



Budget Estimates 2023/24 and setting of the 2023/24 Council Tax

Report by the Director for Digital, Sustainability & Resources

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Executive Summary

1. Purpose

1.1 This report is the final budget report of the year, the culmination of the annual budgeting exercise, and asks members to consider:

- The final revenue estimates for 2023/24 including any adjustments arising from settlement;
- An updated outline 5-year forecast; and
- The provisional level of Council Tax for 2023/24, prior to its submission to the Council for approval on the 21st February 2023. This will be subject to any proposals to change the draft revenue budget following the consideration of the budget by the Executive.

1.2 The report outlines the medium term financial challenge through to 2027/28, discusses the impact the current high inflation is having on the budget over the next year, and sets out performance in the key strategic areas of commercialisation, digital transformation and strategic asset management. This has been updated to include the latest information regarding the impact of the inflation on the Council's financial position. The current budget strategy is having a significant effect on how the Council will be funded in the future with increasing income generated from commercial income and rents. Following the delay to the fairer

funding review, the challenge still remains significant for 2024/25, however the delivery of the budget strategy will ensure that this is met.

1.3 These budgets reflect the Council's ambitions set out in the JSC Sub-Committee report 'New Priorities for Worthing', supported by 'Our Plan' and agreed savings proposals contributing to the financial sustainability of the Councils.

1.4 The major points raised within the report include:

- A full update on the impact of settlement. The Council should prepare itself for a continuation of the reduction in Government resources for 2023/24 and beyond (see section 4);
- Highlights the proposed funding for initiatives to support the Councils' ambitions;
- Details the proposals to invest in services outlined in Appendix 2;
- The Executive will need to consider whether to increase Council Tax by 2.99% or by a lower amount (section 5.10).

1.5 The budget is analysed by Cabinet Member portfolio. In addition, the draft estimates for 2023/24 have been prepared, as always, in accordance with the requirements of the Service Reporting Code of Practice for Local Authorities (except in relation to pension costs adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.6 The Police and Crime Commissioner (PCC) has been informed that the referendum criteria for this year is an increase of £15.00 per Band D property which would be equivalent to an increase of 6.67% and a further £10.00 in 2024/25. The proposed 2023/24 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 27th January 2023. If the proposals are vetoed by the PCP, revised proposals will be considered by the Panel on the 20th February 2023 at which point the Commissioner will be in a position to confirm the Council Tax for 2023/34 in time for Council on the 21st February 2023.

1.7 The draft Local Government Settlement allows Councils to increase core Council Tax by up to 2.99%. Those Councils with responsibility for Adult Social Care can increase Council Tax by up to a further

2%. Therefore a Council Tax increase of 4.99% for Councils with social care responsibilities is allowed for 2023/24.

1.8 The precept for West Sussex County Council has not yet been finalised and will not be confirmed until 17th February 2023. The formal detailed resolution setting the overall Council Tax for next year will be presented directly to the Council Meeting on 21st February 2023.

1.9 The following appendices have been attached to this report:

- (i) **Appendix 1** 5 year forecast for Worthing Borough Council
- (ii) **Appendix 2** Proposals for investment in services
- (iii) **Appendix 3** Estimated Reserves
- (iv) **Appendix 4** Council Tax base for 2023/24
- (v) **Appendix 5** Outcome of consultation exercise

2. Recommendations

2.1 The Executive is recommended to:

- (a) Consider and approve, if agreed, the proposals to invest in services outlined in Appendix 2;
- (b) Agree to recommend to Council the draft budgets for 2023/24 and the transfer to Reserves leading to a net budget requirement of £14,188,940 which includes provision for the proposals in Appendix 2, subject to any agreed amendments; and
- (c) Consider which Band D Council Tax to recommend to Council for Worthing Borough Council's requirements in 2023/24 as set out in section 5.10
- (d) Approve the Council Tax base of 39,364.6 for 2023/24 as set out in paragraph 12.3.

3. INTRODUCTION

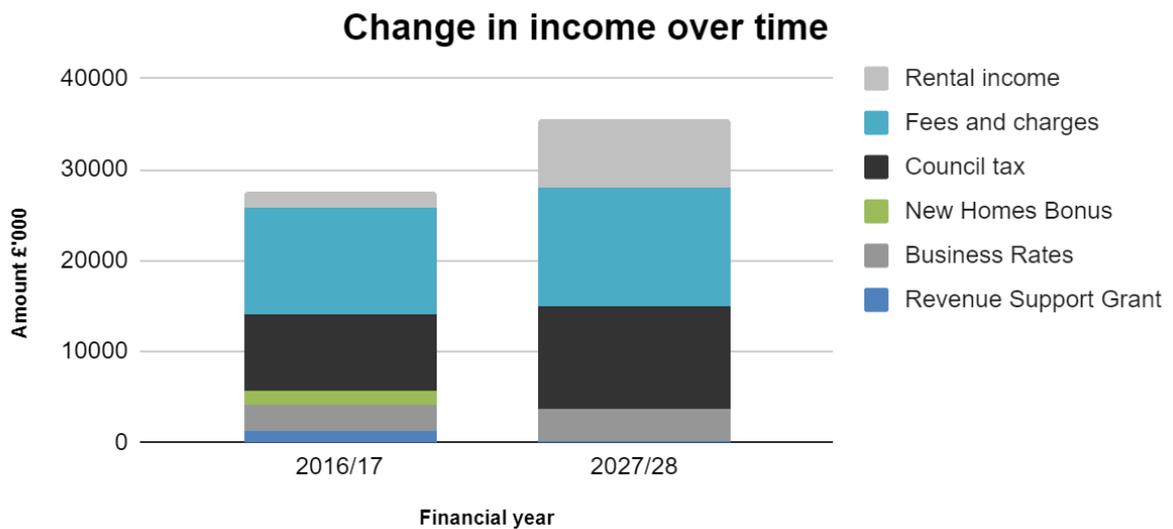
3.1 The Joint Strategic Committee considered the outline 5-year forecast for 2023/24 to 2027/28 and the Budget Strategy on 5th July 2022, which was subsequently adopted by each full Council. At this stage in the budget cycle, the report identified the following cumulative shortfalls in funding for the General Fund:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Budget shortfall	2,702	4,341	5,209	5,933	6,381

3.2 The Councils had already set-up several strategic programmes which are responsible for taking forward key initiatives aimed at delivering savings for the future. These are now in the process of being reviewed in the context of Our Plan and new political priorities but the overarching structure is sound and we continue to organise our work in these programmes:

1. The Major Projects programme leads on delivering regeneration projects to increase employment space and additional housing;
2. The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Fund and any proposed new developments;
3. The Commercial programme is developing initiatives for income growth from commercial services and seeks to improve the customer experience;
4. 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;
5. The Corporate Landlord programme which seeks to rationalise accommodation use and generate capital receipts from the sale of surplus assets and thereby reducing the costs associated with funding priority projects identified in the Council strategic plans; and
6. The Service and Digital Redesign Programme which continues to deliver new digital services and improvements to existing systems, including through a new 'rapid improvement' model.

3.3 The successful delivery of our strategy has fundamentally changed how the Council is funded while pursuing transformational approaches to how we deliver services and work with our partners. The Council has moved increasingly away from government funding towards funding from the local community via Council Tax, and will become increasingly reliant on income from commercial activities over time. Between 2016/17 and 2027/28 income from locally controlled sources (including Council Tax) is expected to increase from £21.9m to £32.6m, whilst at the same time income controlled by central government (including a share of business rates) will reduce from £5.8m to £3.7m.



3.4 The subsequent report to the Worthing Joint Strategic Sub-Committee, on 5th December 2022 updated Members as to the latest budgetary information and the forecast shortfall was revised as follows:

	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Overall shortfall – December forecast	3,390	5,344	5,866	6,586	6,930
Savings identified in December 2022	-3,203	-4,303	-5,078	-5,938	-6,798
Revised budget shortfall/ Surplus(-) as at December 2022	187	1,041	788	648	132

3.5 The 2023/24 savings proposals identified within the report amounted to £3.2m.

3.6 Since the meeting in December, the Worthing Borough Council budget has been finalised and the last adjustments have been included subject to the final considerations about the level of Council Tax and any proposals to reinvest back into services. Overall, therefore, the current financial position of the Council for 2023/24 can be summarised as:

	£'000
Original 2023/24 budget deficit	2,702
<i>Changes to income from grants and taxation:</i>	
(a) Changes to the income from Council Tax	25
(b) Impact of current forecast Council Tax Collection Fund deficit	3
(c) Review of the impact of the introduction of the new Council Tax Support Scheme	-86
<i>Other changes:</i>	
(d) Review of inflationary provisions including energy costs	393
(e) Impact of interest rates:	
Increased investment income	-120
Increase in costs associated with the capital investment programme	658
(f) Impact of triennial review of the pension fund	-237
(g) Impact of removal of 1.25% National Insurance payments	-111
(h) Changed assessment of impact of the Environment Act	-96
(i) Final impact of 2022/23 pay award and the settlement of the dispute	236
(j) Net committed growth items identified by Service Heads approved in December	113
(k) Removal of contingency budget for committed growth	-90
Revised budget deficit as at 5th December 2022	3,390
<i>Impact of Settlement</i>	
Final change to business rate income and expenditure following confirmation of the new rateable values, the tariff and new multiplier and review of current income levels	250
One off funding:	
New Homes Bonus	-125
Changes to existing grant streams	12
Funding guarantee grant	-256
Budget deficit following settlement	3,271

