

ADUR & WORTHING  
COUNCILS

Joint Strategic Committee  
5 July 2022

Joint Overview & Scrutiny Committee  
14 July 2022

Key Decision [Yes/No]

Ward(s) Affected: All

## **Developing a revenue budget for 2023/24 against a backdrop of high inflation**

**Report by the Director for Digital, Sustainability & Resources**

### **Executive Summary**

#### **1. Purpose**

- 1.1 The purpose of this report is to propose a budget strategy for the development of the 2023/24 budgets with the added challenge this year of high inflation. When the 2022/23 budget was set, the war in Ukraine had yet to start and this continues to affect global economies with a prolonged impact on the energy markets and the consequential cost of living challenges which confront our communities as well as ourselves.
- 1.2 It is a long time since the Council had any certainty during budget setting and 2022/23 looks set to continue this trend. Having come through a pandemic, the Council now has to address this challenge of high inflation which looks set to impact a number of our costs significantly. The impact of any fairer funding review is now looking likely to be deferred yet again for a least a further year, but the councils do not know what will replace it for 2023/24; the Councils have had to address the impact of the recent industrial dispute and has a proactive programme of job evaluation review at the lower grades underway. This continues to influence our costs; and inevitably the difficult economic climate will continue to influence a number of budget lines, from Council Tax revenues to income for services such as car parks.
- 1.3 The Councils have had a clear strategy for facing the challenges of rapidly changing local government finance. It is now important to build on this strategy to meet the new and emerging challenges but within the context of supporting our local communities and economies. Over the next six months further work will be undertaken to re-assess and renew our medium term financial strategy,

leveraging funding and investment from new sources and maximising council spend locally in the context of a fast changing economy.

- 1.4 Now more than ever, careful financial management is required to ensure that we manage both the emerging in-year pressures and the implications for the future, whilst driving forward with our emerging corporate strategy. Our financial strategy will need to include managed and prudent increases in council tax, and a clear focus on driving efficiency and productivity.
- 1.5 This report aims to set out how the Councils will address the challenges of the next few years, outlining the revenue forecast and setting out our strategic response to the challenges ahead. With the detailed budget proposals for 2023/24 coming forward to the Joint Strategic Committee in December, this report sets out the broader context for the detailed work that will be undertaken over the intervening months.
- 1.6 As set out in the following pages, the Councils will be increasingly reliant on council tax income, business rate income, and our own income generating services. Our Councils have a good track record in innovation, working creatively in partnership, transforming our digital capabilities and putting the customer at the heart of our services, so that we have capacity to continue to deliver our aspirations for our Councils. Innovation in funding, investment and commercial income will be ever more important, aligned to key goals such as housing provision, tackling the climate crisis and supporting the local economy.
- 1.7 Our new corporate strategy is being developed which will influence the final shape of the budget when it is set for 2023/24.
- 1.8 Work has been underway for some time to address our financial challenges for 2023/24 and beyond. This will continue over the summer and autumn, and the Organisational Leadership Team will be working to produce new financial plans designed to deliver a balanced budget over the next 3 years. The outcome of the service planning process will be presented to the Joint Strategic Committee for approval in December 2022 as part of the development of the 2023/24 budget.

## **2. Recommendations**

- 2.1 The Joint Strategic Committee is recommended to:
  - (a) Note the report and the outline 5-year forecasts in Appendix 3;
  - (b) Approve the proposed budget process as set out in section 6 of the report;

(c) **Recommend** to the Councils to approve the Budget Strategy for 2022/23 outlined in Section 9 of the report.

2.2 The Joint Overview and Scrutiny Committee is asked to note the content of the report.

### **3. Current position in 2022/23**

3.1.1 Since the budget was set in February, there have been some significant issues which influence the Council's financial prospects for both the coming year and 2023/24 onwards. Below are details of the preliminary assessment of the impact of these issues.

#### **1. Cost of living crisis**

The current inflation rate will impact on the Councils budgets. It is expected that inflation will increase to 10% during the current financial year and not return to more modest levels until 2024/25. Against this backdrop the annual pay award will be negotiated.

Firstly, we now expect the annual pay award to exceed 4%. Our budget contained an allowance of 2%. This will cost the Councils in excess of £0.8m based on an in-year award of 5%, with a further increase of over £680,000 expected in 2023/24 (4.5%).

Fuel costs are expected to increase by at least 50% for electricity and diesel, and potentially over 300% for gas when the contracts are renewed in September 2022 which may provide further cost pressures of £689,000 across the two councils. The decarbonisation programme and the speedy delivery of the heat network will help reduce these pressures, however these schemes take time to deliver and so the cost pressure will persist for at least another two years. The Council has some contingency budgets in place to help manage inflationary pressures but the level of challenge is significant.

Inflationary pressures will also impact on some of our partners such as South Downs Leisure Trust who we expect to approach the Councils for additional financial support.

#### **2. Waste dispute**

Following the waste dispute, the Councils will face ongoing unbudgeted salary costs of around £250k per year and net lost income of £75k per

year. There is now pressure from other services to review salary levels which may increase this cost further. However, it is essential that we are fair to our staff so any increase to such costs will have to be accommodated within the overall budget.

### **3. Delay to the funding review**

The funding review is now expected to be delayed a further year. The Council is waiting to be notified of the Council Tax referendum limit for 2023/24. In most financial years this is constrained to 2%, however it may be increased for 2023/24 but, for now, we should plan for a 2% limit.

### **4. Improvement to business rate forecast**

Income from business rates is expected to increase by 5% in 2023/24 as it will be linked to CPI in September. In addition, a number of new properties are now completed which is improving the overall position particularly in Worthing (Teville House, Bayside and Beales).

As a result of the new pressures our financial position is worsening both in the current financial year and next year. Within 2022/23 we are now expecting to overspend largely to do with inflationary pressures. The Chief Executive has already approved the use of reserves to fund the impact of the waste dispute in the current year which has at least addressed this pressure.

#### ***2022/23 - Impact of pressures in the current financial year:***

The potential impact of the inflation pressures in 2022/23 is as follows:

|                                     | Adur<br>2022/23<br>£'000 | Worthing<br>2022/23<br>£'000 | Total<br>£'000 |
|-------------------------------------|--------------------------|------------------------------|----------------|
| Impact of inflation on our budgets: |                          |                              |                |
| Salary award                        | 330                      | 510                          | 840            |
| Energy pressures                    | 92                       | 321                          | 413            |
| Additional support for leisure      |                          | 90                           | 90             |
| Total inflationary pressures        | 422                      | 921                          | 1,343          |
| Less: Inflation contingency budget  | -67                      | -158                         | -225           |
| Covid contingency budget            | -144                     |                              | -175           |
| Net impact                          | 201                      | 763                          | 1,118          |

However, the Council is also taking commercial risks in a number of areas - such as car parking income where income is still not recovering as expected and so this position may worsen.

To help support the budget in 2022/23 the following measures have been implemented:

1. Any underspend from 2021/22 is placed in the working balance with the express intention of supporting the in-year position. To maximise the amount available, we will not allow for any carry forward of 2021/22 underspend this year.
2. Any emerging underspend in the current year 2022/23 will be held corporately to manage in-year pressures.
3. All major projects / contracts are put on hold unless it is an initiative that either:
  - a. Improves our financial position; or
  - b. We are committed to delivery via a funding agreement; or
  - c. We are already contractually committed to the project; or
  - d. Addresses health and safety concerns; or
  - e. The project is identified as a key priority in the new corporate strategy.
4. Vacancy control measures have been introduced for all posts including agency staff. This will also support the budget measures required to balance the 2023/24 budget.

3.1.2 In addition, the Councils have continued to maintain reserves with which to mitigate this risk. It is currently estimated that the Council will have the following unallocated reserves available to manage the shortfalls emerging:

| Unallocated resources                | Adur<br>£'000 | Worthing<br>£'000 |
|--------------------------------------|---------------|-------------------|
| Working balance                      | 951           | 1,543             |
| Capacity Issues Reserves             | 392           | 446               |
| Special and other emergency reserves | 60            | 0                 |
|                                      | 1,303         | 1,989             |

Given the relatively low level of reserves, these will need to be carefully managed to ensure that they remain available to support our financial position.

#### **4. 2023/24 and beyond**

- 4.1 Both Councils have successfully managed to maintain a balanced budget over recent years despite the considerable financial challenges presented by the withdrawal of Government funding and the pandemic. Council Tax increases have been kept to a minimum, with the Councils choosing to freeze or reduce the Council tax when possible.
- 4.2 However, the financial pressure continues with the current inflationary pressures presenting the Councils with significant new challenges. Revenue support grant has already disappeared; New Homes Bonus has now been virtually phased out with no indication of whether it will be one more year in 2023/24; and the Councils expect a reduction in the level of retained business rates when the business rate system is eventually reset as part of the funding review. Local Government funding has changed considerably since 2010, and the pace of change is set to continue with the proposed changes to the business rates system and the new distribution of needs-based funding.
- 4.3 It is also clear from the review led by the new CEX that there is a need to look at the organisational design in the round as multiple rounds of cuts and in year changes has meant that we have a number of vital services which lack the resilience that is needed to support our communities. This is the focus of the developing Corporate Plan which aims to ensure that we have a sustainable organisational operating model, underpinned by a balanced budget.
- 4.4 Members are being asked to consider the budget strategy at an early point in the year to enable the Councils to plan ahead. There are clear advantages in this approach, not least because it gives members and officers a good understanding of the overall financial position of the Council as well as giving sufficient time to consider how the challenges identified will be met. This provides the opportunity for the corporate plan process to reflect the budget strategy and for prioritisation work to be robust.

#### **4.5 Funding from taxation**

##### **4.5.1 National context and external factors**

Over the last decade the Councils have seen a considerable reduction in the level of funding from the Government. For 2022/23, there was another 1 year settlement with the funding review delayed yet another year.

The Chancellor's Budget on the 23rd March held little for local government. There was an expansion of the Household Support Fund (from £0.5bn to £1bn) and some re-announced business rates measures. The longer term prospects for local government funding are largely unchanged: the departmental expenditure limits that were announced in the Spending Review in October 2021 remained unaffected by the budget statement.

Consequently, the Councils should not expect any increase to funding beyond that already announced to address any new spending pressures such as that caused by inflation. The Chancellor is unlikely to prioritise further funding increases for the remainder of this Spending Review period (to 2024-25) – and beyond that the public finances are expected to be back under control.

#### 4.5.2 Reform of Local Government Finance

The Councils have been expecting some fundamental changes to the distribution of Local Government funding for some time. There are two elements to this reform:

- The Funding Review which considers how business rates and any government funding would be distributed across the Country in future.
- The review of the business rate retention scheme.

However, it is looking increasingly likely that the impact of this review is now delayed until next year at the earliest. As far as we are aware, no working parties have been convened to consider any proposals and no consultation on the new funding system is planned, consequently it is unlikely that any reform will be introduced for 2023/24 and any changes to the current funding regime are likely to be marginal.

Nevertheless, the Government remains committed to reform and there is a possibility that the change will be brought in earlier but significantly damped to allow Councils time to change their financial plans.

#### 4.5.3 The Government has been reviewing the business rates system for some time, with some improvements introduced following the consultation last year including:

- a new temporary relief for eligible retail, hospitality, and leisure properties; freezing the multiplier in 2022 to 2023;
- introducing support for investment in green Plant and Machinery (P&M);
- introduction of a new improvement relief; and
- extensions to the Supporting Small Business and Transitional Relief Schemes.

