

ADUR & WORTHING
COUNCILS

Joint Strategic Sub Committee Worthing
6 September 2022

Joint Strategic Sub Committee Adur
8 September 2022

Key Decision [Yes/No]
Ward(s) Affected:All

1st Quarter Revenue Monitoring Report 2022/23

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

1.1. This report updates the Joint Strategic Sub Committees for Adur District and Worthing Borough Councils with the latest expenditure and income projections for each Council for the current financial year 2022/23, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 30th June 2022, the forecast outturn position will reflect the latest information available to ensure an up-to-date forecast is presented.

As at quarter 1, the current projection for the 2022/23 financial year General Fund outturn are net overspends after reserve transfers of £239k in Adur and £2.345m in Worthing. A breakdown is set out in section 4.4 of the report.

1.2. The following appendices have been attached to this report:

- (i) **Appendix 1** (a) Adur Summary
(b) Adur Use of Earmarked Reserves
- (ii) **Appendix 2** (a) Worthing Summary
(b) Worthing Use of Earmarked Reserves
- (iii) **Appendix 3** (a) HRA Summary
(b) HRA Briefing note
- (iv) **Appendix 4** Table of Variations over £20,000

2. Recommendations

- 2.1. The Joint Strategic Sub Committee for Worthing Borough Council is asked to note the report and projected outturn position for the Joint Committee and Worthing Borough Council against the approved revenue budgets and proposed use of reserves (Appendix 2b).
- 2.2. The Joint Strategic Sub Committee for Adur District Council is asked to note the report and projected outturn position for the Joint Committee and Adur District Council against the approved revenue budgets and proposed use of reserves (Appendix 1b).

3.0 Context

- 3.1 The Joint Strategic Committee last considered the 5-year forecast for 2022/23 to 2026/27 on 5th July 2022.
- 3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on previous strategies whose aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.
- 3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4.0 Issues for consideration - Revenue 2022/2023 Forecast

- 4.1 As part of the 2022/23 budget the Councils committed to savings of £0.168m for Adur District Council and £1.136m for Worthing Borough Council to produce a balanced budget and to address the reduction in Government support. Services were required to carry out efficiency, procurement and base budget reviews to identify where income could be increased or expenditure reduced.

4.2 However, the financial landscape has changed due to the impact of rising inflation and interest rates visible in additional cost pressures falling on the Council over the last 4 months. Additional pressure will also be created by the proposed national pay award which is higher than assumed and built into the 2022/23 budget.

4.3 It is very early in the financial cycle and difficult to have certainty on the estimates and assumptions, the preliminary projections indicate forecast year end overspends against budgets of £239k in Adur and £2.345m in Worthing. This includes meeting the challenges of the impact of the inflationary cost pressures, reduced levels of income together with the significant savings requirements to balance the 2022/23 budget. The main factors influencing the level of spend are discussed in detail in section 4.11 of the report.

4.4 The current year-end forecasts are comprised of a number of elements as set out in the table below:

2022/23 Forecast Outturn	Adur	Worthing
	£000	£000
Over/(under)spend in operational services – including share from Joint	781	2,557
Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2020/21, due to reprofiling of the capital programme.	(584)	(308)
Commercial property income shortfall and cost pressure (excluding business rates)	509	375
Property void allowance	(650)	(450)
Proposed pay award	392	606
Net over/(under) spend before Transfer to/(from) Reserves	448	2,781
Transfer to/(from) reserves	(209)	(436)
Forecast net over/(under) spend	239	2,345

4.5 The key factors underpinning the current financial position include:

- The financial impact of rising inflation and interest rates.
- A net underspend in the Minimum Revenue Provision (MRP) and interest budgets. The budgets are calculated on both the historic

financing of previous years capital programmes and the impact of financing the current year's capital spend. Changes to the expected spend, interest rate forecasts, and the associated level of borrowing have reduced the expected cost in 2022/23.

- Shortfall in commercial property income with the requirement to use the property void allowance to manage the pressure.

Once the above items are taken into account, the operational position is a net overspend by services of £781k in Adur and £2.557m in Worthing. This projection demonstrates the pressure on the Councils finances as a result of an increase in inflation, increased homelessness caseloads and income levels in some areas still below pre pandemic levels.

4.6 In summary the overall revenue outturn projections reported for Q1 are as follows:

Projected Outturn Summary			
	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2022/23	25,790	9,742	13,785
Forecast Outturn	28,130	10,190	16,565
Projected Forecast over/ (underspend) before Government support packages or any transfer to reserves	2,340	448	2,781
Reserves Funding		(209)	(436)
Projected Forecast over/ (underspend) after Government funding and proposed transfer to reserves	2,340	239	2,345
Projected over/(underspend) percentage	9.07%	2.45%	17.01%

The Adur and Worthing projected forecasts in the table above include the respective share of the estimated Joint Services overspend.

4.7 In the table below, projections have been separated between authority and by Income and Expenditure, to indicate the level of overall

under/overspend of costs and the over/under achievement of income targets.