	£'000
Budget Surplus following settlement	3,271
<i>Adjustment for final items identified</i>	
Final assessment of Council Tax income and the collection fund deficit for 2023/24 based on a 2.99% Council Tax increase	-109
Impact of increased demand for homelessness	600
Review of interest rate and profiling of the capital programme	-523
Review of inflation on diesel	-36
Removal of contingency for new service investment proposals.	-90
Revised Budget shortfall	3,113
Less: Net savings agreed in December	-3,203
Budget surplus based on a 2.99% Council Tax increase available to fund new initiatives (before any further action is agreed)	-90

4. 2023/24 LOCAL GOVERNMENT FINANCE SETTLEMENT

- 4.1 The government published the provisional local government finance settlement for 2023/24 on 19th December 2022 via a written statement. Consultation on the provisional settlement closed on the 16th January 2023. This is a one-year settlement but contains some details for 2024/25.
- 4.2 Settlement confirmed the referendum principles set out above. The Council will be able to increase Council Tax by up to 3% or £5.00 whichever is the higher.
- 4.3 Local Government as a whole was a major beneficiary of the Autumn Statement 2022, with larger increases in funding than any other part of the public sector. Whilst a significant proportion of the increase was directed towards social care, even authorities without social care responsibilities have received an increase in funding. However, whilst the year's settlement was better in cash terms than any for over a decade; in real terms, the settlement will still leave many local authorities with a significant financial

gap to close as it was less than the inflationary pressures currently being experienced across the sector.

4.4 The impact of settlement can be summarised as follows:

- ***Revenue support grant***

The Council will receive some Revenue Support Grant in 2023/24 (£109,100), this is due to the inclusion of Council Tax Support Administration Grant as part of Revenue Support Grant for the first time. Since 2016/17 the Council has seen Revenue Support Grant fall by £1.4m and had received no grant since 2018/19 until 2023/24.

- ***Business grant income and baseline funding***

The business rate system has been reset this year following the national revaluation which resulted in an overall increase nationally in rateable values.

The government's decision to freeze the business rates multiplier will be fully funded, and, from 2023-24 onwards, compensation to authorities for under-indexation would be paid based on Consumer Price Index (CPI) (10.1%).

Compensation to authorities will be part-paid via an uplift to Baseline Funding Level (BFL) (3.74%), with the remainder paid via section 31 grant. Baseline funding for 2023/24 will be £2,793,310.

Overall, councils will be compensated for the impact of freezing of business rates via grants and the net overall impact of all of these changes is an increase of £304,000 in income from the business rate system.

- ***Funding Guarantee grant (£111m nationally)***

A new grant has been created to ensure every authority has an increase in Core Spending Power (the total funding received from Council Tax, Business Rates, and Government Grant) of at least 3% in 2023/24. This new guarantee will be funded from the previous Lower Tier Services Grant (LTSG) and the reduced cost of New Homes Bonus (NHB).

The cost of the 3% Funding Guarantee will be £136m in 2023-24. Worthing Borough Council will receive £256,100. It is expected that this funding will remain in place in 2024/25.

- **Services Grant (£464m nationally)**

The Services Grant was created in 2022/23 to fund core services which was distributed using the 2013/14 Settlement Funding Assessment methodology. This has been subsequently reduced to reflect the estimated benefit from the changes to National Insurance. Worthing Borough Council will receive £104,590.

This funding will be excluded from any proposed baseline for transitional support as a result of any proposed system changes.

- **New Homes Bonus**

New Homes Bonus (NHB) will continue for another year but the government very clearly intends to phase out the current scheme although the timing of this is unclear. For 2023/24, there is no change in the operation of the scheme: the scheme works in the same way and applies the same threshold (0.4%). The threshold means that NHB payments will only be made on an increase in the council tax base that exceeds 0.4%.

NHB allocations of £290m will be made nationally. This is a one off allocation in 2023/24 and the Council will receive an additional grant of £125,110.

4.5 Changes to local government funding in 2024/25 and beyond:

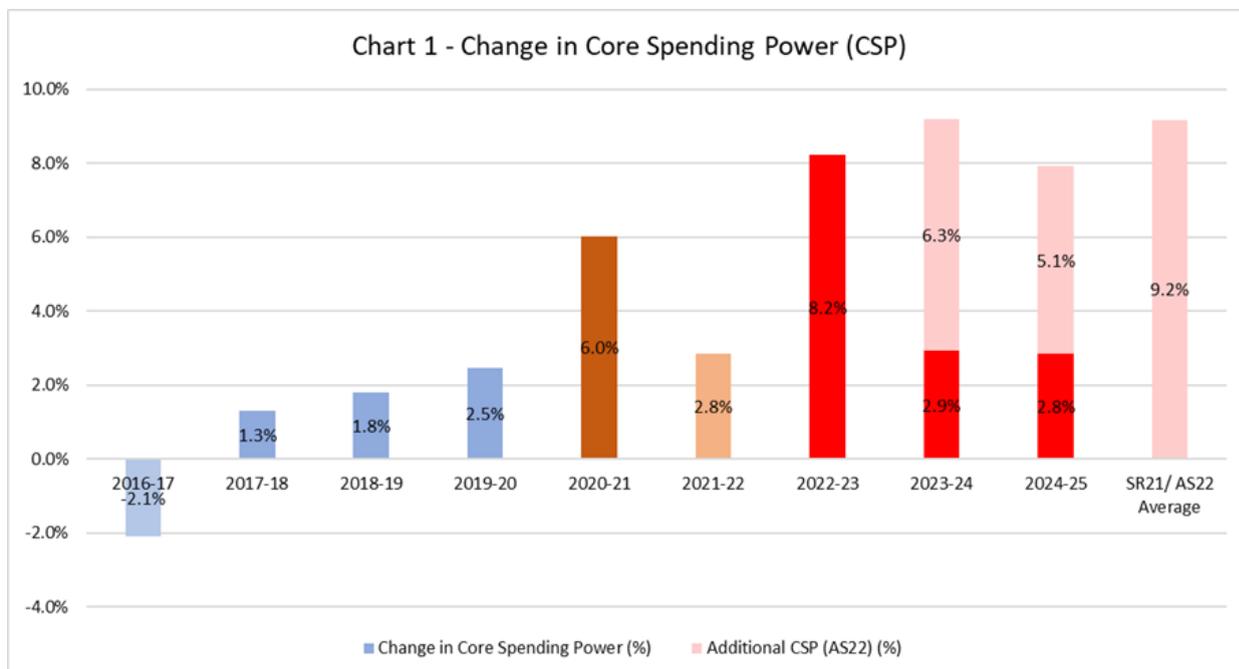
This is not a fixed two-year settlement and so there is uncertainty around 2024/25. We do not yet know the future of NHB. However, the policy statement made earlier in December, was clear that “the core settlement will continue in a similar manner for 2024-25. The major grants will continue as set out for 2023-24.”

The Funding Review and the changes to the Business Rate Retention Scheme have now been delayed until 2025/26 at the earliest, effectively delayed until after the next election.

4.6 Summary of 2024/25 Local Government Settlement

4.6.1 In overall terms, the settlement announced for 2023-24 and 2024-25 represent the largest increases in Core Spending Power (CSP) that local

government has received for more than a decade. Assuming authorities increase their Band D by the maximum allowed, CSP will increase by 9.2% in 2023-24 and 7.9% in 2024-25. These increases follow a pattern of strong increases in CSP since 2020-21.



* Source - Pixel Financial Management

2022/23 to 2024/25: Red = change in core spending power (CSP) from the Spending Review 2021 and Pink = additional CSP from the Autumn Statement 2022.

4.6.2 However, for District Councils the increases are much lower at around 3% which is well below actual inflationary pressures. District Councils have the lowest amount of flexibility for Council Tax increase when compared to other types of authority; the £5 rather than the 3% uplift on Council Tax will only benefit a handful of authorities and even then only minimally. Consequently, whilst the settlement is to be welcomed, it does not address the pressures that District Councils are experiencing.

4.6.3 Members should be aware that the settlement figures quoted above are provisional only. The consultation period ended on 16th January 2023 with final settlement expected in February.

4.6.3 There were few significant changes at this late stage in previous years. If there are any significant changes arising from the final information members will be briefed before Council.