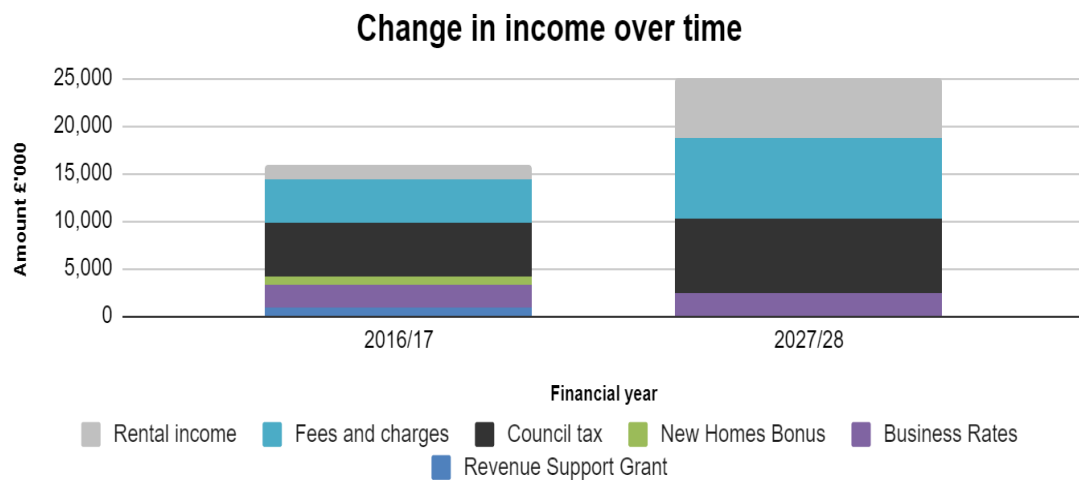
We are now moving towards three yearly business rate revaluations with the next valuation planned for 2023.

#### 4.5.5 The changes to how the Councils are funded:

##### 4.5.5.1 The Councils receive three distinct funding streams from taxation which are discussed more fully later in the report:

- Business Rates;
- New Homes Bonus; and
- Council Tax

Revenue Support Grant (RSG) has ceased to be a funding source for the Councils and the underlying make-up of funding to the Councils continues to change rapidly with increasing proportions coming from fees and charges, rental income, Council Tax and the Business Rate Retention Scheme. New Homes Bonus has been substantially reduced and has been phased out, the only question is whether there will be a further one-off grant for 2023/24.



(Using Adur as an example)

These changes to local government funding have influenced how the Councils view both the building of new homes and the creation of new employment space. The Councils are taking an increasingly proactive role in stimulating the local economy through the current Platforms for Our Places strategy, whether this is through the provision of office space to attract high quality employers or through working with business to facilitate the development of sites within the areas to stimulate the economy. Our strategy is currently being reviewed but the importance of new homes and the creation of new employment space remains and will be reinforced in the new Corporate Plan.

#### 4.5.6 Income from Business Rates

Under the current business rate retention scheme, District and Borough Councils are entitled to retain a 40% share of the business rate income raised locally. However the system is complex, with the share retained being reduced by a series of nationally determined adjustments (the Tariff and the levy).

Ultimately the Scheme allows councils to keep a small element (20%) of any growth in business rate income over a retained 'baseline' amount. The



forecasting of overall business rate income is always difficult due to two factors which are discussed in more detail below:

- i) The continuing impact of the appeals arising from the national business rate revaluation in 2017/18.
- ii) The potential further reform of the business rate system and the impact of the funding review.

The forecasts contained within the report are based on the current business rate system but with the assumption that there will be a 50% loss of surplus Business Rate income from 2024/25 onwards, however this is dependent on the progress of the Funding Review (FR). This is an improvement on previous forecasts which had assumed that the Councils would receive less business rate income in 2023/24 due to the implementation of the FR.

There are three aspects of this scheme which will ultimately influence the amount of business rate income retained locally and also the Councils' budgets in the medium term:

#### **1. The 'Tariff':**

Whilst the Councils are entitled to retain 40% of all business rate income, they are then obliged to pay over a substantial element of these retained business rates to the Government via an adjustment known as the Tariff. The 'Tariff' is due to be reset as part of the funding review as the assumption for budgeting purposes is that this will increase by inflation for 2023/24. However the scale and timing of any adjustment to the tariff beyond 2023/24 is difficult to quantify at the moment due to the uncertainties around the fairer funding review.

#### **2. Target income from Business Rates (Baseline funding):**

Every year the Councils are set a target by the Government of how much business rates to collect. If this target is exceeded, the Council can keep 20% of the extra income in addition to the baseline funding amount. If there is a shortfall, then the Councils will have to make up 40% of the difference, although the maximum loss of income is limited to 7.5% of baseline funding.

The Councils have developed a five year model for business rate income which underpins the medium term financial plan. This includes the impact of larger developments currently being built, known changes to the rateable values and any new charitable reliefs being awarded. A summary of the expected additional business rates is detailed below:

| <b>Adur</b>                             | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Baseline funding                        | 1,767            | 1,767            | 1,802            | 1,838            | 1,875            | 1,913            |
| Retained surplus rates                  | 766              | 941              | 480              | 488              | 496              | 508              |
| Total business rate income kept locally | 2,533            | 2,708            | 2,282            | 2,326            | 2,371            | 2,421            |
| Net business rate income collected      | 18,279           | 18,279           | 18,646           | 19,010           | 19,373           | 19,780           |
| Percentage retained locally             | 13.86%           | 14.81%           | 12.24%           | 12.24%           | 12.24%           | 12.24%           |

|   | 2022/23<br>£'000 | 2023/24<br>£'000 | 2024/25<br>£'000 | 2025/26<br>£'000 | 2026/27<br>£'000 | 2027/28<br>£'000 |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Worthing</b>                         |                  |                  |                  |                  |                  |                  |
| Baseline funding                        | 2,693            | 2,693            | 2,747            | 2,802            | 2,858            | 2,915            |
| Retained surplus rates                  | 673              | 845              | 411              | 417              | 421              | 433              |
| Total business rate income kept locally | 3,366            | 3,538            | 3,158            | 3,219            | 3,279            | 3,348            |
| Net business rate income collected      | 31,331           | 31,402           | 31,857           | 32,480           | 33,098           | 33,795           |
| Percentage retained locally             | 10.74%           | 11.27%           | 9.91%            | 9.91%            | 9.91%            | 9.91%            |

Members should be aware that there is significant volatility around aspects of the system, such as appeals, which make it difficult to forecast income with accuracy.

One of the features of this system is that the Councils determine how much Business Rate income that they are entitled to from the Collection Fund at the outset of the new financial year. Once set, this total cannot be changed irrespective of any changes to the net business rate income within the year. Any surplus or deficit, due to changes in the business rate income, will be adjusted for in future years. This is similar to how Council Tax is treated.

It is intended to refine the forecast of the business rate income over the coming months and to project forward the impact of new developments where planning permission has been granted but building has not yet started. There are a number of new developments in progress or recently

delivered which will ultimately benefit the business rate income for both Councils. These include:

- New Monks Farm site in Adur – The sale of the former IKEA site is being closely monitored. Any new development will be employment led and will benefit Adur once built.
- Free Wharf, Western Harbour Arm in Adur includes new commercial floorspace and is likely to be completed by 2023
- Union Place in Worthing – The development will take 3 – 4 years to complete once planning permission has been granted.
- Teville Gate in Worthing – This key development site is currently being progressed. The development will take 3 – 4 years to complete once planning permission has been granted. In addition Teville House has now been completed with a current rateable value of 450,000.

Clearly, if the business rate income improves in 2022/23, then the increase could be used to support the budget in 2023/24. An update to the likely surplus or deficit will be undertaken later in the year.

#### 4.5.7 New Homes Bonus

The Coalition Government introduced the New Homes Bonus (NHB) in 2011/12 which was specifically targeted at rewarding increases in the number of homes included in the Council Tax base, dealing with empty properties, and increasing the supply of affordable homes.

This scheme is now being phased out, with the New Homes Bonus generated in 2022/23 being paid for one year only (Adur £156,520 and Worthing £155,670). At present there are no indications of whether there will be any further funding. Given the transitional nature of NHB, it is proposed that if any further grant is forthcoming that it is used to create a contingency budget.

| New Homes Bonus | 2022/23 | 2023/24<br>and<br>beyond |
|-----------------|---------|--------------------------|
|                 | £'000   | £'000                    |
| Adur            | 157     | 0                        |
| Worthing        | 156     | 0                        |

#### 4.5.8 Council Tax

Council Tax is now the Councils' major source of general income from taxation. It is now 70% of the total taxation income received by Adur District Council and 72% of the income received by Worthing Borough Council. Consequently, there is an ever increasing strategic significance to the annual debate of how much to increase the Council Tax by.

The Councils have kept increases to a minimum over the past several years, opting to freeze or reduce Council Tax where possible whilst government support for such initiatives was available.

The Councils are well aware of the long term consequences of these decisions. Looking ahead the decision whether or not to increase Council Tax will have inevitable consequences for the Councils.

Clearly the loss of income will have an impact on the budget shortfall which would add to the level of savings required for the future.

However, the decision whether to freeze Council Tax is a finely balanced one. The Councils have a policy of keeping Council Tax low and the cost of freezing council tax in any particular year is fairly low, but the cumulative impact is more significant. Therefore the Councils are faced with the dilemma of increasing Council Tax or finding additional savings to support a Council Tax freeze. This is particularly pertinent in the next two years when the Councils have to find savings of over £6.3m.

Finally, Members are reminded that there is a referendum limit. The limit announced last year was the higher of 2.00% or £5.00 per Band D property. At this time we do not know the referendum limit for the 2022/23 Council Tax increase. The Consumer Price Index (CPI) was 9% in April 2021 and is expected to increase over the forthcoming months. However there are no indications whether the Council will be willing to allow a higher threshold for 2023/24 in light of the inflationary pressures on Councils. Consequently for the purposes of planning it is assumed that the limit will be retained at 2%. A 2% increase would be equivalent to £6.35 per year for a Band D property in Adur and £5.05 per year for a Band D property in Worthing.

So, even if the Councils were minded to increase Council Tax, there is an imposed limit on the actual increase that the Councils can make. Members should be aware that a 1% change in Council Tax is equivalent to £69,240 in Adur and £100,360 in Worthing for 2023/24.