	Expenditure	Income	Net Total
Joint	£'000	£'000	£'000
Budget	31,489	(6,590)	24,899
Forecast (after transfer to reserves)	33,560	(6,321)	27,239
Projected Forecast (Under)/ Overspend	2,071	269	2,340
Forecast variance % before Government funding	6.58%	-4.08%	9.40%
Adur	£'000	£'000	£'000
Budget	35,693	(26,754)	8,940
Forecast (after transfer to reserves)	35,289	(26,837)	8,452
Authority Projected Forecast (Under)/ Overspend	(405)	(84)	(488)
Share of Joint (Under) / Overspend	829	108	936
Authority Projected Forecast (Under) / Overspend	424	24	448
Forecast variance % before Government funding	1.19%	-0.09%	5.01%
Worthing	£'000	£'000	£'000
Budget	67,673	(51,494)	16,179
Forecast (after transfer to reserves)	69,489	(51,934)	17,555
Authority Projected Forecast (Under)/Overspend	1,816	(439)	1,376
Share of Joint (Under) / Overspend	1,243	161	1,404
Authority Projected Forecast (Under)/ Overspend	3,059	(278)	2,781
Forecast variance % before Government funding	4.52%	0.54%	17.19%

4.8 The Joint Strategic Committee (JSC) sub committees for Adur District Council and Worthing Borough Council are asked to consider:-

- the current projections of variances in the two Councils' General Fund Revenue Budgets:
- the current projections of variances in the Adur Housing Revenue Account; and
- any amendments and virements to budgets for each Council which may require a recommendation onto Council for approval;

4.9 We adopt a more structured approach to services which have more volatile budgets or hard to predict income streams. For 2022/23, these services are:-

- Car Parking
- Crematorium
- Development Management
- Homelessness
- Commercial Waste
- Cross cutting services including maintenance and utilities

4.10 Most of these services are subject to closer monitoring because they meet one or more of the following criteria:-

- Demand led
- Income based
- Specialist
- Significant changes to the service are being made in the near future.

4.11 Headline budget variations across both the Councils' and the Joint account

4.11.1 Car Parks

Worthing car park income continues to be one of the main income streams that is most impacted by the pandemic's longer term effect of changing behaviour by customers.

One of the main reasons for this is that previous town centre workers are choosing to work remotely some or part of the time reducing the levels of town centre worker deal income and season tickets.

Understanding that this decline was likely to continue an additional £55,000 reduction was built into the 22/23 budget following the £359,000 reduction in 21/22 that had already been built in.

Buckingham Road is currently closed for refurbishment and will not open till November and there are many bays closed at Liverpool gardens while works are completed on the former mobility shop section. Whilst some of these drivers will be displaced to other council owned car parks (particularly High Street and Grafton) the closures will have some impact on income.

However, there are 150 12-month season tickets being purchased across Worthing car parks in July and the council are working with the NHS Trust on leasing the smaller part of Lyndhurst Road car park which will assist with income. Despite these measures income is still predicted to be below the budget set by £141,000.

There are no current pressures identified for the Adur Parking budget.

4.11.2 Housing Needs

There continue to be cost pressures associated with homelessness with estimates of net costs exceeding the budget.

In Adur the average caseload in quarter 1 was 79 and it is expected that this will increase by 2 cases per month for the remainder of 2022/23 due to the shortages of affordable properties in the private sector creating difficulties with available move on accommodation.

Worthing is also seeing an increase in demand. The average caseload for quarter 1 was 256 and although there has since been a small decrease the assumptions built into the forecast include an increase in caseload of 5 per month for August and September and 3 cases per month for the remainder of the year.

The increase in the demand within both Adur and Worthing has led to an increase in the average nightly cost for temporary accommodation, with the need to use hotel chains. Cost pressures have been compounded further with some bed and breakfast providers increasing their prices to meet growing inflationary costs pressures.

The current forecast is as follows:

Housing Needs Variances

	Adur £000	Worthing £000
Homelessness - Emergency and temporary accommodation costs - budget pressure/(underspend)	322	1,460
Local Housing Allowance Income - budget shortfall/(excess)	(143)	(863)
Additional DLUHC Domestic Abuse Accommodation Grant	(33)	(33)
Net over/(under)spend forecast against budget	<u>146</u>	<u>564</u>

4.11.3 Environment - Waste and Cleansing

The Waste and Cleansing services have significant cost pressures largely following the recent pay dispute by its employees. The agreed pay deal and subsequent knock on impact to the service whilst the dispute continued during April, has contributed towards an estimated overspend in the joint service of £870,000. This will impact on Adur and Worthing by £348,000 and £522,000 respectively.

The dispute has also meant that as well as pay increases, income is lower than expected due to refunds being issued as a result of missed collections during the period (£99,000) along with other cost pressures that the service has had to meet including payments to waste contractors to meet our statutory obligation regarding environmental health safety plus the cost of extended opening of the West Sussex County Council refuse and recycling sites.

In addition to the impact of the pay dispute, there are inflationary pressures in fuel costs and on the maintenance budgets as the fleet gets older.

Food waste customer accounts continue to increase, despite a difficult trading year so far. Industrial action meant that no active promotional work took place as resources were re-prioritised. The focus is now on gaining food waste customers in Adur to get our total account base to 65. An account base of 65 will save the Councils around £15k per year as food waste is diverted from general waste to the service.

4.11.4 Environment - Bereavement Services

Adur cemeteries is forecasting a shortfall in income of £57,000. This is due to a predicted drop in the demand that follows three years of higher than expected excess deaths. There is also a small overspend expected on expenditure budgets of £3,000 which includes survey costs for Lancing and Sompting associated with the extension and consecrated areas, plant hire and health and safety requirements.

