,634,910	5,634,910	6,519,553	96,990	135,838	651,814
<i>CM for Regeneration</i>	2,650,230	2,650,230	4,029,622	177,389	144,327	1,057,676
<i>CM for Resources</i>	705,820	705,820	369,594	56,695	(54,716)	(338,205)
<i>Holding Accounts</i>	359,540	359,540	-	(6,892)	(473,659)	121,012
TOTAL CABINET MEMBER	16,178,980	16,178,980	18,041,296	177,591	-	1,684,726
<i>Credit Back Depreciation</i>	(3,804,240)	(3,804,240)	(3,981,831)	(177,591)		0
<i>Minimum Revenue Provision</i>	1,986,790	1,986,790	1,535,975			(450,815)
	14,361,530	14,361,530	15,595,441	-		1,233,911
<i>COVID 19 Support Grants</i>			(297,544)			(297,544)
<i>Sales, Fees & Charges Grant</i>			(395,720)			(395,720)
<i>Additional Non Ring Fenced Grants</i>			(5,650)			(5,650)
<i>Additional grant funding</i>			(698,914)			(698,914)
			14,896,527	-	-	534,997
Adjustments for Taxation						-
<i>Section 31 grants and Collection Fund adjustments</i>			3,677,916			3,677,916
<i>Council Tax Income Guarantee Grant</i>			6,822			6,822
<i>NNDR Tax Income Guarantee Grant</i>			346,015			346,015
			18,927,279	-	-	4,565,749
Transfer to/from reserves:						
<i>Tax Income Guarantee Reserve</i>			(401,405)			(401,405)
<i>Transferred (from)/to Smoothing reserve</i>			(3,677,916)			(3,677,916)
<i>Transfer (from)/to reserves to fund specific expenditure</i>	86,250	86,250	(204,153)			(290,403)
Net Overspend Transferred (from)/to Reserves			(196,026)			(196,026)
Total Budget requirement before External Support from Government	14,447,780	14,447,780	14,447,780	-		0

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2021/22	Estimated Transfers Out 2021/22	Estimated Transfers In 2021/22	Projected Closing Balance 2021/22
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets Food Waste Collection Service - Purchase of vehicle and equipment (6th October 2020 JSC) Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21) Carbon Neutral - match funding for Heat Network bid (JSC/128/20-21 2 March 2021) Consolidation of reserves Unused provisions and grants released to the reserve Worthing carry forwards from 2020/21 underspends, agreed Worthing Council 20th July, 2021 Budgeted contribution (to)/from revenue Balance	1,559,106	(59,500) (207,625) (45,230)	4,537 98,847	1,306,206
Insurance Reserve	206,088	0	46,306	252,394
Joint Health Promotion Reserve * consolidated into Capacity Issues Reserve	1,485	(1,485)		0
Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	27,766			27,766
Museum reserve	106,396			106,396
Theatres Capital Maintenance Reserve	57,855	(57,855)		0
Property Investment Risk Reserve	450,000			450,000
Building Maintenance Reserve	383,000	(56,741)		326,259
Special and Other Emergency Reserve * consolidated into Capacity Issues Reserve	3,053	(3,053)		0
Business Rates Smoothing Reserve	6,985,305	(3,677,916)		3,307,389
Local Tax Income Guarantee	703,354	(401,405)		301,949
Grants & Contributions	1,436,893	(541,850)	171,755	1,066,798
General Fund Working Balance	1,543,373	(196,025)		1,347,348
TOTAL	13,463,674	(5,292,614)	321,445	8,492,505

HOUSING REVENUE ACCOUNT SUMMARY

Appendix 4

	ORIGINAL BUDGET 2021/22	OUTTURN ACTUAL 2021/22	VARIANCE
	£	£	£
EXPENDITURE			
General Management	4,141,320	3,852,667	(288,653)
Special Services	748,410	734,196	(14,214)
Rent, Rates, Taxes & Other Charges	58,150	106,295	48,145
Repairs & Maintenance	2,711,470	2,852,106	140,636
Bad/Doubtful Debt	51,000	131,976	80,976
Capital Financing Costs			
Depreciation and Revenue Contribution to Capital	4,179,980	4,415,830	235,850
Interest charges	2,181,360	2,224,365	43,005
TOTAL EXPENDITURE	14,071,690	14,317,435	245,745
INCOME			
Dwelling Rents	(12,320,450)	(12,126,930)	193,520
Non-Dwelling Rents	(535,010)	(539,622)	(4,612)
Heating and Other Service Charges	(547,610)	(528,224)	19,386
Leaseholder's Service Charges	(260,620)	(250,187)	10,433
Interest Received	(28,000)	(22,267)	5,733
TOTAL INCOME	(13,691,690)	(13,467,230)	224,460
NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE	380,000	850,205	470,205