The current outline forecasts assume that the Councils will set the following increases over the next 5 years:

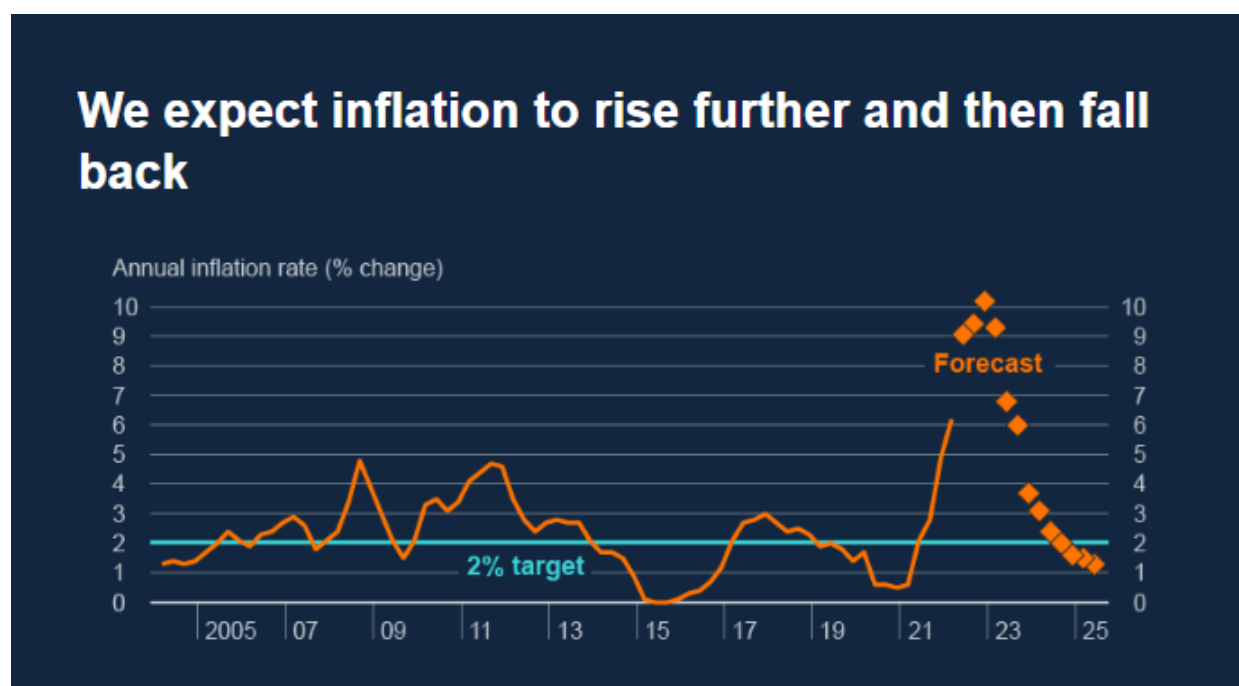
| 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---------|---------|---------|---------|---------|
| 2.0%    | 2.0%    | 2.0%    | 2.0%    | 2.0%    |

#### 4.6. Other budget pressures in the next 5 years

4.6.1 In addition to the pressures identified above, the Councils have a number of key financial issues that need to be addressed over the coming 5 years. Most of these were highlighted in the revenue budget report presented to Members earlier this year, and arise not from increasing service levels or delivering new services, but simply from maintaining current services. The most significant of these impacts are detailed below:

##### 4.6.2 Pay and Prices

4.6.2.1 The largest source of immediate cost pressure in any given year comes from inflation. General inflation is currently at 9.0% (CPI) which is significantly above the target 2% set by the Bank of England. The Bank of England expect the rate to continue to rise to 10% before falling back to 2% in two years time.



Source: Monetary Policy Report - May 2022

The high inflationary pressures will influence the pay negotiations for both this and next year. These pressures not only impact on the Council but will impact on our contractors and so we should provide for an increase to our major contractual arrangements as well.

4.6.2.2 In addition to general inflation, the Council will need to allow for any pay award for 2023/24. It is expected that the current years negotiations will result in a pay award in excess of 4%, and inflation is set to remain at a high level for some time to come consequently the budget is allowing for a 4.5% pay increase in 2023/24 with rates not expected to return to around 2% until 2024/25 at the earliest. The inflation provision will be reviewed on an annual basis and amended for 2024/25 and beyond if needed when the MTFP is reviewed next year.

4.6.2.3 The following pay and price inflation allowances have been built into the 5-year forecast which reflects the forecast provided by the Bank of England:

|                            | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|----------------------------|---------|---------|---------|---------|---------|
|                            | %       | %       | %       | %       | %       |
| Pay*                       | 4.5     | 2       | 2       | 2       | 2       |
| Supplies and**<br>Services | 2       | 2       | 2       | 2       | 2       |
| Income                     | 4       | 2       | 2       | 2       | 2       |

\* An additional allowance for increments has been included in each of the budgets as follows:

| Adur  | Worthing | Joint Strategic Committee |
|-------|----------|---------------------------|
| £'000 | £'000    | £'000                     |
| 5     | 10       | 235                       |

Increment costs vary year on year due to the impact of re-gradings and recruitment. This is reassessed annually.

\*\* Energy and fuel inflation has been separately allowed for and expected to be at least 50% on electricity and diesel, and up to 300% on gas.

Overall net pay and price inflation is expected to add to the 2022/23 base budget over the next 5 years as follows:

|                                      | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|--------------------------------------|---------|---------|---------|---------|---------|
|                                      | £'000   | £'000   | £'000   | £'000   | £'000   |
| Adur*                                | 303     | 601     | 896     | 1,197   | 1,495   |
| Worthing*                            | 493     | 982     | 1,460   | 1,931   | 2,414   |
| <b>Note:</b>                         |         |         |         |         |         |
| Joint Services<br>* (included above) | 1,408   | 2,159   | 2,906   | 3,637   | 4,383   |

Income is assumed to increase by 4.0% in 2023/24 which will help to offset the inflationary pressures.

It is difficult to be certain about inflation for 2023/24 particularly in relation to pay at this early point in the year. A 1% difference in the inflation assumptions is equivalent to:

|                                 | Adur  | Worthing | Joint |
|---------------------------------|-------|----------|-------|
|                                 | £'000 | £'000    | £'000 |
| Pay                             | 5     | 9        | 267   |
| Supplies and Services           | 21    | 110      | 19    |
| Income                          | -28   | -98      | -32   |
| <b>Total</b>                    | -2    | 21       | 254   |
| <b>Share of joint inflation</b> | 102   | 152      | -254  |
| <b>OVERALL TOTAL</b>            | 100   | 173      | -     |

#### 4.6.3 **Interest rates**

The bank interest rates have remained low throughout 2021/22 but have begun to rise. The base rate is currently 1% in comparison our cash investments in the CCLA property funds currently yield about 4%. The base rate is expected to rise to help combat the increases to inflation. These will influence both the returns that the Council is likely to get on any cash investments and the cost of any borrowing associated with the capital programme. There is considerable uncertainty at the moment about interest rates and our treasury advisors indicate that they will stay relatively low for a longer period of time. Built into the 5 year forecasts are the following assumptions regarding average investment yields:

|                        | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|------------------------|---------|---------|---------|---------|---------|
| Average interest yield | 1.50%   | 1.71%   | 1.71%   | 1.92%   | 2.13%   |

Each 0.5% change in interest rates is equivalent to £50,000 (based on £10,000,000 investments).

#### 4.6.4 Impact of Platforms for our places:

4.6.4.1 Contained within the Medium Term Financial Plan are a number of commitments relating to the delivery of Platforms for our Places. These are due to be reviewed in light of the new emerging Corporate Plan and so may be changed or reprofiled. In summary the amounts currently provided are:

| Impact of Platforms for our places                        | 2023/24    | 2024/25    | 2025/26    | 2026/27    | 2027/28    |
|---|------------|------------|------------|------------|------------|
|   | £'000      | £'000      | £'000      | £'000      | £'000      |
| <b>Adur District Council</b>                              |            |            |            |            |            |
| Measures to reduce waste - Impact of the Environment bill | 72         | 72         | 72         | 72         | 72         |
| Bike share scheme   | 28         | 28         | 28         | 28         | 28         |
| Heat Network  | 0          | 10         | 10         | 10         | 10         |
| <b>Total</b>  | <b>100</b> | <b>110</b> | <b>110</b> | <b>110</b> | <b>110</b> |

|   | 2023/24    | 2024/25    | 2025/26      | 2026/27      | 2027/28      |
|---|------------|------------|--------------|--------------|--------------|
|   | £'000      | £'000      | £'000        | £'000        | £'000        |
| <b>Worthing Borough Council</b>                                 |            |            |              |              |              |
| Measures to reduce waste - Impact of the Environment bill       | 128        | 128        | 128          | 128          | 128          |
| Refurbishment of High Street Car Park - Financing costs         | 46         | 255        | 255          | 255          | 255          |
| Brooklands improvement programme - net costs                    | 7          | 23         | 43           | 43           | 43           |
| Bike share scheme (£52k already included in the 2022/23 budget) | 37         | 37         | 37           | 37           | 37           |
| Heat Network  | 0          | 121        | 121          | 121          | 121          |
| General provision for future impact of major projects           | 0          | 284        | 484          | 684          | 684          |
| <b>Total</b>  | <b>218</b> | <b>848</b> | <b>1,068</b> | <b>1,268</b> | <b>1,268</b> |



#### 4.6.4.2 Impact of the new Environment Act

The new Environment Act passed into legislation in November 2021. There are three changes which have a potential financial impact on the Councils:

- i) Consistency in the range of recycling materials collected and the method of handling the materials.
- ii) The implementation of charges for the producers of packaging towards the costs of disposal (Producer pays principle) which will be distributed to local government although it is unclear how this will be distributed.
- iii) The implementation of weekly food waste collections by 2024/25.
- iv) The potential requirement to provide free fortnightly garden waste collections to all households (which is currently a weekly, chargeable, subscription service).

The Government has committed to funding the net cost of the proposed changes including the cost of implementation and any capital costs. However, at this time there is little information on how any funding mechanism will work and whether the funding is sufficient to cover the costs of the changes made.

Further reports on the impact of the new Environment Act will be presented to the Joint Strategic Committee in due course. At present, an allowance of £200,000 is allowed in 2023/24 for the implementation of the new arrangements. This allowance will be reviewed during the Summer.

#### 4.7 Councils' Budget and Shortfall:

4.7.1 A summary of the position for 2023/24 is therefore:

|  | Adur<br>£'000 | Worthing<br>£'000 |
|--|---------------|-------------------|
| Main cost pressures:   |               |                   |
| Inflationary pressures in excess of the likely increase in Council Tax | 835           | 1,649             |
| <b>Changes in funding from taxation</b>                                |               |                   |
| Fall out of one off funding for 2021/22                                | 121           | 185               |
| Change in retained business rates                                      | -175          | -172              |
| Change in New Homes Bonus  | 157           | 156               |
| Changes in Council Tax Surplus / Deficit                               | -61           | -36               |
| Total change to funding from Government                                | 42            | 133               |
| <b>Impact of funding the Council's strategy</b>                        |               |                   |
| Impact of the Environment Act  | 72            | 128               |
| Refurbishment of Car Parks - Financing costs                           |               | 46                |
| Brooklands improvement programme - net costs                           |               | 7                 |
| Bike share scheme  | 28            | 37                |
| Overall impact of funding the Council's strategy                       | 100           | 218               |
| <b>Other items:</b>  |               |                   |
| Net impact of the capital programme                                    | 73            | 314               |
| Improvement in investment income                                       | -105          | -121              |
| Impact of industrial action  | 117           | 208               |
| Removal of one-off budgets   | -175          | 0                 |
| Income recovery following pandemic                                     | -26           | -93               |
| Extension of Council Tax Support Scheme                                | 0             | 137               |
| Increase to building maintenance budgets                               | 0             | 50                |
| Contingency for committed growth                                       | 70            | 90                |
| Provision for new growth items   | 70            | 90                |
| Other items  | 0             | -2                |
| Overall savings to be met by the budget strategy / Surplus (-)         | 1,001         | 2,673             |

Note: This breakdown of the cost pressures is given at an early point in the financial year; consequently a contingency amount has been added for unidentified items and known budget risks. This will be stripped out as the year progresses.