Worthing cemetery income is expecting a shortfall in income of £40,000. As in Adur this is due to a predicted drop in the demand that follows three years of higher than expected excess deaths but also includes a shortfall in rental income from Durrington Lodge which is currently unoccupied requiring work. In addition there are expected to be overspends against expenditure budgets of £54,000 associated with security costs and the installation of the mausoleum.

The crematorium is also forecasting a shortfall against the income budgets of £309,000 as set out in the table below. The memorial Garden income is dependent on delivering the new garden which is not estimated to be complete until January 2023.

Cremations	£268,000
Memorial Garden	£77,000
Memorials	£41,000
Cameo Reimbursement	£3,000
Donations	(£13,000)
Tribute Income	(£67,000)
Total	<u>£309,000</u>

There are some small offsetting savings to offset this within expenditure budgets. Overall the Bereavement Services budget in Worthing is predicting a shortfall against a budget of £400,000.

4.11.5 Planning & Development

Adur Planning and Development is currently anticipated to have an overall shortfall in income against budget of £79,000 for 2022/23 with the breakdown in service as follows:

Building Control	£66,000
Land charges	£13,000
Total	£79,000

Expectation is that, although the pandemic is no longer a significant factor the economy, inflationary price increases are expected to suppress growth and therefore fee income. Expenditure is expected to be on budget.

In Worthing the projected outturn is an overall overspend of £66,000 within Planning and Development. There is £43,000 in reserves to help fund some of the costs within this forecast. A breakdown of the variation in the service budget is provided below:

	Expenditure	Income	Reserve Funding
Building Control	(£1,000)	(£5,000)	
Development Control	£42,000	(£12,000)	(£5,000)
Planning Policy	£38,000		(£38,000)
Land Charges	(£7,000)	£11,000	
Total	£72,000	(£6,000)	(£43,000)

Within Development Control the costs include those associated with the Goring Gap appeal with the reimbursement built into the income figure. The expenditure within Planning Policy relates to unbudgeted inspectorate costs which are to be met from reserves.

4.11.6 Parks and Foreshore

Within Adur the Parks and Foreshore service are projecting an underspend against the budget of £43,000, a combination of anticipated savings in spend and additional income from beach huts, allotments and cafe rental.

The position is the same in Worthing with a net underspent projected of £91,000, the largest part of this being expected savings against supplies and services budgets within the Parks service of £67,000.

In addition there is forecast to be a savings within the Joint service budgets of £28,000 that are not included within the above outturn projections.

4.11.7 Place and Economy

In Adur the service is expecting an overall underspend against a budget of £25,000. Savings against expenditure budgets offset a small shortfall in income.

Worthing is forecasting a small shortfall of £16,000 against budget with savings in expenditure budgets offsetting the shortfall in concession income. The budget included income expected from the Worthing Observation Wheel which did not return to the seafront for the summer of 2022. The net shortfall will be met from Place reserve funding.

4.11.8 Major Projects and Investment

Adur Investment property budgets are anticipated to meet the net budget, however this includes use of an estimated £510,000 of the in year void allowance of £650,000. On this basis there will be circa £140k available for transfer to the Property Risk Reserve at the end of the year. There are some voids in the portfolio, the largest being One York Road (ground floor unit). Across both Strategic Property Investment Funds, the occupancy level is at 97.5% which is extremely healthy

Within the Worthing investment property and core estate portfolio the forecast is that the void allowance of £450,000 will be fully utilised in 2022/23, with no available transfer to reserves predicted. This is due to a combination of void periods and the re-letting of some properties with agreed rent free periods. These rent free periods are normal commercial practice and allow us to capture a greater rent in the future whilst the occupier pays business rates and all other outgoings during that period. Use of the void allowance includes the associated cost of business rates that are the responsibility of the council during periods whilst properties are vacant.

Included within both council budgets are assumptions that there will be some modest growth in the commercial property income for 2021/22 Adur £101k and Worthing £186.5k, any shortfall in this target is met from the in year property void allowance.

4.11.9 External Borrowing Costs, Investments and Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory charge to the revenue budget to provide for the repayment of debt. The calculation is based on the level of historic capital spend that has been financed from borrowing. Consequently, once the accounts have been closed and the calculation has been updated for the capital spend in 2021/22, there is certainty about the charge for the forthcoming year.

Both Councils have underspends on their MRP budgets (Worthing £308k and Adur £469k) due to reprofiling to 2022/23 of a proportion of the 2021/22 Capital Programme and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow.

Adur interest receivable from treasury investments is forecast to be above budget by £115k due to the higher than forecast base rates available in the market.

Overall there are forecast net underspends of £584k for Adur and £308k for Worthing.

Treasury Management (Under) / Overspends	Adur (General Fund)	Worthing
Minimum Revenue Provision	£000 (469)	£000 (308)
Interest from Investment Income	(115)	0
Total	(584)	(308)

4.11.10 Pay Award

The current pay award offer is a £1,925 increase to each spinal column point. The union's members are being balloted on this offer with results not due back until September / October. The estimated impact to Adur and Worthing Councils pay bill is £998,000 (Adur £392,000, Worthing £606,000).

4.11 Budget variations greater than £20,000

The Council's individual Summary Projected Outturns are reported in Appendix 1a for Adur District Council and Appendix 2a for Worthing Borough Council. The variations greater than £20,000, for this report, are detailed in Appendix 4.