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Chief Executive				
Leader	27	(403)	(510)	JOINT; Overspend in Communications for additional staff and spend not totally covered by additional income ADUR & WORTHING relates to the COVID contingency funding to offset costs within services in relation to the 'Roadmap to Return' after Covid.
	27	(403)	(510)	
Director of Communities				
Community Wellbeing	23	(26)	(8)	JOINT: The cost of the Interim structure arrangements covered by savings elsewhere in the organisation. ADC & WBC: Grant Funding
Env Health - Housing	(16)	(72)	(65)	ADC : HIA fee income in excess of budget plus Community alarm income in excess of budget WBC : HIA fee income in excess of budget plus Grant income
Housing Needs	(6)	39	(75)	JOINT: Additional staff funded from New Burdens income ADC & WBC: Continuing increase in temporary accomodation pressures for Adur & Worthing with outturn better than predicted in WBC.
Housing Needs Grant	-	(168)	87	ADC: MHCLG Domestic abuse safe accommodation grant and MHCLG Ex Offender Accommodation. WBC: MHCLG Domestic abuse safe accommodation grant offset by £120k reduction in reserve for Homelessness Reduction Act (New Burdens)
Parks & Foreshore	21	(91)	(54)	JOINT: Staff vacancy savings offset by shortfall in income and overspends against expenditure budgets. ADC Additional income from foreshore, recreation grounds and allotments. WBC: Additional Income from Beach Hut licences
Environmental Services (Waste)	81	1	29	Joint: mainly due to employee costs; for COVID cover and market supplements agreed for the retention of HGV staff. ADC: Overspend on various supplies and services projected. ADC and WBC : clinical waste income shortfall as the collection service has been stopped due to an increase in costs that can't be offset by revenue generated WBC: Includes food waste equipment costs not budgeted.
Director of Communities / Head of Environmental Services	(85)	-	-	Vacancy saving - offsetting expenditure in other service areas to reflect the interim management structure arrangements.
Commercial Waste	(13)	59	113	Net income shortfall, a combination of the ongoing impact from Covid on demand and the waste dispute.
Bereavement Services (Cemeteries & Crematorium)	6	17	718	WBC: £500k cremation income shortfall following a decision to not increase fees for 2021 and the continuing net loss from tiered direct cremation contracts which have ceased in January 22, £112k memorial income shortfall (including the gardens), Cost pressures in staff and supplies and services. Burial income exceeded budget. ADC: Burials income shortfall
	11	(241)	745	
Director of Digital and Resources				
Elections	(4)	(10)	(52)	ADC & WBC underspends in relation to requirements for putting on elections due to COVID 19, funded by Covid contribution.
Director For Digital, Sustainability & Resources	6	-	-	
Sustainability	57	5	42	Overspend in Staffing costs due to feasibility studies work not being able to be met from Capital grant funding, Adur & Worthing Overspends are met by approved Reserve funding
Customer Services	(18)	-	-	Underspend in staff costs