4.7.8 The overall estimated budget shortfall for both Councils is expected to increase for the next five years is as follows:

|  | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>ADUR</b>  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Overall cumulative shortfall                             | 1,001        | 1,958        | 2,338        | 2,692        | 2,943        |
| Annual shortfall   | 1,001        | 957          | 380          | 354          | 251          |
| Total net budget funded by taxation                      | 9,871        | 9,581        | 9,787        | 9,997        | 10,215       |
| Annual savings as a percentage of overall net budget (%) | 10.14%       | 9.99%        | 3.88%        | 3.54%        | 2.46%        |

|  | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>WORTHING</b>  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Overall cumulative shortfall                             | 2,702        | 4,341        | 5,209        | 5,933        | 6,381        |
| Annual shortfall   | 2,702        | 1,639        | 868          | 724          | 448          |
| Total net budget   | 13,717       | 13,582       | 13,892       | 14,206       | 14,536       |
| Annual savings as a percentage of overall net budget (%) | 19.70%       | 12.07%       | 6.25%        | 5.10%        | 3.08%        |

|  | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>JOINT SERVICES**</b>                                  | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Overall cumulative shortfall                             | 3,770        | 4,650        | 5,038        | 5,650        | 6,275        |
| Annual shortfall   | 3,770        | 880          | 388          | 612          | 625          |
| Total net budget   | 24,477       | 24,477       | 24,966       | 25,216       | 25,468       |
| Annual savings as a percentage of overall net budget (%) | 15.40%       | 3.60%        | 1.55%        | 2.43%        | 2.45%        |

## 5. Reserves Position

Both Councils have an established policy to maintain working balances at a minimum level of 6% and a maximum level of 10% of net expenditure. However, the working balance was increased substantially at the end of 2019/20 to manage the risks associated with the pandemic with the expectation that this would be available to manage the financial losses resulting from the emergency. The level of General Fund working balance as at the 1st April 2022 is estimated to be:

|                 | <b>Adur</b>  | <b>Worthing</b> |
|-----------------|--------------|-----------------|
|                 | <b>£'000</b> | <b>£'000</b>    |
| Working balance | 1,051        | 1,351           |
| Net budget      | 9,742        | 13,785          |
| Percentage held | 10.8%        | 9.8%            |

The working balance was deliberately increased in 2019/20 to help fund the consequences of the pandemic, however maintaining a high working balance will also help mitigate against the current inflationary pressures. In addition to the General Fund reserves, the Councils can access other major reserves to help smooth the impact of Council Tax increases and levels of savings necessary:

- The Capacity Issues Fund which was set up to help the Council cope with a range of cost pressures including cushioning the impact of the recession and to fund one-off initiatives (both Adur District Council and Worthing Borough Council);
- The Special and Other Emergency Expenditure Reserve which was set up to fund any strategic or one-off expenditure that may arise (both Adur District Council and Worthing Borough Council).

The Councils have a policy of actively contributing to these reserves when possible by proactively managing the inflation provision. In addition, where possible, the Councils are opting to use the ability to use capital receipts to fund initiatives which make on-going savings (capital flexibilities) to further protect the reserves position. It is estimated that the balance available to support the budget will be:

|   | Adur District Council   |                        | Worthing Borough Council |                        |
|---|-------------------------|------------------------|--------------------------|------------------------|
|   | Balance as at 31-Mar-22 | Uncommitted resources* | Balance as at 31-Mar-22  | Uncommitted resources* |
|   | £'000                   | £'000                  | £'000                    | £'000                  |
| Capacity Issues Reserve                         | 674                     | 445                    | 1,306                    | 396                    |
| Special and other emergency expenditure reserve | 60                      | 60                     | 0                        | 0                      |
| <b>Total</b>                                    | <b>734</b>              | <b>505</b>             | <b>1,306</b>             | <b>396</b>             |

\* This allows for approvals to use the resources from 2022/23 onwards.

## 6. Options for addressing the budget gap in 2023/24 and beyond

6.1 The Councils will need to identify significant savings or deliver income growth over the next 5 - 10 years to balance the budget, particularly if the Councils want to deliver on the initiatives emerging from the new strategies. The savings process to be followed for the development of the budget has five stages:

1. A Budget Challenge involving senior leaders across the organisation during July, working collaboratively to identify and prioritise further opportunities for savings and income.
2. Subsequently giving Directors responsibility for identifying any further proposals required to meet a significant proportion of the savings targets which are to be considered by the Council Leadership Team in the autumn.
2. The Leader and Executive Members will then consider the proposals identified to meet the 2023/24 budget shortfall which fit with the Councils' priorities.
3. The savings proposals are then considered by the Joint Overview and Scrutiny Committee with a view to commenting on those which will impact on the Worthing Borough Council budget. Joint Overview and Scrutiny Committee can also add to the list of proposed savings with additional proposals as considered appropriate.
4. Consideration by the Joint Strategic Committee of which of the savings are to be used to fund the budget shortfall.

A flowchart with outline timescales for the 2023/24 budget is attached at Appendix 1.

6.2 The Councils fundamentally reshaped the budget strategy back in 2016/17, with new explicit strands of work designed to balance the budget and support the delivery of the Councils' priorities. The focus of this strategy has been to increase income generation and reduce the savings to be delivered from service reductions – nevertheless each year additional savings will still need to be found with a substantial challenge arising for 2023/24. Currently it is estimated that around £2.7m of savings still need to be found across the Councils, this would be equivalent to a reduction in the staffing budget of around 10%.

6.3 This programme will continue to be shaped over the coming months by the strategic work streams which are discussed in more detail below. The programme of work will be also be reassessed as the Corporate Plan is developed. The proposed targets for the main programmes of work are:

|                                    | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|------------------------------------|---------|---------|---------|---------|---------|-------|
|                                    | £'000   | £'000   | £'000   | £'000   | £'000   | £'000 |
| Main programmes:                   |         |         |         |         |         |       |
| Strategic Property Investment Fund | (200)   | 552     | 200     | 200     | 200     | 952   |
| Commercial income growth           | 600     | 600     | 600     | 600     | 600     | 3,000 |
| Digital service redesign Programme | 200     | 200     | 200     | 200     | 200     | 1,000 |
| Corporate Landlord programme       | 135     | 135     | 175     | 190     | 190     | 825   |

6.4 Each programme of work is overseen by an internal working group as follows:

1. The Major Projects Board leads on delivering projects to increase employment space and additional housing;
2. The Commercial working group leads on the delivery of the income growth from commercial services and seeks to improve the customer experience.
3. The Strategic Asset Management Board leads on delivering the income growth associated with the Strategic Property Investment Fund and the property disposal programme.

5. 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.

6.5 These strands of work reflect the priorities identified as part of the Councils' current strategy 'Platforms for our Places' In developing our new corporate plan we will be reviewing all these strategic activities and either stopping them or reshaping them to reflect priorities agreed as part of that process. We report on them here as they remain in delivery until that review has happened.

**Platform 1: Prosperous places**

The Councils will:

- i) Provide strategic support to the business sectors to drive growth across Adur and Worthing facilitating the creation of more employment and retail space thereby increasing business rates income.
- ii) Invest in and deliver major projects and key infrastructure to increase employment space and new homes
- iii) Use the Council's Strategic Property Investment Fund to support the delivery of projects to support our economies and deliver new revenue streams. This will be achieved through the identifying opportunities to develop new commercial properties which supports the economic regeneration or wellbeing of our areas. To facilitate this, within the capital strategy, funding is released each year for opportunities that will generate a return of between 2% and 3% after allowing for any financing costs. It should be appreciated that actual spend in any given year will be dependent on successfully identifying properties to purchase. An element of the additional income will be set aside each year to help fund the impact of any future void properties and support the future cost of property improvement.

| Per Council   | 2023/24        | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|---|----------------|--------------|--------------|--------------|--------------|
| Expected cumulative return (after debt charges and allowance for voids) | £'000<br>(200) | £'000<br>552 | £'000<br>200 | £'000<br>200 | £'000<br>200 |

- iv) Promote initiatives to increase employment and reduce the burden on the public purse associated with benefits and poverty.

## **Platform 2: Thriving People and Communities**

The Councils will:

- i) Provide and enable the delivery of new homes across Adur and Worthing. The delivery of new homes will increase Council Tax income and lever in any government reward grant available (e.g. New Homes Bonus). On average each new home built (Band C) will generate £280.30 for Adur District Council and £224.32 for Worthing Borough Council in Council Tax income. There are a significant number of developments either being delivered or considered by both Councils. Adur District Council, via the HRA, is directly delivering a number of schemes to improve the supply of affordable homes.
- ii) The Council will prevent homelessness. As part of this, the councils have been proactively looking at ways in which to reduce the costs of accommodating residents in temporary and emergency accommodation including:
  - a) Preventing residents from becoming homeless;
  - b) Working with landlords on delivering fit for purpose, cost effective accommodation through the Open Door scheme; and
  - c) Acquiring or developing Council owned accommodation to meet community needs. Two new schemes have recently been approved to date which will generate savings for the Council whilst providing good quality temporary and emergency accommodation.

## **Platform 3: Tackling Climate Change and Supporting our Natural Environment**

The Councils will:

- i) Becoming Carbon Neutral by 2030

As part of this commitment, the councils will investigate new options for a solar farm, and additional options for widespread solar PV. £968,000 has been allocated to deliver these and other energy efficiency improvements in the 2022/23 capital investment programmes. A detailed Carbon Reduction Plan has been developed which identifies prioritised interventions to deliver cost effective carbon reduction and long term cost savings.



ii) Reducing waste, increasing reuse, recycling and composting

Engage with our communities to promote and support the zero to landfill objective thereby minimising the costs associated with meeting the new requirements of the Environment Act.

**Platform 4: Good Services and New Solutions**

The Councils will identify and maximise the financial return on our services to support the Council's budgetary position by:

a. Increasing the range of modern digital services:

The Councils have embarked on a radical digital transformation programme. There is an ongoing programme of work designed to lever in significant savings which the Council has continued to roll-out.

|                   | 2023/24 | 2024/25 | 2025/26 | 2026/27 and beyond |
|-------------------|---------|---------|---------|--------------------|
|                   | £'000   | £'000   | £'000   | £'000              |
| Annual Savings    | 200     | 200     | 200     | 200                |
| Cumulative impact | 200     | 400     | 600     | 800                |

b. Grow our commercial & traded income and external sources of funding:

There are two elements to this area of work:

- Existing fee earning services are being reviewed:
  - Services which either have fees set by central government or can only break-even by statute will be reviewed to ensure that income is sufficient to cover costs. This includes Land Charges, Building Control and Development Management.
  - Services which operate on a commercial basis will be encouraged to maximise profit margins where possible.
- The Councils will look for new income generating opportunities.

A target increase in income from commercial activities has been agreed. It is expected that this strand of work will generate an additional £600k

per annum which, if achieved, will be a substantial contribution to resolving the budget shortfall.

|                   | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------------|---------|---------|---------|---------|---------|
|                   | £'000   | £'000   | £'000   | £'000   | £'000   |
| Annual Savings    | 600     | 600     | 600     | 600     | 600     |
| Cumulative impact | 600     | 1,200   | 1,800   | 2,400   | 3,000   |

c. Develop a Corporate Landlord approach to managing our property estate

Platforms for our Places Going Further identified the development of a Corporate Landlord approach to property management as a means to instigate an ongoing programme of modernisation and improvement in how the Councils manage its property and assets. The adopted Joint Strategic Asset Management Plan (JSC March 2020) is the initial step setting out clear objectives and principles around how the Councils will look to manage its assets. The programme will involve a number of workstreams to improve existing approaches:

- Finance & Budgets Workstream
- Data, Information & Compliance Workstream
- Governance Workstream
- Revenue Generation Workstream
- Asset Challenge Workstream
- Property Rationalisation Workstream

The cumulative effect of delivering these workstreams will mean that the councils' land and resources will be managed as corporate resources in a holistic and strategic manner seeking to involve the right stakeholders to meet the needs and priorities of the councils. This will be a change to the historic approach, which is being explored through the corporate landlord group.