4.7 Update on current Business Rate Retention Scheme

4.7.1 The business rate retention scheme has now been in place for several years. There are two key features which members are reminded of:

- 1) There is a 'safety net' in place for any Council whose actual business rates income falls short of the target income for business rates. The safety net arrangements will be 7.5% of Baseline Funding which is equivalent to a maximum fall in income below the baseline funding level of £201,940.
- 2) A 'levy' is in place for any Council whose business rates exceed the target set. The levy will mean that the Council can keep 50p of every additional £1 generated over its share of the business rate target.

For each additional £100,000 raised the Council will keep the following amounts:

	Share of additional income	Additional Levy paid to treasury	Kept locally
	£'000	£'000	£'000
HM Treasury	50		
County Council	10	5	5
Borough Council	40	20	20
	100	25	25

4.7.2 The forecast for 2023/24 is currently being finalised. The 2023/24 NNDR return which underpins this forecast is due to be submitted by the 31st January 2023 and any substantial changes resulting from the final assessment of the business rate income will be managed through the business rate smoothing reserve which has been set up for this purpose. This is a particularly complex year for forecasting business rates due to the national revaluation.

4.7.3 The Collection Fund will have another deficit at the end of the current year, partially due to the additional reliefs (£3.1m) granted in the year; together with a share of the losses incurred in 2020/21 which are now being recovered over a three year period; and the impact of some substantial

in-year revaluations for major retailers which have been backdated to 2010.

4.7.4 Overall a deficit of £6.4m will need to be recouped in 2023/24 which can be broken down as follows:

	2022/23	Share of 2020/21 loss	Total to be recovered in 2023/24
	£'000	£'000	£'000
Worthing Borough Council	2,309.9	256.2	2,566.1
West Sussex County Council	577.4	64.1	641.5
Government (HMT)	2,887.4	320.3	3,207.7
Total recovered	5,774.7	640.6	6,415.3

The Council will receive compensation in 2022/23 for the additional reliefs granted. The losses are supported by the business rate smoothing reserve in 2023/24 which has been set up to address timing differences in the business rate system. Nevertheless, the Council will still have losses of £473,290 to fund in 2023/24.

4.7.5 Looking further ahead, the generation of additional business rates is one of the solutions to the Council's ongoing financial pressures. Members will be aware that there are several schemes progressing which will create employment space. Examples include: Union Place, Grafton, Decoy Farm and Teville Gate.

4.7.6 Finally, it should be appreciated that there are still a number of risks associated with the business rate forecast:

- It is difficult to establish the number of appeals which are likely to come forward. There is no time limit on when an appeal might be lodged. However to date far fewer appeals have been received following the 2017 revaluation following the introduction of the new 'Check, Challenge, and Appeal' process by the VOA.
- Major redevelopments will temporarily reduce business rate income whilst the site is being redeveloped.
- Conversion of office blocks and retail space into accommodation will result in a permanent loss of income however, this will be mitigated to

some extent by the additional Council Tax generated once the conversion is completed.

4.7.7 Consequently there could be significant swings in the amount of business rate income in any one year. However, any shortfall in income will be recovered in the following financial year. The Council will provide for any known backdated business rates appeals at the 2022/23 year end. To help mitigate these risks the Council has created a Business Rate smoothing reserve.

4.8 **Long term implications of current government policy**

4.8.1 The financing of local government has continued to change. We are moving from a grant based on need (Revenue Support Grant) to funding based on the delivery of homes (Council Tax) and the creation of employment space (Business Rate Retention Scheme).

The income from Council Tax forms an increasingly significant proportion of the Council's overall taxation income over the next 5 years and so the decision regarding the annual increase has a greater strategic importance for both the current year and future years as well.

Breakdown of taxation income to the Council:

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/26
	£'000	£'000	£'000	£'000	£'000	£'000
Council Tax *	9,920	10,188	10,477	10,729	10,987	11,252
Business Rates **	3,366	3,369	3,959	3,470	3,535	3,609
New Homes Bonus	156	125	0	0	0	0
Government grants	343	507	365	109	109	109
Total funding from taxation	13,785	14,189	14,801	14,308	14,631	14,970

* Includes any surplus or deficit on the collection fund

** Includes the surplus or deficit on the collection fund and any levy account payment

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/26
Council Tax	71.96%	71.81%	70.78%	74.99%	75.08%	75.16%
Business Rates	24.42%	23.74%	26.75%	24.25%	24.16%	24.11%
Government grants (incl New Homes Bonus)	3.62%	4.45%	2.47%	0.76%	0.74%	0.73%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

5.0 DRAFT REVENUE ESTIMATES 2023/24

5.1 Detailed budgetary work is now complete and the estimate of the budget requirement (net of any proposed transfers to reserves) is £14,189,000. This includes the savings and committed growth proposals agreed in December.

5.2 *Impact of the current high inflation on the Council's budgets:*

5.2.1 As part of settlement the Council received a number of additional grants. These include:

	£'000
Services Grant	105
Funding Guarantee	256
New Homes Bonus	125
Total allocated to support the budget	486

5.2.2 The current challenges due to inflation will continue to impact on the Council's finances throughout 2023/24. Where these impacts have been able to be quantified, provision has been included in the draft budget. Nevertheless, the rate at which income recovers is difficult to quantify with any certainty. Additional risk areas relating to the economic climate include:

- Fees and charges income, particularly in relation to car parks and bereavement services.
- Impact on homelessness caseload. There remains a risk that demand and associated costs may increase further over the coming year.
- Additional staffing costs. Currently there are a number of areas where it is proving difficult to recruit new staff, consequently there is increasing pressure on staffing budgets.

5.3 ***Delivering the Council's priorities:***

5.3.1 The budget is fundamental to realising the Council's ambitions set out in the Council administration's strategic priorities and in 'Our Plan'. The budget enables the Council's role to lead and work with partners to develop our communities and our economies. Attached at Appendix 2 are some proposals for investment back into services to deliver the outcomes committed to for member consideration.

5.3.2 The budget is designed around the structure of Our Plan in order to facilitate the shared delivery model with Adur. The Council's priorities will be delivered within this structure and examples include:

5.3.3 **Thriving Economy**

The Council recognises the importance of ongoing investment in our places to ensure that they remain vibrant locations for social, economic and culture hubs for our communities. Budgets have been created to facilitate the delivery of major projects to enable the development of Worthing town centres and provide for additional employment land.

The foundation of our thriving economy has been laid out in our Economic Principles paper. Moving forward, we will orient our resources to promote and develop Community Wealth Building across the Borough, prioritising green and sustainable investment that allows the resources of our Borough to benefit all, reducing inequalities and improving quality of life for all our residents

5.3.4 **Thriving People**

As part of the development of the 2023/24 budget, the Council has revised the Council Tax Support Scheme, removing the £5.00 restriction to support those on the lowest income during the cost of living crisis.

The Council continues to see an increase in demand for our Housing Service, in particular from those who are experiencing homelessness. The Council has increased its investment in this service as part of the 2023/24 budget. The Council has also made funding available for new investments to acquire Council-owned temporary and emergency accommodation to improve the accommodation offered to clients and reduce the costs for the Council.

In the longer term, our Housing Strategy will focus resources on developing sustainable social housing options for residents who are currently unable to

afford a home of their own in Worthing. Emergency and Temporary accommodation has a heavy social and economic cost and a longer term investment approach will bring benefits to both areas.

5.3.5 **Thriving Places**

The Councils are also aware of the importance of our communities to have active lives and enjoy our parks and open spaces. Funding is proposed to improve parks and play areas throughout the area to promote health and wellbeing of our communities through the capital programme. These improvements will be done in partnership with our Communities and will benefit people of all ages as well as contributing to biodiversity across the town.

5.3.6 **Thriving Environment**

The Council has a strong commitment to tackling the climate crisis as part of the Fair, Green and Local agenda. The economic principles presented to Committee in December and forthcoming climate principles to be published in March, underpin the strategic commitment to the environment across all Council operations and its work with partners and communities more widely. The Council intends to focus on carbon emissions reduction across all its operations and the built environment, moving away from fossil fuels and reaching net zero by 2030.

The Council is working to tackle the ecological crisis through developing a nature recovery strategy with the Sussex Local Nature Partnership, greening the public realm, increasing biodiversity and creating a network of green corridors to support and enhance flora and fauna throughout the borough, connecting parks and open spaces and through larger strategic projects such as restoring chalk grassland at Cissbury Fields and Sussex Bay kelp restoration, in conjunction with external partners including Sussex wildlife Trusts, RSPB and other conservation organisations and local community groups.

5.3.7 **Good Foundations**

Much of the Medium-Term Financial Strategy is underpinned by new approaches to how we design and deliver our services, and develop our commercial activities and investment portfolios. These approaches are not only designed to improve the financial sustainability of the Councils, but also the services that our communities, clients and customers experience. We

will continue to invest in service improvement, using research and design methods to understand what needs to change in our services, working with staff to drive a customer first ethos and using our digital platforms to deliver simple, efficient digital service channels.