There are some expenditure items that are not identified until the year end that will impact on the final outturn. These items can have a positive or negative impact on the final position.

They include:-

- Movement in the estimate for doubtful debts
- A review of any amounts needed to be set aside for liabilities that are likely to occur in the future
- Changes in allocations of staff time to outside the General Fund

4.12 Cross Cutting Budgets

The following categories of expenditure are analysed across various services. It is anticipated that this will be on target:

- Equipment, furniture and materials
- Postage
- Printing stationery and office supplies
- Consultancy costs
- Travel costs

Utilities

The contract for energy is currently being relet. Preliminary information from the energy purchasing group used by the Council is that the prices are expected to increase substantially by an average of 202% for electricity and 694% for gas over the next two years. The cost impact in the current year is as follows:

Adur	£215,000
Worthing	£670,000
Joint	£238,000

Maintenance

Currently maintenance budgets are expected to be underspent in both Adur £79,000 and Worthing £115,000 for 2022/23. This is based on the level of reactive works to date, however it is early in the year and expenditure in this budget can be difficult to predict. In addition inflationary costs pressures are being felt and it is anticipated that this will continue, the budgets will continue to be monitored and updated as we progress through the year. There is an expected overspend anticipated within the Joint service of £42,000.

4.13 Future Risks

4.13.1 *Inflation*

Inflation is currently the biggest risk on Council finances with the pressure on rising costs across all budget areas, particularly in utilities, fuel, supplies, salaries and construction costs. The forecast outturn positions will be reviewed during the year and adjusted to reflect the changes in actual experience and economic forecasts.

4.13.2 *Demand for housing*

Any increase in demand on Housing services through homelessness caseloads will cause additional cost pressures on the councils finances. With demand levels in excess of the availability of cheaper supply in the form of Council owned accommodation or private leasing, the costs will escalate further as the service is forced to utilise more expensive hotels.

4.13.3 *Financial sustainability*

The level of earmarked reserves will reduce if they are required to meet the overspends currently forecast for the year.

This is a particular issue for Worthing where the level of available reserves will be reduced significantly (excluding the Business Rates Smoothing Reserve, the Tax Guarantee Reserve and Grants and Contributions). The predicted level of reserves undermines the Councils financial stability and potentially puts Worthing Council in an unsustainable financial position, as set out in the table below:

Worthing Borough Council Available Reserves	Balance at 1.4.22	Projected Transfer In/(Out)	Remaining balance
---------------------------------------------	-------------------	-----------------------------	-------------------

		2021/22	
	£	£	£
Capacity Issues Reserve	1,306,206	(874,036)	432,170
General Fund Working Balance	1,347,348		1,347,348
Property Risk Reserve	450,000		450,000
Building Maintenance Reserve	326,259		326,259
Insurance Reserve	252,394	(4,550)	247,844
Museum Reserve	106,396	(20,000)	86,396
Leisure Lottery & Other	27,766		27,766
Projected overspend 2021/22		(2,345,000)	(2,345,000)
Total	3,816,369	(3,243,586)	572,783

Adur has been in a position to increase the level of available reserves over the last couple of years which puts the Council in a better position to meet the current level of forecast overspend. However, any overspend in the Housing Revenue Account in excess of the HRA available reserve balance will need to be funded from General Fund Reserves, currently this is estimated to be £196,000.

The current commitment on all the General Fund earmarked reserves for both Adur and Worthing are set out in appendix 1b and 2b.

4.14 Housing Revenue Account

4.14.1 The Adur Housing Revenue Account is a ring fenced account. The HRA forecast is shown in Appendix 3.

4.14.2 The HRA is forecast to overspend against the budget for 2022/23 by £678,000. A detailed analysis of the HRA position is included at Appendix 4. The most significant pressures are due to:

- Void properties (including losses in associated service charges) - £326,000
- Void garages - £104,000
- Impact of inflation on salary budgets - £110,000
- Non achievement of vacancy provision - £138,000

By the end of 2022/23, the HRA will have used all of its reserves unless corrective action is taken in-year to mitigate these cost pressures.

4.15 Corrective action:

4.15.1 To mitigate the impact of the identified cost pressures, the council is:

1. Holding any emerging underspend in the current year 2022/23 to manage in-year pressures.
2. Reviewing all major projects and capital projects to put these 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.
3. 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.
4. Seeking to implement savings needed to balance the budget in 2023/24 early to also support the budget in 2022/23.

Engagement and Communication

5.1 The Corporate Leadership Team and budget managers have all collaborated in the content of this report providing explanation and narrative on the forecast variances.

Financial Implications

6.1 At this early stage at the end of the first quarter of the revenue budgetary cycle, we can already see the financial impact of the increase in inflation on the Councils. Currently, operational overspends are anticipated in Adur District Council of £781k, and in Worthing Borough Council of £2.557m, included within these projections is a forecast overspend within the Joint Committee of £2.34m. As set out in section 4.15 corrective actions are being taken to reduce the cost pressures and budgets will continue to be monitored closely.

Overall the projected outturn positions net of treasury savings, the performance in the strategic property portfolio and reserve transfers is an overspend in Adur of £239k and an overspend in Worthing of £2.345m.