The Corporate Landlord Model means that the ownership and responsibility for the asset in terms of management and maintenance will transfer from services to the corporate centre. The service then transitions to a customer/corporate tenant approach as a key stakeholder freeing services to focus on planning and delivery of their service area.

Corporate landlord will take responsibility for acquisition, development, management, maintenance, disposal of land and buildings but also asset planning, review and feasibility/options appraisals to ensure that assets are challenged to be working to deliver council priorities.

In advance of this change programme three initial strands of work have been identified to drive financial return to the council in the shorter term and in accordance with the recently adopted Property Asset Management Plan:

- Property Rationalisation Workstream - initiatives to rationalise the amount of accommodation and depot space used by the Councils
- Revenue Generation Workstream - Work to ensure that rent reviews are up to date and continue effectively manage the councils' estates
- Asset Challenge Workstream - Identify surplus assets which could be disposed of to reduce the borrowing costs to the Councils for other priority projects identified in Platforms for our Places Going Further.

It is expected that this programme will lever in the following savings over the next 5 years.

|                   | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-------------------|---------|---------|---------|---------|---------|
|                   | £'000   | £'000   | £'000   | £'000   | £'000   |
| Annual Savings    | 135     | 135     | 175     | 190     | 190     |
| Cumulative impact | 135     | 270     | 445     | 635     | 825     |

d. Effective procurement and contract management, driving sustainability and value for money

The Councils will continue to identify opportunities to lever in further procurement savings by working with other organisations to pool both specialist procurement resources and aggregate contracts to deliver value for money. The clear intention is to identify potential 'procurement savings' within existing budgets where possible thereby protecting front-line services.

e. Base budget review

The Councils will undertake a base budget review to ensure that the budgets are as accurate as possible and strip out any unneeded provisions.

- 6.6 In addition to the above, the councils will also review existing programmes of work to identify projects which can be deferred or cancelled with a view to supporting the Councils financial position both in the current year and in future years. This review will be actioned across all of the Councils' current programme of work.
- 6.7 The Councils currently have uncommitted reserves (excluding the working balance) of:

|          | <b>£'000</b> |
|----------|--------------|
| Adur     | 525          |
| Worthing | 1,050        |

Given the current financial position of the Councils and the level of risk associated with the current inflationary pressures, the reserves should only be used to balance the budget for 2023/24 as a last resort. Nevertheless, there remains a limited option to use some reserves to smooth the impact of the savings required. However, any use of reserves can only be regarded as a short-term and non-sustainable solution and should have due regard to the level of reserves available. At this point of time in the budget cycle, it is not proposed to use reserves to balance the budget for 2023/24, but to set challenging targets for savings. This will be revisited in the autumn when the options for savings emerge and the Councils have a clearer understanding of the financial challenges ahead.

- 6.7 At the request of Worthing members, to ensure that the savings offered later in the year reflect the Councils' priorities, all the proposals which affect Worthing will also be presented to the Joint Overview and Scrutiny Committee for consideration and comment.

## **7. 2024/25 and beyond**

- 7.1 The detailed budget projections for 2023/24 to 2027/28 are also shown in Appendix 3. It is clear that many of the cost pressures identified for 2023/24 will continue on for the coming years and that there is a continuing need to make significant savings although the level of annual savings should decline once the Council has addressed the impact of the Fairer Funding Review .
- 7.2 It is an inherent feature of the budget strategy that officers will continue to be asked to identify annual "cashable" efficiency and procurement savings to help meet the budget gap and to protect priority services. However, the focus of the current strategy is to meet a significant proportion of the challenge through income generation by:
- i) Building new homes and increasing income from Council Tax.

- ii) Increasing business rates through the development of new employment spaces.
- iii) Increasing income from commercial activity;
- iv) Investing in property to support the local economy using the Strategic Property Investment Fund.
- v) Using the Councils assets through the asset management plan to best support the Council's priorities.
- vi) To address the costs of homelessness through preventative measures and acquiring better value homes for emergency accommodation.

However this strategy will be reviewed over the coming months to ensure that it will continue to deliver the changes required to balance the budget.

7.3 This strategy will have long term benefits. Overall as a result of the strategy adopted both Council will be able to address significant proportions of the budget shortfalls identified.

|   | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Adur District Council</b>                                | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> |
| Estimated cumulative savings required to balance the budget | 1,001        | 1,958        | 2,338        | 2,692        | 2,943        |
| Savings strategy:   |              |              |              |              |              |
| Strategic Property Investment                               | 100          | 0            | -100         | -200         | -300         |
| Commercial income and commissioning                         | -150         | -300         | -450         | -600         | -750         |
| Service and digital redesign                                | -80          | -160         | -240         | -320         | -400         |
| Commercial landlord programme                               | -30          | -60          | -130         | -130         | -130         |
| Other savings identified                                    | -300         | -300         | -300         | -300         | -300         |
| Residual savings to be identified                           | 541          | 1,138        | 1,118        | 1,142        | 963          |
|   |              |              |              |              |              |

|   | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---------|---------|---------|---------|---------|
| <b>Worthing Borough Council</b>                             |         |         |         |         |         |
| Estimated cumulative savings required to balance the budget | 2,702   | 4,341   | 5,209   | 5,933   | 6,381   |
| Savings strategy:   |         |         |         |         |         |
| Strategic Property Investment                               | 100     | -352    | -452    | -552    | -652    |
| Commercial income and commissioning                         | -450    | -900    | -1,350  | -1,800  | -2,250  |
| Service and digital redesign                                | -120    | -240    | -360    | -480    | -600    |
| Commercial landlord programme                               | -105    | -210    | -315    | -505    | -695    |
| Residual savings to be identified                           | 2,127   | 2,639   | 2,732   | 2,596   | 2,184   |
|   |         |         |         |         |         |

Shown at Appendix 4 is a 10 year forecast which considers whether the current strategy will result in a more sustainable budget for the future based on known cost pressures. Whilst the next 2 to 3 years are challenging, if the Councils are successful in delivering the strategy detailed above, the financial issues faced in the future should be manageable.

7.4 Challenging times are ahead, however if the Councils focus on delivering the strategy and continue to target limited resources on priorities, then we are in a good position to respond to the inevitable budget shortfalls.

## 8. Adur District Council - Housing Revenue Account

8.1 The Housing Revenue Account (HRA) has a 30-year financial plan which was included in the rent setting report considered in February this year. It is not intended to replicate those financial projections within this report but update the forecast later once the asset management plan has been refreshed. However, like the General Fund, the HRA is facing some significant challenges, not least the impact of inflation on the cost of service delivery and increasing maintenance costs associated with the condition of the housing stock.

8.2 Nevertheless, the HRA will be subject to the same budget process and strategy as outlined below.

## 9. Budget strategy for the development of the 2023/24 budget

9.1 A detailed budget strategy now needs to be agreed, to underpin the preparation of the budget throughout the coming months and to reflect the discussion outlined above. The following are recommended as principles to be used in the preparation of the 2023/24 revenue and capital budgets:

## 9.2 Revenue Budget Strategy

- The Councils will aim to keep Council Tax increases to a minimum;
- The Councils will seek to increase income from business rates and council tax by facilitating the creation of new homes and employment space.
- Growth in expenditure is to be restricted to unavoidable expenditure to satisfy the delivery of the Councils' Key Priorities and other legislative requirements. The key items of growth identified to date have been included in the outline 5-year forecast;
- Any other growth to be accompanied by proposals for equivalent ongoing savings and not to be funded from reserves;
- Income is to be increased in line with the inflationary pressures upon the Councils (5.0%) or such higher increase as the individual markets can bear
- Expenditure is to be increased by: 4.5% for pay (plus an allowance has been made for increments which are a contractual commitment) and 2.0% for all other expenditure (except for inflation arising from contractual indexation provisions and energy for which an appropriate provision is to be made);
- The Council aims to set a balanced budget. Any proposed use of reserves is to have regard to the adequacy of such reserves and any such policy must be sustainable in the longer term. In addition, the Council aims not to have any planned call upon the General Fund Working Balance;
- The Council will identify the majority of savings for 2023/24 through six proposed programmes of work, although these strands of work will be reviewed in the light of the new corporate plan:
  - Strategic Property Investment Fund
  - Commercial strategy
  - Affordable homes programme
  - Corporate Landlord programme
  - Digital and service redesign programme
  - Investment in renewable energy
- Officers are to identify other 'cashable' efficiency savings, options for reducing non-priority services, and undertake a critical review of budgets to identify further options for balancing the budget including reviewing commitments to existing projects.

### 9.3 Capital Investment Programme

- The maximum level of funding be made available per year for the next 5 years to fund new General Fund schemes as follows:

**Adur District Council:** £1.5 m core funding in 2023/24 and 2024/25  
(plus £5.6m for the Housing Investment Programme)

**Worthing Borough Council:** £2.5m core funding

The funding of the programme is to be made up of prudential borrowing, capital grants and capital receipts. This reflects concerns about affordability; however members need to be aware that the number, age and condition of the Councils' assets continue to be a cause for concern and that the programmes may need to be increased if any unavoidable expenditure that cannot be accommodated within the programme is identified.

- Additional capital expenditure to be only agreed where additional funding from capital grants, contributions, earmarked receipts, approved additional prudential borrowing or use of reserves has been secured.

## 10. **Engagement and Communication**

- 10.1 The budget proposals will be the subject of internal officer consultation and staff will be briefed on the challenges ahead.
- 10.2 All savings proposals will be scrutinised by the Joint Overview and Scrutiny Committee at its meeting of 24th November 2022.
- 10.3 All members will participate in the setting of the annual budget at the Council meetings in February.
- 10.4 Any savings which impact on the services delivered to the public will be consulted on. The consultation exercise will start in September and be open for a period of 5 weeks. The outcome will be available for members when they consider the savings proposals in December 2022.
- 10.5 The Adur Consultative Forum (tenants' forum) will be consulted regarding any proposed changes to the HRA.

## 11. **Financial Implications**

- 11.1 There are no other financial implications other than those outlined above.



## 12. Legal Implications

- 12.1 The Council is required to set a robust budget under the Local Government Act 2003. This report is the first step towards the Council achieving this aim for the 2022/23 budget round.

### Background Papers

Report to Adur District Council Executive 1st February 2022 - Estimates 2022/23 and setting of 2022/23 Council Tax

Report to Worthing Borough Council Executive 31<sup>st</sup> January 2022 -Estimates 2022/23 and setting of 2022/23 Council Tax

Report to Joint Strategic Committee 5<sup>th</sup> July 2022 – Final Revenue Outturn for Joint, Adur and Worthing 2021/22.

Budget Statement 2022 – Report from HM Treasury

Report to Joint Strategic Committee 2<sup>nd</sup> December 2014 – Investing in New Technology: The Springboard to Excellent Customer Experience and Business Efficiency.

Report to the Joint Strategic Committee 3<sup>rd</sup> December 2019 – *Platforms for our Places - Going Further (2020-2022)* : Unlocking the Power of People, Communities and our Local Geographies

### Officer Contact Details:-

Sarah Gobey

Chief Financial Officer

(01903) 221221

[sarah.gobey@adur-worthing.gov.uk](mailto:sarah.gobey@adur-worthing.gov.uk)

## **Sustainability & Risk Assessment**

### **1. Economic**

The budget contains funding for commitments made under Platform 1: Our Financial Economies.