- 5.4 The final budget will be dependent on Members' consideration of the non-committed growth proposals, and the Council Tax increase that Members are prepared to support.
- 5.5 The key question of how the net budget requirement translates into the Council Tax charge can now be determined as the proposed details of the Local Government Finance Settlement have been received. Any final changes arising from settlement will be dealt with through the reserves. However, if there is a significant reduction in government resources, in-year action will be needed to reduce the final impact on the reserves.
- 5.6 Details of all of the main changes in the base budget from 2022/23 to 2023/24 are at Appendix 1. The changes can be summarised briefly as follows:

	£'000	£'000
2022/23 Original Estimate		13,785
Add: General Pay and Price Increases		2,200
Add: Committed and Unavoidable Growth:		
Impact of high inflation on demand for services	690	
Impact of delivering Council's priorities	224	
Other committed growth	602	
Increased Expenditure as per 5 year forecast (net of any proposed use of reserves)	1,516	
Reduced income	105	
Impact of Capital Investment Programme	436	2,057
Less: Compensatory savings and additional Income:		
Compensatory savings	-410	
Additional income	-330	-740
2023/24 budget prior to agreed savings		17,302

	£'000	£'000
2023/24 budget prior to agreed savings		17,302
Less: Savings agreed by members Approved in December	-3,203	-3,203
Executive Member requirements		14,099
Potential contribution to reserves / amount available to invest in services (see Appendix 2)*		90
Potential budget requirement before external support		14,189
Collection fund deficit		43
2023/24 BUDGET REQUIREMENT		14,232
<p>* The planned contributions to and from the reserves are analysed in Appendix 3. The final amount will depend on the decisions made about the proposals to invest in services at Appendix 2 and the Council Tax increase.</p>		

- 5.7 The estimates reflect the Council's share of the Joint Strategic Committee budget. The allocation of the costs of joint services under the remit of the JSC has been the subject of an annual review this year for any significant changes.

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

- 5.8 The projected deficit on the Council Tax element of the Collection Fund is estimated to be £321,450, of which £43,480 is the Borough Council share. A large proportion of the deficit relates to 2020/21 which has been recouped over the three years 2021/22 - 2023/24 in line with the Covid regulations. Consequently, current deficit will be recouped as follows:

	Deficit re 2020/21	In year deficit	Total
	£	£	£
Split of deficit (-)			
Worthing Borough Council	-40,310	-3,170	-43,480
West Sussex County Council	-246,120	-21,930	-268,050
Sussex Police and Crime Commissioner	-35,020	-3,730	-38,750
Total deficit	-321,450	-28,830	-350,280

5.9 Members are now faced with two questions:

- What level of Council Tax to set?
- Whether to accept the growth items detailed in Appendix 2?

The decisions made today will be reflected in the budget papers presented to Council.

5.10 **The Council Tax increase:**

5.10.1 The decision over the level of increase to the Council Tax influences not only the current budget but future budgets as well. Over the past 10 years, the Council Tax has been increased by 16.8%, an average of 1.5% per year (in 2012/13 the Band D tax was £216.00, in 2022/23 it was £252.36). Over the equivalent period, inflation (CPI) has been 25.0%.

5.10.2 The budget forecast currently assumes that Council Tax will increase by 2.99% in 2023/24. The most recent inflation index was 10.7% (CPI in November 2022) and so the forecast rate is significantly below current inflation rates.

5.10.3 A 3% uplift would only be a modest increase in the Council share of the bill for 2023/24. The table below details how the Council Tax will change as a result of a 1%, 1.5%, 2.0% and 2.99% increase.

	2022/23	Annual increase for 2023/24			
		1%	1.5%	2.0%	2.99%
	£	£	£	£	£
Council Tax Band D	252.36	254.88	256.14	257.4	259.92
Annual increase		2.52	3.78	5.04	7.56
Weekly increase		0.05	0.07	0.10	0.15
Council Tax Band C	224.32	226.56	227.68	228.8	231.04
Average annual increase		2.24	3.36	4.48	6.72
Average weekly increase		0.04	0.06	0.09	0.13
Total additional Council Tax raised compare to 2022/23		37,140	86,740	136,340	235,540
Additional Council Tax raised over a 1% increase			49,600	99,200	198,400

5.10.4 Members should also be aware that the Police and Crime Commissioner has the flexibility to increase the Band D tax by £15.00 (6.67%) for their share of the overall bill. Whilst the level of increase to be set by the County Council is unknown at this stage, given the financial pressures that the County is under, there are indications that the increase will be close to the maximum permitted (4.99%). Consequently, the total overall increase in the Council Tax bill for a Band D property based on the Council opting to set the tax at the maximum allowed could be close to 5%:

	2022/23	2023/24 (Indicative only)	%
	£	£	
Worthing Borough Council	252.36	259.92	2.99%
West Sussex County Council	1,555.74	1,633.32	4.99%
Sussex Police and Crime Commissioner	224.91	239.91	6.67%
	2,033.01	2,133.15	4.93%

5.10.5 The decision to raise Council Tax influences not just the 2023/24 budget but future years and should be considered alongside the projected budget shortfalls for the next 5 years, as there are long term consequences to setting a Council Tax increase lower than the maximum permitted. This is particularly significant at the moment given the scale of the financial challenge faced by the Council. Potentially the next few years are financially challenging with significant savings required in each financial year of:

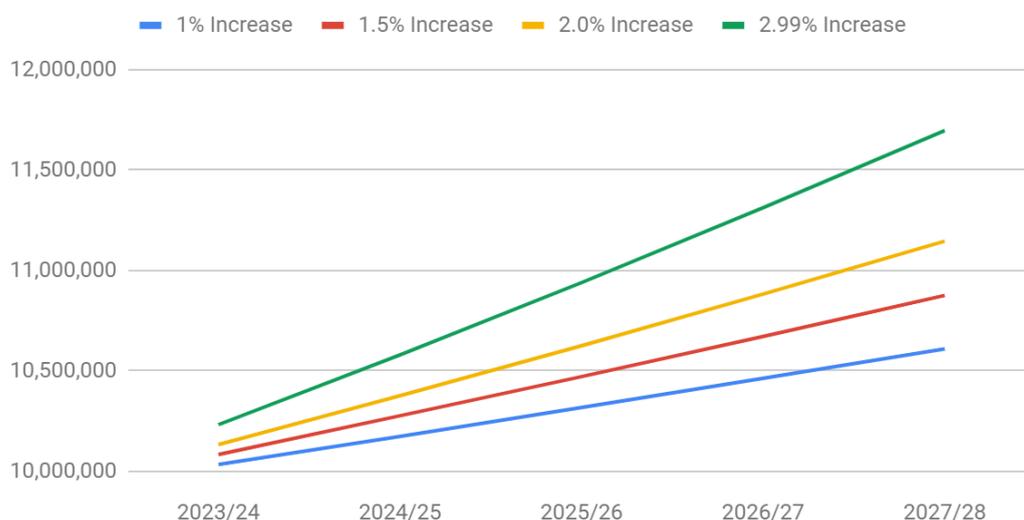
Estimated budget shortfall	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Annual saving	1,651	1,947	843	443
Cumulative Savings	1,651	3,598	4,441	4,763

5.10.6 The impact of changing the Council Tax by 1%, 1.5%, 2.0% and 2.99% annually would be as follows:

Total income	2023/24	2024/25	2025/26	2026/27	2027/28
	£	£	£	£	£
1% annual increase	10,033,250	10,172,990	10,317,250	10,462,490	10,608,750
1.5% annual increase	10,082,850	10,276,140	10,470,810	10,670,450	10,875,140
2.0% annual increase	10,132,450	10,375,740	10,624,370	10,882,000	11,145,130
2.99% annual increase	10,231,650	10,578,490	10,938,640	11,312,260	11,695,900

Over the longer term, a higher increase will give the Council significant additional income:

Worthing Borough Council - Long term impact of Council Tax increases



5.10.6 Members are asked to consider which level of Council Tax increase that they support. An increase of 2.99% would enable the Council to set a balanced budget and fund all of the proposals for investment in services recommended for approval in Appendix 2. However, if a lower rate is set, then additional savings will have to be identified to fund the financial consequences as it would be inappropriate to use the reserves to balance the budget.

5.10.7 At this late stage in the budget process, it would be difficult to make any decisions that result in service reductions as these should be the subject of consultation, however the option remains to defer projects or the proposed investments into services to generate an in-year saving and fund the desired level of Council Tax increase.