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Parking Services	3	43	712	<p>ADC: The Executive Member has allowed for the Covid passes to continue to be used in South Street car park lancing, allowing staff from the vaccination centre at Lancing Parish Hall free parking, which has an impact on revenue</p> <p>WBC: There is a reduction in general usage, with footfall down at around 80% of pre covid levels. Customers seemingly are continuing to work from home and not using the car parks as season ticket sales and worker validation deal income is significantly down across the car park sites, most large organisations have not returned to the offices and staff continue to work from home. Additionally NHS staff have been offered free parking (ended April 2022) onsite so Lyndhurst road income has dropped significantly. SFC Compensation for losses incurred in Q1 partly offset the shortfall. In addition the bowls season has started and from April to October 2022 the bowlers are given free passes to use to park in Lyndhurst Road West whilst playing bowls. Buckingham Road Multi-Storey Car Park closed as of 7th March 2022 which has resulted in customers either being displaced to other car parks or finding alternative places to park for free for example outside of the controlled parking zone. Brooklands Western Road car park has been closed since 24th January 2022 as part of the Brooklands Masterplan works, however this is having an impact on parking impact. Montague Centre Car Park has had a large number of bays taken out of use since January 2022 as part of the temporary works fitting the temporary health clinic on the site, this has had an impact on parking revenue. Added to this the Civic Centre staff car park closed last year which also impacted on parking revenue.</p>
Digital & ICT	(41)	-	-	Underspend on Digital support and maintenance, & MFD costs offset by an overspend in telephony costs
Revenues	10	136	56	ADC & WBC ; Under-achievement of court cost income due to the high volume of liability orders outstanding that relate to 20/21 & 21/22 and courts only opening in August, ADC: also include a £96k underachievement of grant income.
Benefits	66	161	603	JOINT: Increased staffing costs in relation to COVID related work funded by grants and Reserves. ADC & WBC: under achievement of income for overpayments.
Legal Services	(19)	8	(11)	ADC: Shortfall in income budgeted. WBC: Net saving on budgets.
Finance	(610)	108	(19)	JOINT: Salary and Inflation contingency budget offsetting spend in departments. ADC: mainly relates to an overspend in Audit fees and an error when setting the Pension contribution budget WBC: Overspend in Audit fees offset by an underspend against some old balances written off from the balance sheet
HR & Organisational Development Costs	(3)	-	(3)	Salary costs against a post not included in the budget (to be met from salary contingency). offset by savings against supplies and services.
Finance: Treasury Interest		(333)	(484)	Underspend on interest payable on borrowing for both Adur and Worthing due to low interest rates and the reprofiling of the capital programmes since the budgets were set.
Finance: Treasury MRP	-	168	(451)	There is an overspend on MRP for Adur, partly due to the delay in the sale of the Adur Civic Centre site. Worthing has an underspend due to the reprofiling of the capital programme and the technical review of the MRP. Whilst the policy itself remains unchanged, recommendations regarding the asset lives to be used within the calculation have been implemented creating an in-year saving and future reductions in costs for the Council..
	(553)	286	393	
Director of the Economy				
Director of Economy		-	-	
Culture Client	-	-	(40)	Recharge income to offset Utility costs shown in Cross Cutting variance
Leisure	-	88	(153)	National Leisure Recovery Fund received for support to Councils for their increased Leisure site costs, this will be utilised to support our Leisure facilities.

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Major Projects and Investment	(89)	(47)	261	ADC: Net cost of awarding an initial 6 month free rent period during negotiations of one of our Investment Properties plus loss of income from the One York Way, Uxbridge site which is vacant - offset by utilising the Void reserve transfer allowance budget. WBC: Income shortfall mainly from Montague Street & Canon House properties offset by utilising the Void Budget allowance, plus costs for the Teville gate site funded from approved contribution from Reserves.
Place and Economy (Economic Development)	39	(20)	105	JOINT: Walking & Cycling strategy spend to be funded from Grant Reserve ADC: Additional Events income offset by shortfall in Market income WBC: Time for Worthing Sponsorship income 10k and 12k concessions offset by reduced income from the Observation Wheel £20k, plus expenditure relating to works associated with Montague Street (£145,000), it was anticipated that this would be fully covered by the Re-Opening the High Street grant however this is now unlikely.
Planning and Development (Building Control)	(15)	79	-	JOINT: Net budget underspend. ADC: Income shortfall
Planning and Development (Development Control)	71	(102)	60	JOINT: Staff costs overspent against budget. WBC: Shortfall in larger applications than expected in 2021/22.
Planning and Development (Planning Policy)	(68)	(6)	108	JOINT: Underspend in Salary costs to offset overspends elsewhere within the service. WBC: Unbudgeted costs associated with the Local Plan examination.
Planning and Development (Land Charges)	28	30	29	Shortfall in fee income.
Business & Facilities	378	(1)	32	JOINT: Shortfall in staff costs (Engineers and Surveyors) that could be charged to capital and shortfall against budget for income associated with Portland House.
Emergency Planning	7	-	-	Cost of H&S system funded from the COVID contingency budget
	351	21	402	
Cross Cutting services				
Maintenance	(11)	64	(198)	ADC: Overspend due to inflationary cost pressures, demand on budget and new legislation related to water testing requirements. WBC: A large proportion of the planned maintenance programme (PMP) works were packaged up/consolidated into one tender/contract to maximise value for money, plus delays in instructions of works in relation to resources being diverted elsewhere
Vacancy Provision	512	-	-	Vacancy salary savings within service lines to offset this target.
Water	-	2	1	General overspend against budget
Energy Costs	28	72	138	General overspend against budget due to increasing cost pressures.
Rates	(12)	102	48	General overspend against budget projected based on current costs. In addition WBC has a legacy £50k credit budget addressed in the 2022/23 budget.
Income guarantee scheme		(81)	(396)	Grant received from the government to compensate Councils for a proportion of the loss of income from sales, fees and charges incurred in the first quarter 21/22 as a result of the ongoing impact from the pandemic.
MHCLG - Government Grant Funding		(297)	(297)	New burdens funding.
Additional government funding		(8)	(6)	
Additional Section 31 Grant		(2)	(48)	NNDR
Transfer from Reserves			(290)	