### **2. Social**

#### **2.1 Social Value**

Matter considered and no issues identified.

#### **2.2 Equality Issues**

Matter considered and no issues identified with the budget strategy itself. However individual proposals arising from the budget will be the subject of an equalities impact assessment.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

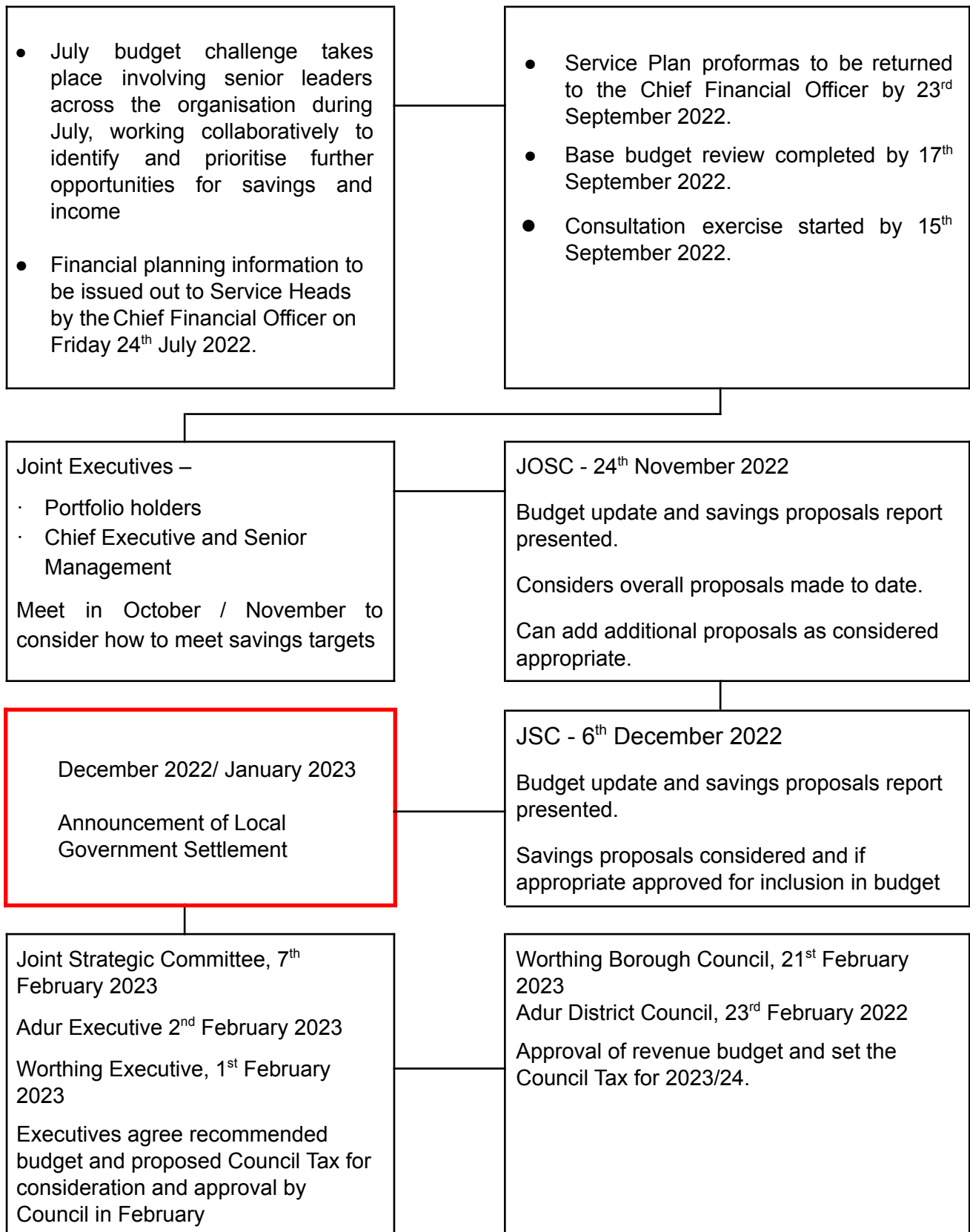
### **3. Environmental**

The budget contains funding for decarbonisation initiatives.

### **4. Governance**

Matter considered and no issues identified.

## Appendix 1



## Appendix 2

| ADUR DISTRICT COUNCIL   |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
| Revenue Budget Summary Statement 2022/23 - 2027/28                    |         |         |         |         |         |         |
|   | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
| Net Spending to be Financed from Taxation                             | Base    |         |         |         |         |         |
|   | £'000   | £'000   | £'000   | £'000   | £'000   | £'000   |
| <b>Base budget</b>  | 9,742   | 9,742   | 9,742   | 9,742   | 9,742   | 9,742   |
| <b>(a) Annual Inflation</b>   |         |         |         |         |         |         |
| Estimated inflation   |         | 303     | 601     | 896     | 1,197   | 1,495   |
| Impact of 2022/23 pay award (Assume 5% budget contains 2%)            |         | 330     | 337     | 344     | 351     | 358     |
| <b>(b) One -off / non-recurring items</b>                             |         |         |         |         |         |         |
| Local Elections (held every other year)                               |         | 18      | -       | 19      | -       | 20      |
| <b>(c) Impact of Cost of Living crisis</b>                            |         |         |         |         |         |         |
| Additional pay award - Usually budget for 2% assume 4.5%              |         | 286     | 294     | 303     | 299     | 305     |
| Gas and electricity (300% gas, 50% electricity)                       |         | 66      | 66      | 66      | 66      | 66      |
| Diesel (50% increase)   |         | 88      | 88      | 88      | 88      | 88      |
| Removal of inflation contingency budget                               |         | (67)    | (67)    | (67)    | (67)    | (67)    |
| <b>(d) Impact of funding 'Platforms'</b>                              |         |         |         |         |         |         |
| Measures to reduce waste - Impact of the Environment bill             |         | 72      | 72      | 72      | 72      | 72      |
| Bike share scheme (part year cost included in 2022/23)                |         | 28      | 28      | 28      | 28      | 28      |
| Heat Network  |         | -       | 10      | 10      | 10      | 10      |
| <b>(e) Capital Programme and Treasury Management</b>                  |         |         |         |         |         |         |
| Capital programme financing costs                                     |         | 73      | 130     | 280     | 455     | 491     |
| Investment income   |         | (105)   | (112)   | (146)   | (182)   | (220)   |
| <b>(f) Other items</b>  |         |         |         |         |         |         |
| Impact of waste dispute:  |         |         |         |         |         |         |
| Impact of negotiation on salaries costs                               |         | 90      | 90      | 90      | 90      | 90      |
| Impact of dispute on net income                                       |         | 27      | 27      | 27      | 27      | 27      |
| Removal of one-off budgets:   |         |         |         |         |         |         |
| Removal of 2022/23 Covid contingency budget                           |         | (175)   | (175)   | (175)   | (175)   | (175)   |
| Improvement to car parking income following end of pandemic measures. |         | (26)    | (52)    | (52)    | (52)    | (52)    |
| Final cost of new leisure contract                                    |         | (18)    | (117)   | (117)   | (117)   | (117)   |

**ADUR DISTRICT COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|   | 2022/23      | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       |
|---|--------------|---------------|---------------|---------------|---------------|---------------|
|   | Base         |               |               |               |               |               |
|   | £'000        | £'000         | £'000         | £'000         | £'000         | £'000         |
| <b>Net Spending to be Financed from Taxation</b>                          |              |               |               |               |               |               |
| Delay to Fairer Funding Review - Homeless funding to continue for 2021/22 |              | -             | 297           | 297           | 297           | 297           |
| Allowance for committed growth items approved in December                 |              | 70            | 140           | 210           | 280           | 350           |
| <b>(g) Approved Growth items</b>  |              |               |               |               |               |               |
| Provision for new growth items  |              | 70            | 140           | 210           | 280           | 350           |
| <b>Total Cabinet Member Requirements</b>                                  | <b>9,742</b> | <b>10,872</b> | <b>11,539</b> | <b>12,125</b> | <b>12,689</b> | <b>13,158</b> |
| <b>Income from taxation:</b>  |              |               |               |               |               |               |
| <b>Business Rates</b>   |              |               |               |               |               |               |
| Baseline funding  | 1,767        | 1,767         | 1,802         | 1,838         | 1,875         | 1,913         |
| Add: Retained additional business rates                                   | 766          | 941           | 480           | 488           | 496           | 508           |
| <b>Adjusted Business Rate income</b>                                      | <b>2,533</b> | <b>2,708</b>  | <b>2,282</b>  | <b>2,326</b>  | <b>2,371</b>  | <b>2,421</b>  |
| <b>Council Tax income</b>   | <b>6,892</b> | <b>7,063</b>  | <b>7,220</b>  | <b>7,382</b>  | <b>7,547</b>  | <b>7,715</b>  |
| <b>Other grants</b>   |              |               |               |               |               |               |
| New homes bonus (2019/20 - 2022/23)                                       | 10           | -             | -             | -             | -             | -             |
| New homes bonus (2022/23)   | 147          | -             | -             | -             | -             | -             |
| <b>Total NHB</b>  | <b>157</b>   | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| Lower Tier Services Grant   | 79           | 79            | 79            | 79            | 79            | 79            |
| Local Tax Guarantee Scheme - Council Tax                                  | 59           | 59            | -             | -             | -             | -             |
| Services Grant  | 121          | -             | -             | -             | -             | -             |
| Collection fund surplus/deficit (-)                                       | (99)         | (38)          | -             | -             | -             | -             |
| <b>Total other grants and contributions</b>                               | <b>317</b>   | <b>100</b>    | <b>79</b>     | <b>79</b>     | <b>79</b>     | <b>79</b>     |
| <b>Total Income from Grants and Taxation</b>                              | <b>9,742</b> | <b>9,871</b>  | <b>9,581</b>  | <b>9,787</b>  | <b>9,997</b>  | <b>10,215</b> |
| <b>AMOUNT REQUIRED TO BALANCE BUDGET</b>                                  | <b>-</b>     | <b>1,001</b>  | <b>1,958</b>  | <b>2,338</b>  | <b>2,692</b>  | <b>2,943</b>  |