5.11 Summary of budget position

Depending on the choices made regarding the Council Tax increase and the new growth items; the overall budget position will be (based on a 2.99% increase):

Net budget requirement	£'000	£'000
Less:		14,099
Baseline Funding	-2,793	
Share of additional Business Rate income	-576	
Council Tax (2.99% increase)	-10,231	
Other grants	-632	
Collection Fund Deficit	43	-14,189
Budget surplus based on 2.99% Council Tax increase		-90
Maximum impact of accepting the growth items (Appendix 2)		90
Budget balanced at a 2.99% Council Tax increase		-

6.0 IMPACT ON FUTURE YEARS

6.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown in Appendix 1 (which includes an assumed 2.99% tax increase for 2023/24 which is to be considered as part of this report). The settlement, together with the other agreed changes to the budget means that the Council is likely to face a minimum shortfall of:

	Expected shortfall (Cumulative)				
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Budget shortfall prior to approving growth	3,113	4,698	6,645	7,488	7,931
Impact of accepting the growth items at appendix 2	90	121	121	121	121
Cumulative budget shortfall as per appendix 1	3,203	4,819	6,766	7,609	8,052
Less:					
Net savings identified in 2023/24 budget round	-3,203	-3,168	-3,168	-3,168	-3,168
Adjusted cumulative budget shortfall	-	1,651	3,598	4,441	4,763
Savings required each year	-	1,651	1,947	843	443

6.2 The continuation of the withdrawal of government funding has significant consequences for the Council . Looking ahead, the stimulation of the local economy and provision of additional housing will be two of the measures which will help protect the Council's services. There are potentially three benefits which flow from an improving economy and which will directly improve the council's financial position:

- Increased income from business rates which is discussed fully in section 4 above;
- Reduced cost of Council Tax benefits from any new jobs created;
- Additional Council Tax income from each new home;

6.3 However, these measures are unlikely to be enough. The Council has previously approved a budget strategy to:

- Generate £100k more commercial income per year;
- Rationalise the use of assets to reduce running costs and generate opportunities for disposal;
- Invest in new assets where these provide the opportunity to improve the local economy, the supply of housing or to reduce our carbon footprint;
- Promote efficiency whether this is through the digital strategy or by improving customer service; and
- Reducing the cost of temporary and emergency accommodation.

Overall, if the Council delivers upon the current budget strategy then the level of new initiatives required each year to balance the budget will reduce as follows:

	Expected shortfall per year			
	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000
Annual budget shortfall	1,692	1,561	843	443
Future savings from budget strategy:				
Annual increase to set-aside into commercial property reserve	100	100	100	100
Commercial activities	-450	-450	-450	-450
Service and digital redesign	-120	-120	-120	-120
Asset rationalisation and disposal programme	-78	-105	-190	-190
Excess savings (-) / new savings initiatives to be identified	1,144	986	183	-217

6.4 With the delay to the fairer funding review, the challenge has now moved onto 2024/25 which becomes a more challenging year. Given the scale of savings that the Council needs to deliver from 2024/25 onwards, it is intended to do a full refresh of the strategy to ensure the Council meets the challenges of the next few years and continues to set a budget without reliance on reserves.

7.0 RESERVES

7.1 Sections 26 and 27 of The Local Government Act 2003 require the Council's Chief Financial Officer to comment on the adequacy of the Council's reserves. The reserves have therefore been reviewed in accordance with best practice.

7.2 To enable a view to be taken on the adequacy of reserves, Members need to be aware that, broadly speaking, there are two categories of revenue reserves relevant to the Council. The General Fund Working Balance which primarily is available to cushion the impact of uncertain cash flows and act as a contingency to meet unforeseen costs arising during a budget year (e.g. unexpected increases in the demand for services or losses in income); and Earmarked Reserves which are sums held for specific defined purposes (details are provided in Appendix 3) and to meet known or predicted liabilities. Both categories of reserves can be used on a planned prudent basis to underpin the annual budget.

7.3 The Council has successfully protected and built the reserves over a number of years. In the past five years the reserves have generally increased as follows:

History of reserves	Year ended 31st March				
	2018	2019	2020	2021	2022
	£'000	£'000	£'000	£'000	£'000
General Earmarked Reserves (a)	2,124	2,307	2,085	2,795	2,773
Tax Smoothing Reserves	425	905	437	7,688	* 3,306
Grants and Contributions	542	742	806	1,437	1,067
Total earmarked reserves	3,091	3,954	3,328	11,920	7,146
General Fund Working Balance (b)	844	869	1,543	1,543	1,347
Total reserves	3,935	4,823	4,871	13,463	8,494
Available reserves for general purposes (a+b)	2,968	3,176	3,628	4,338	4,120

* In 2020/21, and to some extent in 2021/22, the government funded significant additional business rate reliefs to support business during the Covid pandemic. Due to timing differences within the business rate system, the Council actually funded the impact of these additional reliefs in the following years which was financed by the grant provided by the Government and which had been placed into reserves for this purpose.

However the past three years have been very difficult, firstly due to the impact of the pandemic on the Council's finances and more recently the significant impact that the current historically high level of inflation is having on the Council's financial position.

7.4 The Council's established policy is to maintain the General Fund Working Balance at between 6 – 10% of net revenue expenditure. The current balance as at 31st March 2022 is £1,347,350. The working balance was increased in 2019/20 to mitigate the additional risks that the Council is carrying in the light of the pandemic. The balance is 9.80% of net 2022/23 revenue expenditure and is in the upper part of the range of 6% -10% set by the Council. However as a result of the current financial challenges that the Council is experiencing, it is expected that the Council will have to significantly reduce its reserves in 2022/23 by around £2.2m with the result that current projections indicate the working balance reserve will reduce to approximately £300,000 by the year end.

7.5 The Council has a contingency budget for inflation costs of £150,000 which can be used to contribute to the working balance on an annual basis for the next few years to rebuild the balance. Any underspend can also be used to contribute towards the reserves.

The year-end level on the General Fund Working Balance for the foreseeable future, therefore, is estimated as follows:

		£'000	%
31.03.2022	Balance carried forward – per Final Accounts	1,347	9.8
31.03.2023	Use of reserves expected to fund the potential 2022/23 overspend.	300	2.1
31.03.2024	No planned drawdown or contribution expected	450	3.0
31.03.2025	No planned drawdown or contribution expected	800	5.6
31.03.2026	No planned drawdown or contribution expected	1,150	7.9

7.6 The working balance is currently projected to be too low at the year end. Whilst there are obviously plans to rebuild this reserve, these should be accelerated where possible by:

1. Mitigating the overspend in 2022/23 as far as possible to protect the current level of reserves;
2. Creating underspend in the 2023/24 budget by accelerating the delivery of savings to balance the budget;
3. Creating a specific 'contribution to reserves' budget from 2024/25 budget to further repair the Council's financial health at a faster pace. An amount of £200,000 per year has been allowed for from 2024/25 onwards

It is extremely important that the Council maintains its residual reserves at the planned amount for the foreseeable future.

7.5 However, with the planned expansion of commercial activity, especially the investment in commercial property, the council has taken two other measures to further manage risk and bolster the reserves:

- i) As part of the initiative to invest in commercial property, an element of the additional rent raised every year is being set aside into a specific reserve to manage void periods on these properties and to set aside resources to fund future investment needs. The annual provision will be £550,000 in 2023/24. This provision will be gradually built up over the next 5 years to a level of £950,000 per year by 2027/28.

- ii) Following the LGA peer review, there was a change in approach to the management of general inflation (excluding inflation on items such as salaries, rates, utilities, and contractual commitments). This is no longer allocated out this year but held centrally in the Corporate Management budget. This budget will be allocated out where the inflationary pressure can be demonstrated. Any unutilised budget at the year end will be transferred to the reserves and the budget offered up as a budget saving for the forthcoming year. This also provides a contingency budget for in-year pressures.

7.6 In the medium term, once the challenges of the next couple of years have been addressed, the council should review the position and take proactive steps to further bolster the overall reserves.

7.7 The estimated balance of general fund earmarked reserves as at 31st March, 2023 is £300,000 excluding the Business Rates Smoothing Reserve, any Section 106 sums held for future environmental improvements, grants, and any specific capital resources. Overall, the level of reserves held by the Councils is expected to change over the forthcoming years as follows:

	Balance as at 31st March				
	2022	2023	2024	2025	2026
	Actual	Est.	Est.	Est.	Est.
	£'000	£'000	£'000	£'000	£'000
General Earmarked Reserves	2,773	336	791	1,441	2,191
Business Rates Smoothing Reserve	3,306	1,972	-	-	-
Grants and Contributions	1,067	1,067	1,067	1,067	-
Total earmarked reserves	7,146	3,375	1,858	2,508	2,191
General Fund Working Balance	1,347	300	450	1,100	1,450
Total reserves	8,494	3,675	2,308	3,608	3,641

A detailed schedule of the earmarked reserves is attached at Appendix 3. The significant risks to the overall budget and the Council's reserves are detailed below.

7.8 Given the low level of reserves, it is now even more critical that these reserves be used only as a funding resource of last resort until such time as the reserve level has recovered to some extent. The Council has over the past

year minimised new calls on such resources, utilising the ability to use capital receipts to fund initiatives to generate budget savings where possible.