Legal Implications

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

Background Papers

Joint Overall Budget Estimates 2022/23

<https://democracy.adur-worthing.gov.uk/documents/g1623/Public%20reports%20pack%2008th-Feb-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

Adur District Council Budget Estimates 2022/23 and Setting of the 2022/23 Council Tax

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

Worthing Overall Budget Estimates 2022/23 and Setting of 2022/23 Council Tax

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

Financial Performance 2021/22 - Revenue Outturn

<https://democracy.adur-worthing.gov.uk/documents/g1714/Public%20reports%20pack%2005th-Jul-2022%2018.30%20Joint%20Strategic%20Committee.pdf?T=10>

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Sustainability & Risk Assessment

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

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

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

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

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


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

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

SUMMARY - 1ST QUARTER PROJECTED OUTTURN 2022/23

APPENDIX 1a


Actual Previous year 2021/22	ADUR EXECUTIVE MEMBER PORTFOLIOS	Original Estimate 2022/23	Current Estimate 2022/23	Projected Outturn to 31st March 2023	Forecast Over/ (Under)
3,305,819	CM for Environment & Leisure	3,093,620	3,093,620	3,444,620	351,000
1,368,016	CM for Communities & Wellbeing	1,355,950	1,355,950	1,493,090	137,140
1,605,369	CM for Adur Homes & Customer Services	1,556,680	1,556,680	1,595,100	38,420
668,467	Leader	699,440	699,440	546,840	(152,600)
1,730,959	CM for Regeneration & Strategic Planning	1,748,130	1,748,130	1,680,730	(67,400)
96,312	CM for Finance & Resources	95,920	95,920	706,320	610,400
0	Holding Accounts	382,170	382,170	382,170	0
8,774,942	Total Cabinet Member	8,931,910	8,931,910	9,848,870	916,960
(1,465,168)	Credit Back Depreciation	(1,534,510)	(1,534,510)	(1,534,510)	0
2,314,250	Minimum Revenue Provision	2,344,950	2,344,950	1,875,950	(469,000)
1,793,626	Non ring fenced grants	0	0	0	0
11,417,650		9,742,350	9,742,350	10,190,310	447,960
0	Government Grant funding	0	0	0	0
	Transfer to/from reserves				
0	Contribution to/(from reserves)	0	0	0	0
	Budgeted contribution to/(from) Reserves	0	0	0	-
(2,019,787)	Transfer from reserves to fund specific expenditure (inc carry forwards)	0	0	(209,000)	(209,000)
	General Fund Working balance	0	0	0	0
183,437	Net Underspend/(Overspend)	0	0	(238,960)	(238,960)
	Recommended For Transfer To/(From) Reserves				
9,581,300	Total Budget requirement before External Support from Government	9,742,350	9,742,350	9,742,350	-

 ADUR DISTRICT COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2022/23	Estimated Transfers Out 2022/23	Estimated Transfers In 2022/23	Projected Closing Balance 2022/23
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets New Salts Farm Lancing (JSC/047/20-21 8 September 2020) Platinum Jubilee (JSC/87/21-22 8 Feb 2022) Shoreham Centre decarbonisation funding if required (JSC/34/21-22 7 Sept 2021) Funding of cost pressures on the Waste service (07/06/2022 JSC) Business Development Fund Adur carry forwards from 2021/22 underspends Budgeted contribution (to)/from revenue Balance	831,053	(36,000) (20,000) (118,000) (209,020) (102,743)		345,290
Insurance Fund	152,699	(60,250)	30,700	123,149
Business Rates Smoothing Reserve	1,765,540	(366,408)		1,399,132
Local Tax Income Guarantee	118,666	(59,000)		59,666
Grants and Contributions held in Reserves	1,203,102	TBC	TBC	1,203,102
Property Investment Risk Reserve	375,674	TBC	TBC	375,674
Projected Underspend/(Overspend) (Reserve to be identified at outturn)		(239,000)		(239,000)
General Fund Reserve	1,051,497	-	-	1,051,497
TOTALS	5,498,231	(1,210,421)	30,700	4,318,510

SUMMARY - 1ST QUARTER PROJECTED OUTTURN 2022/23

APPENDIX 2a

Actual Previous year 2021/22	WORTHING CABINET MEMBER PORTFOLIOS	Original Estimate 2022/23	Current Estimate 2022/23	Projected Outturn to 31st March 2023	Forecast Over/ (Under)
4,084,007	CM for Environment	3,253,680	3,253,680	4,081,280	827,600
2,004,253	CM for Community Wellbeing	1,080,300	1,080,300	1,239,860	159,560
6,519,553	CM for Citizen Services	3,211,100	3,211,100	3,666,580	455,480
	CM for Climate Emergency	124,450	124,450	937,250	812,800
	CM for Culture & Leisure	4,371,610	4,371,610	4,455,610	84,000
1,034,267	Leader	793,830	793,830	798,430	4,600
4,029,622	CM for Regeneration	2,200,240	2,200,240	2,486,640	286,400
369,594	CM for Resources	95,650	95,650	553,850	458,200
	Holding Accounts	732,220	732,220	732,220	0
18,041,296	Total Cabinet Member	15,863,080	15,863,080	18,951,720	3,088,640
(3,981,831)	Credit Back Depreciation	(4,160,610)	(4,160,610)	(4,160,610)	0
1,535,975	Minimum Revenue Provision	1,995,930	1,995,930	1,687,930	(308,000)
3,331,839	Non ring fenced grants	0	0	0	0
18,927,279		13,698,400	13,698,400	16,479,040	2,780,640
0	Government Grant funding	0	0	0	0
	Transfer to/from reserves				
0	Contribution to/(from reserves)	86,250	86,250	86,250	0
	Budgeted contribution to/(from) Reserves	-	-	-	-
(4,283,473)	Transfer from reserves to fund specific expenditure (inc carry forwards)	0	0	(436,000)	(436,000)
	General Fund Working balance	0	0	0	0
(196,026)	Net Underspend/(Overspend)	0	0	(2,344,640)	(2,344,640)
	Recommended For Transfer To/(From) Reserves				
14,447,780	Total Budget requirement before External Support from Government	13,784,650	13,784,650	13,784,650	-

 WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS	Opening Balance 2022/23	Estimated Transfers Out 2022/23	Estimated Transfers In 2022/23	Projected Balance 2022/23
	£	£	£	£
Capacity Issues Reserve including approved Carry Forward budgets	1,306,206			
Development of Natural Burial Area (5 March 2019 JSC/105/18-19)		(100,000)		
Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21)		(38,375)		
Hardship Fund contribution (11/01/2022 JSC/77/21-22)		(100,000)		
Platinum Jubilee (08/02/2022 JSC/87/21-22)		(28,500)		
Funding of cost pressures on the Waste service (07/06/2022 JSC)		(371,590)		
Resourcing of community engagement, inclusion and participation activities (JSS-C(W)/4/22-23 5 July 2022)		(76,500)		
Business Development Fund		(159,071)		
Worthing carry forwards from 2021/22 underspends		-		
Budgeted contribution (to)/from revenue			-	
Balance				432,170
Insurance Reserve	252,394	(35,250)	30,700	247,844
Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre	27,766	0		27,766
Museum reserve	106,396	(20,000)		86,396
Business Rates Smoothing Reserve	3,307,389	(3,152,964)		154,425
Local Tax Income Guarantee	301,949	(37,000)		264,949
Property Investment Risk Reserve	450,000	TBC		450,000
Building Maintenance Reserve	326,259	TBC		326,259
Grants & Contributions	1,066,798	TBC	TBC	1,066,798
Projected Underspend/ (Overspend) (Reserve to be identified at outturn).		(2,345,000)		(2,345,000)
General Fund Working Balance	1,347,348			1,347,348
TOTAL	8,492,505	(6,464,250)	30,700	2,058,955

HOUSING REVENUE ACCOUNT SUMMARY

Appendix 3a

	ORIGINAL BUDGET	FORECAST ACTUAL	VARIANCE
	£	£	£
EXPENDITURE			
General Management	4,075,920	4,223,898	147,978
Special Services	748,080	765,843	17,763
Rent, Rates, Taxes & Other Charges	61,100	86,892	25,792
Repairs & Maintenance	3,008,370	2,973,939	(34,431)
Bad/Doubtful Debt	50,000	50,000	0
Capital Financing Costs			
Depreciation and Revenue Contribution to Capital	4,421,760	4,421,760	0
Interest charges	2,262,200	2,230,495	(31,705)
TOTAL EXPENDITURE	14,627,430	14,752,827	125,397
INCOME			
Dwelling Rents	(12,750,170)	(12,464,170)	286,000
Non-Dwelling Rents	(550,480)	(446,480)	104,000
Heating and Other Service Charges	(623,110)	(498,507)	124,603
Leaseholder's Service Charges	(265,940)	(225,940)	40,000
Interest Received	(28,000)	(30,000)	(2,000)
TOTAL INCOME	(14,217,700)	(13,665,097)	552,603
NET (SURPLUS)/DEFICIT -TFR (TO)/FROM HRA GENERAL RESERVE	409,730	1,087,730	678,000

HRA Briefing Note - Financial Issues 2022/23

1.0 Budget Context

The HRA budget for 2022/23 was set at a deficit of £409,730, i.e. with the assumption £409k would be drawn from reserves in order to balance the budget.

This £409k net budget for 2022/23 is based on the following key assumptions:

1.1 Income

- Rental Income increased by the maximum allowable of CPI + 1% (4.1%).
- Dwelling void loss budget of 30 properties (1.2% of total stock) vacant for the full year, in addition to the Ashcroft flats.
- Garage void loss budget of 230 units (21% of total stock) vacant for the full year, to allow for Small Sites developments.
- New service charges would be raised for communal area EICR Electrical Inspections (£42k) and Asbestos Inspections (£39k).

1.2 Repairs

- Over £200k was added to the budget for planned maintenance and compliance requirements. EICR Electrical Inspections (£75k), Asbestos Inspections (£112k), Energy Performance Certificates (£50k), Fire Door Inspections (£30k).

1.3 Staffing Costs

- A pay award of 2% (£55k)
- A vacancy provision of 5% (£138k)

2.0 Current Pressures

2.1 Income

- HRA dwelling voids numbered 72 (2.8% of total stock), excluding Ashcroft on 25/07/22. There are also 5 PSL voids which affect the General Fund TA stock and are expensive to hold void as lease payments to the freeholder still need to be made even though the property is not in use as accommodation.
- Garage voids numbered 344 on 25/07/22 (32% of total stock).
- The new Service charges have not been raised for Electrical and Asbestos inspections as the contract tenders have been delayed.