**ADUR DISTRICT COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|  | 2022/23 | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|--|---------|--------------|--------------|--------------|--------------|--------------|
|  | Base    |              |              |              |              |              |
|  | £'000   | £'000        | £'000        | £'000        | £'000        | £'000        |
| <b>AMOUNT REQUIRED TO BALANCE BUDGET</b>               | -       | 1,001        | 1,958        | 2,338        | 2,692        | 2,943        |
| <b>Savings strategy:</b>                               |         |              |              |              |              |              |
| <b>Strategic Property Investment Fund</b>              |         |              |              |              |              |              |
| Future developments                                    |         |              | 200          | 400          | 600          | 800          |
| Provision for future voids                             |         | (100)        | (200)        | (300)        | (400)        | (500)        |
| <b>Commercial and Customer Activities</b>              |         | 150          | 300          | 450          | 600          | 750          |
| <b>Service and Digital redesign</b>                    |         | 80           | 160          | 240          | 320          | 400          |
| <b>Commercial Landlord Programme</b>                   |         | 30           | 60           | 130          | 130          | 130          |
| <b>Other efficiency savings (net of growth)</b>        |         |              |              |              |              |              |
| <b>MRP review</b>                                      |         | 300          | 300          | 300          | 300          | 300          |
| <b>Total savings initiatives identified to date</b>    |         | <b>460</b>   | <b>820</b>   | <b>1,220</b> | <b>1,550</b> | <b>1,880</b> |
| <b>Cumulative savings still to be found/ (surplus)</b> |         | <b>541</b>   | <b>1,138</b> | <b>1,118</b> | <b>1,142</b> | <b>1,063</b> |
| <b>Annual savings still to be found</b>                |         | <b>541</b>   | <b>597</b>   | <b>(20)</b>  | <b>24</b>    | <b>(79)</b>  |
| <b>Council Tax increase</b>                            |         | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> |
| Annual increase (Band D property)                      |         | £6.35        | £6.48        | £6.61        | £6.74        | £6.88        |
| Weekly increase (Band D property)                      |         | £0.12        | £0.12        | £0.13        | £0.13        | £0.13        |
| Average annual increase (Band C property)              |         | £5.64        | £5.76        | £5.88        | £5.99        | £6.12        |
| Average weekly increase (Band C property)              |         | £0.11        | £0.11        | £0.11        | £0.12        | £0.12        |

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|   | 2022/23       | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Base          |               |               |               |               |               |
| Net Spending to be Financed from Taxation                       | £'000         | £'000         | £'000         | £'000         | £'000         | £'000         |
| <b>Base budget</b>  | <b>13,785</b> | <b>13,785</b> | <b>13,785</b> | <b>13,785</b> | <b>13,785</b> | <b>13,785</b> |
| <b>(a) Annual Inflation</b>                                     |               |               |               |               |               |               |
| Estimated inflation (with 4.5% allowance in 2023/34)            |               | 493           | 982           | 1,460         | 1,931         | 2,414         |
| Impact of 2022/23 pay award (Assume 5% budget contains 2%)      |               | 510           | 520           | 530           | 541           | 552           |
| <b>(b) One -off / non-recurring items</b>                       |               |               |               |               |               |               |
| Local Elections (held three out of four years)                  |               | 50            | 50            | 50            | -             | 50            |
| <b>(c) Impact of Cost of Living crisis</b>                      |               |               |               |               |               |               |
| Additional pay award - Usually budget for 2% assume 4.5%        |               | 420           | 424           | 439           | 450           | 459           |
| Gas and electricity (300% gas, 50% electricity)                 |               | 379           | 379           | 379           | 379           | 379           |
| Diesel (50% increase)   |               | 156           | 156           | 156           | 156           | 156           |
| Leisure Contract  |               | 90            | 90            | 90            | 90            | 90            |
| Removal of inflation contingency budget                         |               | (158)         | (158)         | (158)         | (158)         | (158)         |
| <b>(d) Impact of funding 'Platforms'</b>                        |               |               |               |               |               |               |
| Measures to reduce waste - Impact of the Environment bill       |               | 128           | 128           | 128           | 128           | 128           |
| Refurbishment of High Street Car Park - Financing costs         |               | 46            | 255           | 255           | 255           | 255           |
| Brooklands improvement programme - net costs                    |               | 7             | 23            | 43            | 43            | 43            |
| Bike share scheme (£52k already included in the 2022/23 budget) |               | 37            | 37            | 37            | 37            | 37            |
| Heat Network  |               | -             | 121           | 121           | 121           | 121           |
| General provision for future impact of major projects           |               | -             | 284           | 484           | 684           | 684           |
| <b>(e) Treasury Management</b>                                  |               |               |               |               |               |               |
| Financing costs - General Programme                             |               | 314           | 388           | 765           | 1,075         | 1,230         |
| Investment income   |               | (121)         | (160)         | (239)         | (334)         | (444)         |
| <b>(g) Other items</b>  |               |               |               |               |               |               |
| Impact of waste dispute:  |               |               |               |               |               |               |
| Impact of negotiation on salaries costs                         |               | 160           | 160           | 160           | 160           | 160           |
| Impact of dispute on net income                                 |               | 48            | 48            | 48            | 48            | 48            |
| Triennial pension valuation - Reduction in contributions        |               | (23)          | (46)          | (69)          | (69)          | (69)          |

**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|   | 2022/23<br>Base | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|
| <b>Net Spending to be Financed from Taxation</b>  | <b>£'000</b>    | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| Building maintenance - scale up budget  |                 | 50            | 50            | 50            | 50            | 50            |
| Increase in car parking income due to easing of pandemic measures.                        |                 | (93)          | (186)         | (186)         | (186)         | (186)         |
| Removal of hardship funding following introduction of new Council Tax Support Scheme      |                 | (39)          | (39)          | (39)          | (39)          | (39)          |
| Delay to Fairer Funding Review - Homeless funding in current form to continue for 2023/24 |                 | -             | 272           | 272           | 272           | 272           |
| Allowance for committed growth items  |                 | 90            | 180           | 270           | 360           | 450           |
| <b>(h) Approved Growth items</b>  |                 |               |               |               |               |               |
| Provision for new investment in services  |                 | 90            | 180           | 270           | 360           | 450           |
| <b>Total Cabinet Member Requirements</b>  | <b>13,785</b>   | <b>16,419</b> | <b>17,923</b> | <b>19,101</b> | <b>20,139</b> | <b>20,917</b> |
| <b>Business Rate income</b>   |                 |               |               |               |               |               |
| Baseline funding  | 2,693           | 2,693         | 2,747         | 2,802         | 2,858         | 2,915         |
| Add: Net retained additional business rates   | 867             | 845           | 411           | 417           | 421           | 433           |
| Add: Share of surplus /deficit (-) net of use of reserves                                 | (194)           |               |               |               |               |               |
| <b>Adjusted Business Rate income</b>  | <b>3,366</b>    | <b>3,538</b>  | <b>3,158</b>  | <b>3,219</b>  | <b>3,279</b>  | <b>3,348</b>  |
| <b>Council Tax income</b>   | <b>9,996</b>    | <b>10,237</b> | <b>10,483</b> | <b>10,736</b> | <b>10,994</b> | <b>11,259</b> |
| <b>Impact of removal of Council Tax Support</b>   |                 | <b>(176)</b>  | <b>(180)</b>  | <b>(184)</b>  | <b>(188)</b>  | <b>(192)</b>  |
| <b>Other grants</b>   |                 |               |               |               |               |               |
| New homes bonus (2019/20 - 2022/23)   | 68              |               |               | -             | -             | -             |
| New homes bonus (2022/23)   | 88              |               |               |               |               |               |
| <b>Total New Homes Bonus</b>  | <b>156</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| Lower Tier Services Grant   | 121             | 121           | 121           | 121           | 121           | 121           |
| Local tax compensation scheme   | 37              | 37            |               |               |               |               |
| Services Grant  | 185             |               |               |               |               |               |
| Collection fund surplus/deficit (-)   | (76)            | (40)          |               |               |               |               |
| <b>Total other grants and contributions</b>   | <b>423</b>      | <b>118</b>    | <b>121</b>    | <b>121</b>    | <b>121</b>    | <b>121</b>    |
| <b>Total Income from Taxation</b>   | <b>13,785</b>   | <b>13,717</b> | <b>13,582</b> | <b>13,892</b> | <b>14,206</b> | <b>14,536</b> |



**WORTHING BOROUGH COUNCIL**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|  | 2022/23<br>Base | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28      |
|--|-----------------|--------------|--------------|--------------|--------------|--------------|
|  | £'000           | £'000        | £'000        | £'000        | £'000        | £'000        |
| <b>AMOUNT REQUIRED TO BALANCE BUDGET</b>               |                 | 2,702        | 4,341        | 5,209        | 5,933        | 6,381        |
| <b>Savings / Initiatives identified to date:</b>       |                 |              |              |              |              |              |
| <b>Strategic Property Investment Fund</b>              |                 |              |              |              |              |              |
| Future property developments                           |                 | -            | 200          | 400          | 600          | 800          |
| Provision for future voids and repairs                 |                 | (100)        | (200)        | (300)        | (400)        | (500)        |
| Wellbeing centre and car park - net of debt charges    |                 | -            | 352          | 352          | 352          | 352          |
| <b>Commercial and Customer Activities</b>              |                 | 450          | 900          | 1,350        | 1,800        | 2,250        |
| <b>Service and Digital redesign programme</b>          |                 | 120          | 240          | 360          | 480          | 600          |
| <b>Corporate Landlord Programme</b>                    |                 | 105          | 210          | 315          | 505          | 695          |
| <b>Total savings initiatives identified to date</b>    |                 | <b>575</b>   | <b>1,702</b> | <b>2,477</b> | <b>3,337</b> | <b>4,197</b> |
| <b>Cumulative savings still to be found/ (surplus)</b> |                 | <b>2,127</b> | <b>2,639</b> | <b>2,732</b> | <b>2,596</b> | <b>2,184</b> |
| <b>Annual savings still to be found</b>                |                 | <b>2,127</b> | <b>512</b>   | <b>93</b>    | <b>(136)</b> | <b>(412)</b> |
| <b>Council Tax increase</b>                            |                 | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> | <b>2.00%</b> |
| Annual increase (Band D property)                      |                 | £5.05        | £5.15        | £5.25        | £5.36        | £5.46        |
| Weekly increase (Band D property)                      |                 | £0.10        | £0.10        | £0.10        | £0.10        | £0.11        |
| Average annual increase (Band C property)              |                 | £4.49        | £4.58        | £4.67        | £4.76        | £4.86        |
| Average weekly increase (Band C property)              |                 | £0.09        | £0.09        | £0.09        | £0.09        | £0.09        |

**JOINT STRATEGIC COMMITTEE**  
**Revenue Budget Summary Statement 2022/23 - 2027/28**

|   | 2022/23       | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Base          |               |               |               |               |               |
|   | £'000         | £'000         | £'000         | £'000         | £'000         | £'000         |
| <b>Net Spending to be Financed from Taxation</b>                      |               |               |               |               |               |               |
| <b>Base budget</b>  | <b>24,477</b> | 24,477        | 24,477        | 24,477        | 24,477        | 24,477        |
| (a) <b>Annual Inflation</b>   |               |               |               |               |               |               |
| Estimated inflation   |               | 1,408         | 2,159         | 2,906         | 3,637         | 4,383         |
| Impact of 2022/23 pay award (Assume 5% budget contains 2%)            |               | 801           | 817           | 833           | 850           | 867           |
| (b) <b>Impact of funding 'Platforms'</b>                              |               |               |               |               |               |               |
| Measures to reduce waste  |               | 200           | 200           | 200           | 200           | 200           |
| (c) <b>Impact of Cost of Living crisis</b>                            |               |               |               |               |               |               |
| Additional pay award - Usually budget for 2% assume 4.5%              |               | 667           | 680           | 694           | 708           | 722           |
| Gas and electricity (300% gas, 50% electricity)                       |               | 100           | 100           | 100           | 100           | 100           |
| Diesel (50% increase)   |               | 244           | 244           | 244           | 244           | 244           |
| (c) <b>Other items</b>  |               |               |               |               |               |               |
| <b>Impact of waste dispute:</b>                                       |               |               |               |               |               |               |
| Impact of negotiation on salaries costs                               |               | 250           | 250           | 250           | 250           | 250           |
| Allowance for committed growth items approved in December             |               | 100           | 200           | 300           | 400           | 500           |
| <b>Net cost to be reallocated to the Councils</b>                     | <b>24,477</b> | <b>28,247</b> | <b>29,127</b> | <b>30,004</b> | <b>30,866</b> | <b>31,743</b> |
| Adur District Council   | 9,873         | 9,873         | 9,873         | 10,070        | 10,171        | 10,273        |
| Worthing Borough Council  | 14,604        | 14,604        | 14,604        | 14,896        | 15,045        | 15,195        |
| <b>Total income for services provided to the constituent councils</b> | <b>24,477</b> | <b>24,477</b> | <b>24,477</b> | <b>24,966</b> | <b>25,216</b> | <b>25,468</b> |
| <b>(Surplus) / Shortfall in Resources</b>                             | <b>-</b>      | <b>3,770</b>  | <b>4,650</b>  | <b>5,038</b>  | <b>5,650</b>  | <b>6,275</b>  |