7.9 However the size and nature of the risks to the overall budget leaves the Council with little room for using these reserves for new on-going spending initiatives. The Council should maintain its current policy of spending its scarce earmarked reserves on:

- supporting one-off rather than recurring revenue expenditure;
- dealing with short-term pressures in the revenue budget; and
- managing risk to the Council's budget.

8.0 SIGNIFICANT RISKS

8.1 Members will be aware that there are several risks to the Council's overall budget. These can be summarised as follows:-

- (i) **Inflation** - A provision for 4.5% inflation has been built into pay budgets; with significantly higher amounts built in for energy costs and business rates; general non-pay budgets have been increased by 2%. Whilst the Bank of England inflation forecasts expect that inflation will begin to fall in 2023 and return to 2% in two years time, there is a risk that inflation will run at a higher rate than allowed for within the budget. Each 1% increase in inflation is equivalent to the following amount:

	1% increase
	£'000
Pay	162
Non-pay	135

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

All budgets within the public sector are under scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, the council may lose funding for key priorities and be left with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources. This is a particular issue for such services wellbeing and sustainability which receive considerable funding from external sources.

- (iii) **Income** - The Council receives income from a number of services which will be affected by demand particularly at the moment due to the continuing impact of the pandemic and the cost of living crisis. These include land charges, crematorium income, trade and green waste services, development control and now business rates. Whilst known further reductions in income have been built into the proposed budgets for 2022/23: the pace of recovery may be slower than anticipated; income may fall further than expected; or new targets for commercial income may not be met.

The Council is investing in new commercial property, as leases expire there is an increased risk of loss of income from voids. To mitigate this risk the Council has introduced an annual provision for void rents which will be £450,000 in 2022/23. This will be increased annually in line with the level of investment in the property portfolio and the associated risk.

- (iv) **Demand for housing services** -

Demand has been increasing for housing services at a significantly higher rate than in previous years. Whilst this may be a temporary pressure, the Council has increased investment in this service to manage these costs. There remains a risk that demand for the service will continue to escalate.

9.0 CONSULTATION

- 9.1 The Council has undertaken a public consultation exercise this year. The council received 925 responses. The outcome of the consultation is included at Appendix 5.
- 9.2 Officers and members have been consulted on the development of the budget.

10.0 UPDATE TO PRUDENTIAL INDICATORS

- 10.1 The Council's budget fully reflects the cost of financing the capital programme. Members have previously approved sufficient growth to accommodate the proposed capital programme. The Council has a fully funded capital programme and the associated revenue costs are built into the budget for 2023/24 and future years.

- 10.2 Under the Prudential Code of Practice and the capital finance system introduced in April 2004, the capital programme is based on the Council's assessment of affordability. This includes any new borrowing which the Council wishes to undertake.
- 10.3 The Code of Practice has been revised with a new code due to be introduced for 2023/24. The freedom for local authorities to set the scope and size of their capital plans remains unrestricted, but the prudential system processes have been strengthened to set out greater consideration of prudence, with sustainability and risk reporting improved through the governance procedures. There is also stronger guidance on commerciality which effectively prohibits solely commercial investment and requires the Council to regularly review current commercial investments. However this change was pressaged by the new rules surrounding borrowing from the PWLB and the Council has long since adapted its property investment criteria.
- 10.4 The Prudential Code of Practice requires the Council to set a series of indicators to show that the capital programme has due regard to affordability, sustainability and prudence. These are included with the annual Treasury Management Strategy Statement which is due to be considered by JSC on the 7th February 2023 and which will be included in the Council budget pack for approval.

11.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

- 11.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and Council Tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report in making their decisions.
- 11.2 As Members are aware, local authorities decide every year how much they are going to raise from Council Tax. They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. Because they decide on the Council Tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient which has been considered in detail on section 7 of the report.

11.3 Overall view on the robustness of the estimates:

Subject to the important reservations below, a reasonable degree of assurance can be given about the robustness of the estimates and the adequacy of reserves. The exceptions relate to:

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets particularly at the moment given the cost of living crisis and the continuing impact of the pandemic, e.g. car parks and development control fees.
 - External competition and declining markets, particularly during a recession. E.g. Local land charges and building control fees.
 - Changes to business rate income due to revaluations, redevelopments and increases in mandatory rate relief.
- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

It will therefore be important for members to maintain a robust budget monitoring regime during 2023/24.

11.4 The Chief Financial Officer's overall view of the robustness of the estimates is, therefore, as follows:

The processes followed are sound and well established and identical to those that produced robust estimates in the past. The Council has also demonstrated that it has a sound system of financial management in place.

12.0 COUNCIL TAX SETTING

12.1 The Council is obliged to raise the balance of its resources, after allowing for any government grant and business rates, to finance the General Fund Revenue Budget from its local Council Taxpayers. The Council Tax for Worthing Borough Council will be added to the Precepts from West Sussex County Council and the Sussex Police and Crime Commissioner to form a combined Council Tax to levy on the taxpayers of Worthing. This will be formally approved by Council on the 21st February 2023 via a report on the Council Tax Determination.

12.2 Once the Executive has reached a decision on the Total Budget Requirement it wishes to recommend to the Council for the 2023/24 Budget, the resulting Council Tax for the Borough can be set. This takes into account the Total Aggregate External Finance (Government grants and Business Rates contributions) and any contribution to or from the local Collection Fund.

12.3 Worthing Borough Council:

- (a) The following table shows the net sum to be raised from local Council Taxpayers in 2023/24 prior to the consideration of the budget proposals. This is based on 2.99% Council Tax increase which is the maximum increase permitted without triggering the requirement for a referendum:

	£	£
Net 2023/24 Budget *		14,098,940
Less: Aggregate External Finance		
Baseline Funding	-,2,793,310	
Additional Retained Business Rate income	-575,570	
Funding Guarantee Grant	-256,100	
New Homes Bonus	-125,110	
Revenue Support Grant	-109,100	
Services Grant	-104,580	
Local Tax Guarantee Scheme - use of set aside grant	-37,000	
Contribution to the Collection Fund surplus (as per paragraph 5.8)	43,480	
		-3,957,290
Minimum amount to be raised from Council Tax		10,141,650
Net additional impact of proposals identified in Appendix 2 if all approved		90,000
Amount to be raised from Council Tax based on 2.99% Council Tax		10,231,650

- * 2023/24 budget requirement after any contribution to or from reserves required to balance the budget or any further increase to Council Tax.

Within section 5 of the report, members are given the options for the Council Tax and approving the service investment proposals.

(b) Council Tax Base

The Council's Tax base for 2023/24 is 39,364.6 Band D equivalent properties. There is a decrease to the current year base of 39,610.5 which is due to the impact of the Council Tax Support Scheme. The full calculation of the tax base is shown in Appendix 4.

(c) Worthing Borough Council Band D Council Tax

In Section 5.10, the options for the Council Tax increase are discussed in detail. An average Council Tax increase of 2.09% will ensure that the Council has a balanced budget, an average increase of 2.99% will lever in sufficient additional resources to fund the service investment proposals recommended for approval at Appendix 2 and deliver a balanced budget.

12.4 West Sussex County Council and Sussex Police Authority

- (a) The County Council requirements are expected to be confirmed on 17th February, 2023. The proposed Police and Crime 2023/24 budget is due to be considered by the Sussex Police and Crime Panel (PCP) on 27th January 2023.

	2022/23 £	2023/24 £
West Sussex County Council	1,555.74	t.b.c
Sussex Police Authority	224.91	t.b.c
TOTAL	1,780.65	t.b.c.

12.5 The final figures for all authorities will be incorporated into the formal Council Tax setting resolution to be presented to the Council at its meeting on 21st February 2023.

13.0 LEGAL IMPLICATIONS

- 13.1 The Local Government Act 2003 places an obligation on the Chief Finance Officer to set prudential indicators and report to the Council on the robustness of the estimates and the adequacy of reserves which are addressed within the body of this report.
- 13.2 The Local Government Act 2003 requires that the Council sets a balanced budget. The purpose of this Report is to demonstrate how Worthing Borough Council intends to meet this legal requirement for 2023/24.
- 13.3 The Local Authority Finance Act 1992 provides the power for Full Council to authorise the proposals for Council Tax.
- 13.4 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

14.0 CONCLUSION

- 14.1 This has been an exceptionally difficult year in which the Council has had to address a budget shortfall of £3.2m whilst contending with the impact of high inflation and the current economic climate. The Government is providing more support in 2023/24 however much of this support is time limited in nature and there is a lack of clarity about the future of local government funding reform. To meet this challenge the Council has identified significant savings of £3.203m of savings and is now in the position to set a balanced budget.
- 14.2 The financial challenges in the current financial year will significantly impact on the Council's financial sustainability. Consequently we must prepare the Council to both rebuild the reserves and face another challenging budget for 2024/25. Our overall financial position will inevitably impact on our ability to deliver our priorities, but despite this the Council will have delivered on some key commitments, not least the approved change to the Council Tax Support Scheme. Consequently, the strategy of delivering commercial income growth and business efficiencies continues to play a vital role in balancing the budget. Nevertheless, given the scale of the potential challenges ahead, a refreshed budget strategy will be presented in July next year which will bring forward new savings initiatives.