2.2 Repairs

- The planned compliance areas are broadly on budget, with the Electrical and Asbestos budgets expected to under spend and therefore offset the service charge income loss.
- There is no significant variance forecast for the Repairs service at present, but there is still some risk around this area, particularly as a consequence of the volume of void repairs that need to be undertaken.

2.3 Staffing Costs

- A pay award for 2022/23, although not yet agreed, has been proposed at a flat rate of £1,925 per head. This is likely to equate to an average increase of approx. 6% which would exceed the budgeted pay award by £110k.
- The vacancy provision of 5% is unlikely to be achieved under these circumstances.

3.0 Current Year Potential Variances

The table below provides a summary of and indicative figures for the comparisons detailed above.

Service Area	Budget Assumption	Latest Estimate	Budget Effect
Rental Income	CPI + 1% (4.1%)	CPI + 1% (4.1%)	n/a
Dwelling Voids	30 voids per year (1.2% of total stock) Avg loss of £3,000/wk	Current voids at end July = 72 (excluding Ashcroft and Inner Rooms) (2.8% of total stock) Avg loss of £8,500/wk	£ 286,000
Garage Voids	230 voids per year Avg loss of £2,500/wk	Current voids at end July = 344 Avg loss of £4,500/wk	£ 104,000
Service Charges	Inflationary increase of 2% to match expected contract inflation.	Contracts are generally fixed and have therefore not yet been affected by recent inflation rises. However, void loss has a proportionate effect on service charge income.	£ 40,000
Staffing Costs	Pay award of 2% = £55k	Potential flat rate increase of £1,925 per head. Likely to equate to an average of 6% = £165k	£ 110,000
Staffing Costs	Vacancy provision of 5%	This is unlikely to now be achieved since the Senior roles which were creating large under spends last year have now been filled.	£ 138,000
POTENTIAL OVER SPEND			£ 678,000
DEFICIT BUDGET			£ 409,730
POTENTIAL IMPACT ON RESERVES			£ 1,087,730

4.0 Reserve Balances

- The HRA general and earmarked reserves have been drawn upon in recent years in order to maintain service levels when the government's rent reduction policy required a 1% per annum reduction between 2016/17 and 2019/20. Since the 2020/21 budget, rents can be increased by a maximum of CPI + 1% but this has not yet been enough to counter cost pressures and bring us back to a balanced budget position.
- This rent policy and ongoing cost pressures have reduced the level of reserves significantly over the last six years. The table below sets out the reserve balances as at 1st April 2022. Aside from the General Reserve, the other earmarked reserves have been committed but not yet fully spent.
- Even if some of this committed spend were suspended and deferred, the latest balance of £891k would not be sufficient to meet the potential requirement from reserves as per the above table at 3.0.

HRA Reserves	Opening Balance 22/23	Spend to date	Latest Balance
General Reserve	£ 544,948		£ 544,948
Discretionary Assistance Fund [committed to Ashcroft Home Loss payments)	£ 115,627	£ 99,400	£ 16,227
New Development Reserve [committed to Southwick development]	£ 352,100	£ 70,000	£ 282,100
Business Improvement Reserve [committed to HRA specialist HR support]	£ 91,664	£ 43,600	£ 48,064
	£ 1,104,339	£ 213,000	£ 891,339

5.0 Future Budget Opportunities and Pressures

- Rental income has the potential to provide some additional space in the budget as CPI is currently running so high (9.4% for Jun22). An increase of 10.4% would provide an extra £1.2m, some of which is likely to be needed to increase the void loss budget as we are unlikely to reduce to a stable level of 30 properties by April 2023. Circa £900k is more realistic.
- A further compliance-related need of £35k for Energy Performance Certificates has already been identified as a pressure.
- The Small Sites development appraisal work, although capital cost at present, will continue to create revenue pressures as:
 - a) The appraisal costs relating to sites which will not be taken forward for development must be charged to revenue budgets. We already know that this will be the case for the Downsway and Shadwells Road sites. The abortive costs are yet to be confirmed.
 - b) The income loss as a result of ending rental agreements. The ability to transfer affected residents to another garage is hampered by the poor general condition of the stock which was already creating void rent loss pressures before the Small Sites scheme commenced.