Appendix 4

|   | 2022/23      | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29       | 2029/30       | 2030/31       | 2031/32       | 2032/33       |
|---|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Adur District Council</b>                                  | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| Base  | 9,742        | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         | 9,742         |
| Inflation   |              | 1,006         | 1,319         | 1,630         | 1,934         | 2,245         | 2,555         | 2,867         | 3,179         | 3,495         | 3,812         |
| Impact of capital programme and treasury management decisions |              | -32           | 18            | 134           | 273           | 271           | 406           | 544           | 667           | 792           | 912           |
| Net growth  |              | 156           | 460           | 619           | 740           | 900           | 1,062         | 1,212         | 1,322         | 1,472         | 1,582         |
| <b>Net expenditure funded by taxation</b>                     | <b>9,742</b> | <b>10,872</b> | <b>11,539</b> | <b>12,125</b> | <b>12,689</b> | <b>13,158</b> | <b>13,765</b> | <b>14,365</b> | <b>14,910</b> | <b>15,501</b> | <b>16,048</b> |
| <b>Income from taxation</b>                                   |              |               |               |               |               |               |               |               |               |               |               |
| Business rates  | 2,533        | 2,708         | 2,282         | 2,326         | 2,371         | 2,421         | 2,470         | 2,520         | 2,569         | 2,618         | 2,673         |
| Council Tax   | 6,793        | 7,025         | 7,220         | 7,382         | 7,547         | 7,715         | 7,887         | 8,063         | 8,243         | 8,427         | 8,615         |
| Other grants  | 416          | 138           | 79            | 79            | 79            | 79            | 79            | 79            | 79            | 79            | 79            |
| <b>Total income from taxation</b>                             | <b>9,742</b> | <b>9,871</b>  | <b>9,581</b>  | <b>9,787</b>  | <b>9,997</b>  | <b>10,215</b> | <b>10,437</b> | <b>10,662</b> | <b>10,891</b> | <b>11,124</b> | <b>11,366</b> |
| <b>Cumulative budget shortfall</b>                            | <b>0</b>     | <b>1,001</b>  | <b>1,958</b>  | <b>2,338</b>  | <b>2,692</b>  | <b>2,943</b>  | <b>3,328</b>  | <b>3,703</b>  | <b>4,019</b>  | <b>4,377</b>  | <b>4,682</b>  |
| <b>Budget strategy initiatives</b>                            |              |               |               |               |               |               |               |               |               |               |               |
| Investment in commercial property                             |              | -100          | 0             | 100           | 200           | 300           | 450           | 600           | 750           | 900           | 1,050         |
| Development of commercial income                              |              | 150           | 300           | 450           | 600           | 750           | 920           | 1,090         | 1,260         | 1,430         | 1,600         |
| Impact of digital strategy                                    |              | 80            | 160           | 240           | 320           | 400           | 480           | 560           | 640           | 720           | 800           |
| Commercial landlord initiatives                               |              | 30            | 60            | 130           | 130           | 130           | 130           | 130           | 130           | 130           | 130           |
| Other initiatives   |              | 300           | 300           | 300           | 300           | 300           | 300           | 300           | 300           | 300           | 300           |
| <b>Total savings initiatives identified</b>                   |              | <b>460</b>    | <b>820</b>    | <b>1,220</b>  | <b>1,550</b>  | <b>1,880</b>  | <b>2,280</b>  | <b>2,680</b>  | <b>3,080</b>  | <b>3,480</b>  | <b>3,880</b>  |
| Remaining savings to be identified                            |              | <b>541</b>    | <b>1,138</b>  | <b>1,118</b>  | <b>1,142</b>  | <b>1,063</b>  | <b>1,048</b>  | <b>1,023</b>  | <b>939</b>    | <b>897</b>    | <b>802</b>    |
| Savings per year to be identified                             |              | <b>541</b>    | <b>597</b>    | <b>-20</b>    | <b>24</b>     | <b>-79</b>    | <b>-15</b>    | <b>-26</b>    | <b>-84</b>    | <b>-42</b>    | <b>-96</b>    |

|   | 2022/23<br>Base | 2023/24       | 2024/25       | 2025/26       | 2026/27       | 2027/28       | 2028/29       | 2029/30       | 2030/31       | 2031/32       | 2032/33       |
|---|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Worthing Borough Council</b>             | <b>£'000</b>    | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| Base  | 13,785          | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        | 13,785        |
| Inflation                                   |                 | 1,890         | 2,393         | 2,896         | 3,389         | 3,892         | 4,396         | 4,902         | 5,410         | 5,923         | 6,439         |
| Impact of capital programme                 |                 | 193           | 228           | 526           | 741           | 786           | 1,494         | 1,808         | 1,992         | 2,192         | 2,392         |
| Net growth                                  |                 | 551           | 1,517         | 1,894         | 2,224         | 2,454         | 2,634         | 2,814         | 2,944         | 3,174         | 3,354         |
| <b>Net expenditure funded by taxation</b>   | <b>13,785</b>   | <b>16,419</b> | <b>17,923</b> | <b>19,101</b> | <b>20,139</b> | <b>20,917</b> | <b>22,309</b> | <b>23,309</b> | <b>24,131</b> | <b>25,074</b> | <b>25,970</b> |
| <b>Income from taxation</b>                 |                 |               |               |               |               |               |               |               |               |               |               |
| Business rates                              | 3,366           | 3,538         | 3,158         | 3,219         | 3,279         | 3,348         | 3,396         | 3,443         | 3,510         | 3,576         | 3,651         |
| Council Tax                                 | 9,920           | 10,197        | 10,483        | 10,736        | 10,994        | 11,259        | 11,530        | 11,808        | 12,092        | 12,383        | 12,682        |
| Other grants                                | 499             | 158           | 121           | 121           | 121           | 121           | 0             | 0             | 0             | 0             | 0             |
| <b>Total income from taxation</b>           | <b>13,785</b>   | <b>13,893</b> | <b>13,762</b> | <b>14,076</b> | <b>14,394</b> | <b>14,728</b> | <b>14,926</b> | <b>15,251</b> | <b>15,602</b> | <b>15,959</b> | <b>16,333</b> |
| <b>Cumulative budget shortfall</b>          | <b>0</b>        | <b>2,526</b>  | <b>4,161</b>  | <b>5,025</b>  | <b>5,745</b>  | <b>6,189</b>  | <b>7,384</b>  | <b>8,059</b>  | <b>8,530</b>  | <b>9,115</b>  | <b>9,637</b>  |
| <b>Budget strategy initiatives</b>          |                 |               |               |               |               |               |               |               |               |               |               |
| Investment in commercial property           |                 | -100          | 352           | 452           | 552           | 652           | 802           | 952           | 1,102         | 1,252         | 1,402         |
| Development of commercial income            |                 | 450           | 900           | 1,350         | 1,800         | 2,250         | 2,680         | 3,110         | 3,540         | 3,970         | 4,400         |
| Impact of digital strategy                  |                 | 120           | 240           | 360           | 480           | 600           | 600           | 600           | 600           | 600           | 600           |
| Commercial landlord initiatives             |                 | 105           | 210           | 315           | 505           | 695           | 695           | 695           | 695           | 695           | 695           |
| <b>Total savings initiatives identified</b> |                 | <b>575</b>    | <b>1,702</b>  | <b>2,477</b>  | <b>3,337</b>  | <b>4,197</b>  | <b>4,777</b>  | <b>5,357</b>  | <b>5,937</b>  | <b>6,517</b>  | <b>7,097</b>  |
| Remaining savings to be identified          |                 | <b>1,951</b>  | <b>2,459</b>  | <b>2,548</b>  | <b>2,408</b>  | <b>1,992</b>  | <b>2,607</b>  | <b>2,702</b>  | <b>2,593</b>  | <b>2,598</b>  | <b>2,540</b>  |
| Savings per year to be identified           |                 | <b>1,951</b>  | <b>508</b>    | <b>89</b>     | <b>-140</b>   | <b>-416</b>   | <b>615</b>    | <b>95</b>     | <b>-109</b>   | <b>6</b>      | <b>-58</b>    |

|   | 2022/23      | 2023/24      | 2024/25      | 2025/26      | 2026/27      | 2027/28       | 2028/29       | 2029/30       | 2030/31       | 2031/32       |
|---|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| <b>Overall</b>                                | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  | <b>£'000</b>  |
| <b>Overall budget shortfall</b>               |              |              |              |              |              |               |               |               |               |               |
| Adur  | 1,001        | 1,958        | 2,338        | 2,692        | 2,943        | 3,328         | 3,703         | 4,019         | 4,377         | 4,682         |
| Worthing                                      | 2,526        | 4,161        | 5,025        | 5,745        | 6,189        | 7,384         | 8,059         | 8,530         | 9,115         | 9,637         |
| <b>Total</b>                                  | <b>3,527</b> | <b>6,119</b> | <b>7,363</b> | <b>8,437</b> | <b>9,132</b> | <b>10,712</b> | <b>11,761</b> | <b>12,548</b> | <b>13,492</b> | <b>14,319</b> |
| <b>Budget strategy initiatives</b>            |              |              |              |              |              |               |               |               |               |               |
| Investment in commercial property             | -200         | 352          | 552          | 752          | 952          | 1,252         | 1,552         | 1,852         | 2,152         | 2,452         |
| Development of commercial income              | 600          | 1,200        | 1,800        | 2,400        | 3,000        | 3,600         | 4,200         | 4,800         | 5,400         | 6,000         |
| Impact of digital strategy                    | 200          | 400          | 600          | 800          | 1,000        | 1,080         | 1,160         | 1,240         | 1,320         | 1,400         |
| Other initiatives in place                    | 135          | 270          | 445          | 635          | 825          | 825           | 825           | 825           | 825           | 825           |
| <b>Total budget strategy initiatives</b>      | <b>735</b>   | <b>2,222</b> | <b>3,397</b> | <b>4,587</b> | <b>5,777</b> | <b>6,757</b>  | <b>7,737</b>  | <b>8,717</b>  | <b>9,697</b>  | <b>10,677</b> |
| Remaining cumulative savings to be identified | <b>2,792</b> | <b>3,897</b> | <b>3,966</b> | <b>3,850</b> | <b>3,355</b> | <b>3,955</b>  | <b>4,024</b>  | <b>3,831</b>  | <b>3,795</b>  | <b>3,642</b>  |
| Annual savings still to be identified         | <b>2,792</b> | <b>1,105</b> | <b>69</b>    | <b>-116</b>  | <b>-495</b>  | <b>600</b>    | <b>69</b>     | <b>-193</b>   | <b>-36</b>    | <b>-154</b>   |