- 14.3 Provided we continue to deliver on our agreed budget strategy, the Council will become increasingly financially resilient over the next 5-10 years as government funding reduces and we become largely funded by our community through Council Tax, retained Business Rates and income from our commercial services.
- 14.4 The strategic aims of the Council are critical to our success. Developing the local economy to increase employment space and local jobs together with the provision of new homes is one of the strategic measures that the Council can take to protect its longer term financial interests, however there will inevitably be some difficult days ahead as the Council seeks to address the remaining budget shortfall and rebuild our financial health.
- 14.6 Finally, in preparing the strategy and forecast for 2023/24 an assessment was carried out of the significant risks and opportunities which may have an impact on the Council's budget. Where quantifiable, the budget has been adjusted accordingly but it is important to acknowledge that there are still some risks to the overall position which may have to be funded from reserves. Members will continue to receive regular budget monitoring reports and updates to the Council's 5-year Medium Term Financial Plan, to ensure that the financial challenges ahead are effectively met.

Local Government Act 1972

Background Papers:

- New Priorities for Worthing Borough Council - report to JSC Worthing Sub Committee 5th July 2022
- New Economic Principles for Worthing - report to JSC Worthing Sub Committee 5th December 2022
- Our Plan - The new corporate plan for Adur & Worthing Councils - report to JSC 11th October 2022
- Developing a revenue budget for 2023/24 against a backdrop of high inflation – Report to Joint Strategic Committee on 5th July 2022
- Report to the Worthing Joint Strategic Sub-Committee 5th December 2022 - 2023/24 Budget update
- Local Authority Finance (England) Settlement Revenue Support Grant for 2023/24 and Related Matters: MHCLG Letters and associated papers of 19th December 2022.
- Local Government Act 2003 and Explanatory Note
- ‘Guidance Note on Local Authority Reserves and Balances’ – LAAP Bulletin No. 77 - CIPFA -published in November 2008
- Statement of Accounts 2021/22
- Report to Worthing Joint Strategic Sub-Committee 5th December 2022 – 2nd Revenue Budget Monitoring Report (Q2)

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SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Through its strategies and operations, the Council has an important role to play in the economic development of Worthing. The development of major regeneration projects, public realm and active transport initiatives support the development of a thriving economy, and the Council's strategy to direct procurement and contracts towards local companies are key levers.

2. SOCIAL

2.1 Social Value

The Council's housing strategy is key to supporting local residents and communities, as are the range of initiatives to help tackle the cost of living crisis. The Council's use of data is helping target those most in need, offering support through our One Stop and proactive services and signposting people to further help.

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

The Council's budget is supporting the delivery of a range of carbon emissions reduction and biodiversity initiatives that is helping it meet its net zero 2030 commitments while also providing leadership for others across the area, such as Worthing Hospital through the Heat Network scheme.

4. GOVERNANCE

Matter considered and no issues identified

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

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	13,785	13,785	13,785	13,785	13,785	13,785
(a) Annual Inflation						
Estimated inflation (with 4.5% allowance in 2023/34)		258	743	1,215	1,682	2,160
Impact of 2022/23 pay award (Assume 5.82% budget contains 2%)		646	659	672	685	699
Reduction in employers national insurance by 1.25%		(111)	(113)	(115)	(117)	(119)
(b) One -off / non-recurring items						
Local Elections (held three out of four years)		50	50	-	50	50
(c) Impact of Cost of Living crisis						
Additional pay award - Usually budget for 2% assume 4.5%		420	424	439	450	459
Gas and electricity (380% gas, 190% electricity)		914	914	914	914	914
Diesel (50% increase)		120	120	120	120	120
Leisure Contract		90	90	90	90	90
Additional cost of housing service due to increasing demand including prevention work		748	767	767	767	767
Additional grant funding for homelessness prevention		(148)	(167)	(167)	(167)	(167)
Removal of inflation contingency budget		(158)	(158)	(158)	(158)	(158)
(d) Impact of funding the existing Council's priorities						
Measures to reduce waste - Impact of the Environment bill		32	32	32	32	32
Refurbishment of High Street Car Park - Financing costs		148	148	148	148	148
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
(e) Treasury Management						
Financing costs - General Programme		436	1,517	1,938	2,158	2,282
Investment income		(330)	(330)	(353)	(375)	(398)
(g) Other items						
Impact of waste dispute:						
Impact of negotiation on salaries costs		260	260	260	260	260
Impact of dispute on net income		48	48	48	48	48

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

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
(g) Other items (continued)						
Impact of Triennial review:						
Reduction in pension rates		(33)	(34)	(35)	(36)	(37)
Reduction in back funded contributions		(227)	(423)	(618)	(618)	(618)
Building maintenance - scale up budget		50	50	50	50	50
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		-	-	386	386	386
Impact of rate revaluation 2017		81	93	111	161	164
Consolidation of Council Tax Support grant into RSG		105	105	105	105	105
Provision to rebuild reserves		-	200	200	200	200
Allowance for committed growth items		113	203	293	383	473
(h) Approved Growth items						
Provision for new growth items (see appendix 2).		90	211	301	391	481
Total Cabinet Member Requirements	13,785	17,392	19,620	21,074	22,240	23,022
Baseline funding	2,693	2,793	2,849	2,906	2,964	3,023
Add: Net retained additional business rates	867	1,049	1,110	564	571	586
Add: Share of surplus /deficit (-) net of use of reserves	(194)	(473)				
Adjusted Baseline funding	3,366	3,369	3,959	3,470	3,535	3,609
Council Tax income	9,996	10,321	10,569	10,823	11,083	11,350
Impact of removal of Council Tax Support		(90)	(92)	(94)	(96)	(98)
New homes bonus (2019/20 - 2022/23)	68	-	-	-	-	-
New homes bonus - One off payments	88	125	-	-	-	-
Total New Homes Bonus	156	125	-	-	-	-
Lower Tier Services/ Revenue Support Grant	121	109	109	109	109	109
Local tax compensation scheme	37	37	-	-	-	-
Funding guarantee		256	256			
Services Grant	185	105				
Collection fund surplus/deficit (-)	(76)	(43)	-	-	-	-
Total other grants and contributions	423	589	365	109	109	109
Total Income from Taxation	13,785	14,189	14,801	14,308	14,631	14,970
AMOUNT REQUIRED TO BALANCE BUDGET	-	3,203	4,819	6,766	7,609	8,052

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

	2022/23 Base	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000	£'000
AMOUNT REQUIRED TO BALANCE BUDGET		3,203	4,819	6,766	7,609	8,052
Savings / Initiatives identified to date:						
Strategic Property Investment Fund						
Future property developments		113	113	113	113	113
Provision for future voids and repairs		(100)	(200)	(300)	(400)	(500)
Wellbeing centre and car park - net of debt charges		-	-	-	-	-
Commercial and Customer Activities		606	1,056	1,506	1,956	2,406
Service and Digital redesign programme		131	251	371	491	611
Corporate Landlord Programme		78	156	261	451	641
Corporate initiatives		1,241	1,241	1,241	1,241	1,241
Departmental proposals		1,134	1,099	1,099	1,099	1,099
Total savings initiatives identified to date		3,203	3,716	4,291	4,951	5,611
Cumulative savings still to be found/ (surplus)		-	1,103	2,475	2,658	2,441
Annual savings still to be found		-	1,103	1,372	183	(217)

Description	Comments	Expected cost (cumulative)								
		2023/24			2024/25			2025/26		
		Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing	Joint (memo only)	Adur	Worthing
Delivery manager	New post to build our programme management capability as outlined in Our Plan and manage our budget challenge programme	55,310	22,120	33,190	60,340	22,120	33,190	60,340	22,120	33,190
Increase to capital programme	The capital programme for Worthing had been set at £1.5m, however to meet all of the emerging health and safety requirements a further amount of £678,000 borrowing is required.			16,950			48,110			48,110
ASB Officer	Mainstreaming of one post to reflect that this remains an important service for the Councils despite the fact that external funding has now ceased for this role	41,000	16,400	24,600	41,000	16,400	24,600	41,000	16,400	24,600
Broadcasting of council meetings - Software licencing	Mainstreaming our prototype approach to broadcasting council meetings as this saves considerable staff time and resource compared to the temporary solution developed during the pandemic	4,000	1,600	2,400	4,000	1,600	2,400	4,000	1,600	2,400