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Chief Executive				
Leader	(9)	(160)	-	ADUR; Contingency underspend of £120k, used to offset cost pressures elsewhere plus a current projected underspend in leaders budget of £42k.
	(9)	(160)	-	
Director of Communities				
Director of Communities	285	-	-	Vacancy Provision underachievement
Wellbeing	(47)	3	(12)	Vacant post used to fund interim restructure shown within other areas
Licensing	25	29	13	Underachievement of income - reduction in number of taxi and gambling licences issued. ADC: income under incl £18k taxi & £10k alcohol/gambling WBC: income under - Taxi/gambling
Env Health - Housing	(2)	(24)	(55)	ADC & WBC: HIA income forecast to exceed budget
Housing Needs	(40)	179	597	ADC: Caseload average 79 for Q1 estimated to increase by +2/mth for the remainder of 22/23. Average nightly rate for TA estimated at £40/night. Shortages in affordable properties within the private sector creating difficulties with move-on from TA including landlords entering our Opening Doors Scheme. Increased use of budget hotel chains and price increase in one of our largest B&B providers WBC: Caseload average 256 for Q1, estimated +5mth for Aug and Sept, then +3/mth increase for remainder 22/23. Average nightly rate for TA estimated at £39/night. Shortages in affordable properties within the private sector creating difficulties with move-on from TA including landlords entering our Opening Doors Scheme. Increased use of budget hotel chains and price increase in one of our largest B&B providers
Housing Needs Grant	-	(33)	(33)	ADC & WBC: DLUHC Domestic Abuse - Safe Accommodation grant 2022-23
Head of Environment	(47)	-	-	Post saving used to contribute towards the interim staff structure costs elsewhere
Parks & Foreshore	(28)	(43)	(91)	JOINT: Underspend in overtime costs ADUR: Additional income from Allotments & Parks WORTHING: Projected underspend in Supplies & Service
Environmental Services (Waste)	870	3	(10)	The overspend for the Waste service relates to increased pay costs following the recent pay dispute settlement plus consequential catch up costs including income refunds for garden waste missed collections
Bereavement Services (Cemeteries & Crematorium)	(2)	60	400	WBC: £167k crematorium income shortfall, £14.3k memorial income shortfall, £69.6k memorial garden income shortfall, less £51.5k additional tribute income and £13k donations for trees. ADC £5.8k rental income shortfall due to sale of Mill Lane property and £11k customer receipts shortfall
	1,014	174	809	
Director of Digital and Resources				
Elections	(10)	15	16	ADUR & WORTHING overspends in relation to extra requirements for putting on elections
Director For Digital, Sustainability & Resources	258	-	-	Vacancy Provision underachievement
Customer Services	(10)	-	-	Projected underspend in staff costs

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Parking Services	-	(19)	224	Worthing: Income still has not improved since covid and is not likely to, however there are 150 season tickets being purchased across MSCP's in July that should help income. Buckingham Road is still closed and will not open till September at the earliest and there are many bays closed at Liverpool gardens while works are completed on the mobility shop. There are still a number of businesses where staff are working from home and not returned to the office which has had an impact on the income the council would normally have received through the town centre workers income. The council are working with the NHS Trust on leasing out the smaller part of Lyndhurst Road car park which will assist with income. Adur: Adur continues to perform well and will hopefully do well in the summer months to offset the poor winter months.
Digital & ICT	41	-	-	Overspends projected due to Google training, Xpress hosting and an increase in google licences, plus in telephony where there is an increase of lines and supplier costs
Revenues	9	74	14	ADUR & WORTHING ; Under achievement of Court Cost income
Benefits	(1)	(144)	(47)	ADUR & WORTHING Favourable subsidy position compared to budget
Legal Services	2	14	(2)	Slight underachievement of income
Finance	(291)	(50)	(129)	Joint includes £250k contingency saving offsetting the cost pressures elsewhere. Joint, ADC & WBC Saving on inflation set aside which will be offset by overspends elsewhere.
HR & OD	(69)	-	-	Various underspends in Pay and operational costs projected
Finance: Treasury Interest		(115)	-	Increase in investment income due to increased rates in the market following rise in Base Rate
Finance: Treasury MRP	-	(469)	(308)	Reduced MRP due to re-profiling of capital budgets from 2021/22 and MRP review by external consultants
	(71)	(694)	(232)	
Director of the Economy				
Director of the Economy	78	-	6	Vacancy Provision underachievement
Leisure	-	14	84	Adur overspend on Equipment leases WBC Additional support to SDL (still to be agreed with members)
Major Projects and Investment	31	(129)	(31)	ADUR: Net cost of awarding an initial 6 month free rent period during negotiations of one of our Investment Properties plus loss of income from the One York Way, Uxbridge site which is vacant - offset by utilising the Void reserve transfer allowance budget. WORTHING: Void Budget to transfer to Reserve offset by net income shortfall mainly from Montague Street & Canon House properties.
Place and Economy (Economic Development)	(2)	(25)	16	ADC Saving in advertising & service budget offset by reduced market income WBC Overspend relates to reduction in Income from the Observation Wheel ADC: mainly relates to additional income from Markets.
Planning and Development (Building Control)	(4)	66	(6)	Adurs fee income is projected to not meet the budget
Planning and Development (Development Control)	6	-	30	Cost of Inspectorate re Goring Gap development challenge funded from Reserves
Planning and Development (Planning Policy)	(9)	-	38	Additional Local Plan costs for planning inspector
Planning and Development (Land Charges)	(3)	13	4	Income not expected to meet the budget

Service Area	Joint £000s (under)/ over spend	Adur £000s (under)/ over spend	Worthing £000s (under)/ over spend	Description of Significant Variations
Business & Facilities	50	4	31	Income for Portland House partial let has been delayed and the income will not meet the full year anticipated budget
	147	(57)	172	
Cross Cutting services				
Maintenance	42	(79)	(115)	Maintenance projected to underspend
Pay Award - Latest offer	972	3	23	The current pay award offer is for each spinal column point to be increased by £1,925
Water	-	3	(7)	
Energy Costs	238	215	670	Our current fixed deal for out energy supplies runs out in October and this will increase substantially due to the current forecast projecting a 300% increase in Gas and the doubling of the electricity costs
Rates	7	107	56	This overspend relates to the Rates for vacant properties
	1,259	249	627	
Allocation of Joint Variance		936	1,404	Share of joint services allocated 40:60 to Councils
Total Variance	2,340	448	2,781	