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Transfer to Reserves		162		Share of joint services allocated 40:60 to Councils
	517	14	(1,048)	
Allocation of Joint Variance		141	213	
Total Variance	354	(183)	195	

Service Area	Joint £000s (improvement)/ deterioration)	Adur £000s (improvement)/ deterioration)	Worthing £000s (improvement)/ deterioration)	Description of Significant Variations
Director of Communities				
Housing Needs	(61)	(199)	(6)	Improvement in outturn for temporary accommodation compared to the projected pressure at quarter 3.
Community Wellbeing	109	(9)	2	JOINT: Grants received in advance - previous forecast did not take into account the amounts received in advance of use.
Parks & Foreshore	65	(19)	(31)	Increased beachut licence fees and rental and grants received
Environmental Services (Waste)	(64)	(17)	9	JOINT: Vehicle costs overspend lower than forecast. ADC: Disposal costs lower than predicted WBC: Disposal costs lower than forecast but offset by higher shortfall in trade waste income.
Bereavement Services (Crematorium)	3	-	170	Increased shortfall in income. Partly demand compounded by fees not being increased in January 2021 in line with 2021/22 budget assumption
Director of Digital and Resources				
Digital & ICT	(86)	-	-	Underspend on MFD and Digital Services not previously forecast.
Benefits	(117)	28	374	Joint: Previously reported staffing overspend was funded from grant income in Adur and Worthing. ADC & WBC: Increased staff costs funded from Covid and new burdens funding.
Finance	(651)	110	44	JOINT: The previously reported contingency underspend have now been utilised or committed and shown within overspends throughout other services ADC&WBC: Back funded pension costs higher than budgeted.
Sustainability	87	5	42	Staffing costs anticipated to be capitalised or funded from Grant schemes has not been possible.
Finance:Treasury Interest	-	(32)	(53)	ADC & WBC: Net interest reduction. Decrease in income receivable is offset by the fall in interest payable on borrowing due to the re-profiling of the capital program.
Director of the Economy				
Major Projects and Investment (Estates)	(7)	(60)	104	WBC: Additional Service fee costs and business rates for void periods and unbudgeted managing agent fees.
Major Projects and Investment (Major Projects)	(76)	25	319	JOINT: Previously projected shortfall in recharges to Capital projects was not as high as anticipated. WBC: The feasibility budget was projecting an underspend as costs previously charged to revenue were to be capitalised but the schemes hadn't commenced and were not able to be transferred. Costs associated with Teville Gate to be funded from Reserves.

Service Area	Joint £000s (improvement)/ deterioration)	Adur £000s (improvement)/ deterioration)	Worthing £000s (improvement)/ deterioration)	Description of Significant Variations
Place and Economy (Economic Development)	(2)	(13)	125	Increased income in concessions will offset loss of income from Markets, the Worthing Observation Wheel & Bus Shelter advertising. Shortfall in anticipated EU funding - Re-opening the High Street grant.
Planning and Development (Development Control)	67	(90)	(118)	ADC & WBC: Planning applications received higher than predicted for last quarter.
Technical Services	366	(47)	(4)	Joint: Capitalisation of Surveyors and Engineers costs lower than expected. Shortfall in income from the lease of Portland House against budget.
Emergency Planning	(52)	-	-	
Leisure	-	88	61	ADC: Increased ongoing support required from the Council for the closing of the Leisure facilities due to the pandemic.
Cross Cutting services				
Maintenance	10	(20)	(98)	WBC: Some works have been delayed which have reduced the projected outturn position along, plus reduced maintenance required on the Town Hall and Portland House because of the Workspaces project. In addition there are reduced maintenance costs for the Cremators due to the reduced number of cremations.
Energy Costs	28	46	94	Increased cost pressure relating to energy and water.
Rates	-	117	(13)	Various small variances in rates costs identified. The rates costs for the core and investment void properties are included within Major Projects variances.

	(Under)/ Over Spends £'000
<u>Variations in Income and Running Costs:</u>	
Dwelling Rent & Service Charge void loss	214
Leasehold Service charges	13
Staff vacancies - Repairs & Maintenance and Tenancy Support senior posts (now recruited)	(294)
Repairs & Maintenance - over spend on subcontracted works	135
Council Tax - increase due to higher volume of voids than budgeted	51
Provision for Bad Debts - increase in provision due to increased total arrears and associated costs	81
Other	(15)
TOTAL VARIATION IN RUNNING COSTS:	185
<u>Variations in Treasury Management and Capital Costs:</u>	
Interest payable - expected increase in borrowing levels to fund capital programme	43
Depreciation	236
Interest receivable	6
TOTAL VARIATION IN TREASURY MANAGEMENT AND CAPITAL COSTS:	285
TOTAL VARIATION:	470