Description	<i>Proposed text for paper</i>	<i>Expected cost (cumulative)</i>								
		<i>2023/24</i>			<i>2024/25</i>			<i>2025/26</i>		
		<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>	<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>	<i>Joint (memo only)</i>	<i>Adur</i>	<i>Worthing</i>
Participation software platform	Planned investment in a new digital platform to increase our participation and community engagement infrastructure	15,000	6,000	9,000	15,000	6,000	9,000	15,000	6,000	9,000
Asana licences	Software which will enable the development of an enhanced programme management capability and reporting	6,170	2,470	3,700	6,170	2,470	3,700	6,170	2,470	3,700
Total growth identified through financial planning		121,480	48,590	89,840	126,510	48,590	121,000	126,510	48,590	121,000
		-100,000	-70,000	-90,000	-100,000	-70,000	-90,000	-100,000	-70,000	-90,000
Net growth identified		21,480	-21,410	-160	26,510	-21,410	31,000	26,510	-21,410	31,000

SCHEDULE OF EARMARKED RESERVES
APPENDIX 3

		Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.23	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.24
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	CAPACITY ISSUES RESERVE Purpose: The Capacity Issues Reserve was set up in 2005/06 to give the Council scope to deal with a range of cost pressures expected to arise from 2006/07 onwards.	1,308	-	-861	447	-	-	447
2	INSURANCE RESERVE Purpose: The Insurance Reserve was established in 1993/94 to develop risk management, fund self-insurance and to achieve longer-term revenue savings.	252	31	-35	248	30	-30	248
3	PROPERTY INVESTMENT RISK RESERVE Purpose: To offset future void rental periods in investment properties and to provide for future maintenance of the commercial property portfolio.	450	-	-	450	550	-	1,000
4	LEISURE LOTTERY & OTHER PARTNERSHIP Purpose: The Leisure, Lottery & Other Partnerships Reserve was established in 1995/96 to assist in financing capital schemes attracting substantial support from the National Lottery distributor bodies & other funding agencies & organisations. This reserve is currently earmarked for support to the Museum Redevelopment bid & the Football Foundation bid.	28	-	-	28	-	-28	0

SCHEDULE OF EARMARKED RESERVES

APPENDIX 3

		Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.23	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.24
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
5	MUSEUM RESERVE Purpose: The Museum Reserve was established in 1993/94 to support the overall service aims of the Museum and Art Gallery on occasions where annual budgets do not allow the work of the Museum and Art Gallery to progress in a manner which will contribute to achieving these aims.	106		-20	86			86
6	BUILDING MAINTENANCE RESERVE Purpose: This will fund re-profiled expenditure on building maintenance.	326	-	-150	176	-	-	176
7	GRANTS & CONTRIBUTIONS Purpose: The reserve is used to hold grants or contributions which have been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date.	1,067	-	-	1,067	-	-	1,067
8	BUSINESS RATES SMOOTHING RESERVE Purpose: This reserve is intended to smooth the impact of timing differences in the business rate system largely due to in-year changes to business rate reliefs .	3,307		-1,336	1,971	-	-1,971	0
9	LOCAL TAX INCOME GUARANTEE Purpose: The council received grant funding in 2020/21 towards the impact of council tax and business rates losses from the pandemic. However, due to the regulations governing the Collection Fund, the 2020/21 losses are due to be funded by the general fund over the next three years (2021/22- 2023/24). This reserve will be used to offset losses over that period.	302		-234	68		-68	0

SCHEDULE OF EARMARKED RESERVES

APPENDIX 3

		Balance as at 01.04.22	Planned Contributions	Planned Withdrawals	Forecast Balance as at 01.04.23	Planned Contributions	Planned Withdrawals	Forecast Balance as at 31.03.24
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
10	CREMATORIUM IMPROVEMENT RESERVE	-	60	-60	0	60	-60	0
11	GENERAL FUND WORKING BALANCE	1,348			1,348	150		1,498
12	PROJECTED OVERSPEND		-	-2,214	-2,214	-	-	-2,214
	Reserves to be identified at outturn.							
	TOTAL	8494	91	-4,890	3,675	790	-2,157	2,308

PROPERTY ANALYSIS AND CALCULATION OF TAX BASE										
Properties	Band A -	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	
Band D Equivalentents	3.40	3,526.70	6,743.90	9,727.80	8,546.00	6,153.70	3,289.70	1,396.20	28.00	39,415.40
Add: Forecast new homes	0.00	43.30	46.66	15.53	33.50	42.78	1.46	0.00	1.00	184.23
Add: Second Homes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Adjustments for Losses on Collection, and Void Properties	0.00	0.00	0.00	0.00	235.00	0.00	0.00	0.00	0.00	235.00
COUNCIL TAX BASE	3.40	3,570.00	6,790.56	9,743.33	8,344.50	6,196.48	3,291.16	1,396.20	29.00	39,364.63

Worthing Budget Consultation Survey 2023

1. Firstly, do you live, work or study in the Worthing area? Please tick all that apply (if you have a connection to Adur by living, working or studying there, you can also complete the Adur survey).

Answer Choices			Response Percent	Response Total
1	I live in Worthing		93.41%	864
2	I work in Worthing		39.35%	364
3	I study in Worthing		1.41%	13
			answered	925
			skipped	0

2. Imagine you are in charge of setting the Council's budget. Consider the following service areas – for each of the twelve areas of work below, please tell us whether you would be comfortable or not with a reduction in spending.

Answer Choices	Very comfortable	Partly comfortable	Not comfortable	Don't know/no opinion	Response Total
Parks and open spaces	8.76% 81	35.68% 330	54.38% 503	1.19% 11	925
Seafront	9.62% 89	29.41% 272	59.68% 552	1.30% 12	925
Leisure services through our partner South Downs Leisure	18.27% 169	42.16% 390	35.89% 332	3.68% 34	925
Supporting our high streets	10.38% 96	33.51% 310	52.97% 490	3.14% 29	925
The Cost of Living emergency and supporting the most vulnerable	9.84% 91	19.24% 178	67.46% 624	3.46% 32	925
Health and wellbeing services	10.05% 93	18.92% 175	68.86% 637	2.16% 20	925
Waste and recycling services	7.35% 68	22.16% 205	69.62% 644	0.86% 8	925
Keeping our streets clean	7.24% 67	24.54% 227	67.14% 621	1.08% 10	925
Housing and homelessness prevention	9.19% 85	19.78% 183	67.78% 627	3.24% 30	925

2. Imagine you are in charge of setting the Council's budget. Consider the following service areas – for each of the twelve areas of work below, please tell us whether you would be comfortable or not with a reduction in spending.

Planning	20.65% 191	45.95% 425	26.49% 245	6.92% 64	925
Supporting business growth in our area	12.97% 120	44.43% 411	37.30% 345	5.30% 49	925
Culture	20.65% 191	44.65% 413	30.49% 282	4.22% 39	925
				answered	925
				skipped	0

3. Reduction in spending is intended to help us balance the books while we are continuing to invest in the areas which are most important to residents. For each area of work in the following list, how much of a priority do you feel they should be for Worthling? (Please note, some of the areas listed below are not our direct responsibility but we will use this information to work more effectively with partners such as West Sussex County Council.)

Answer Choices	Low priority	Medium priority	High priority	Don't know/no opinion	Response Total
Do more to support vulnerable people with our Cost of Living action plan	11.58% 101	37.04% 323	49.31% 430	2.06% 18	872
Increase our fees and charges in order to fund other services	34.06% 297	45.30% 395	16.28% 142	4.36% 38	872
Invest more in our public realm. Example: development of Montague Place or investment in the lido	35.21% 307	42.78% 373	21.56% 188	0.46% 4	872
Invest more in young people / children. Example: investing in play areas and services for young people	12.39% 108	40.25% 351	46.90% 409	0.46% 4	872
Invest in more sustainable travel infrastructure. Example: creating more cycling infrastructure	49.08% 428	28.33% 247	22.25% 194	0.34% 3	872
Do more to protect / develop more green spaces. Example: doing more to increase the biodiversity of our parks and green spaces	22.13% 193	43.69% 381	33.60% 293	0.57% 5	872
Do more to address the cost and availability of housing. Example: accelerating our ambition to build council housing	21.67% 189	29.59% 258	47.82% 417	0.92% 8	872
Do more to support independent shops / businesses / more diversity in shops. Example: doing more promotion and marketing to bring people into our town	23.62% 206	45.53% 397	30.28% 264	0.57% 5	872
Do more to invest in facilities in parks such as pavilions or public toilets	19.38% 169	50.23% 438	29.93% 261	0.46% 4	872
				answered	872
				skipped	53

4. In February we will need to set our Council Tax. Money that we collect is split between West Sussex County Council (WSSC), the Office of the Sussex Police & Crime Commissioner (OSPCC) and us. Last year, of the total of £1807.12 paid by a Worthing Band C household, £1382.88 went to WSSC, £199.92 went to the OSPCC and just £224.32 went to us to fund all the services we provide. Which of the following options do you think is most appropriate:

Answer Choices			Response Percent	Response Total
1	Increase Council Tax by 2% - this would make a significant contribution to balancing the budget		36.62%	316
2	Increase Council Tax to 3% - we could prioritise this additional funding for key services or to support the most vulnerable in our communities		34.88%	301
3	None of the above / don't know / no opinion		28.51%	246
			answered	863
			skipped	62