



ADUR & WORTHING
COUNCILS

Joint Strategic Committee
7 February 2023

Key Decision [Yes/No]

Ward(s) Affected: All

Final Revenue Budget Estimates for 2023/24

Report by the Director for Digital & 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 note:

- The final revenue estimates for 2023/24; and
- An updated outline 5-year forecast;

These budgets reflect the decisions taken by members to date in relation to agreed savings proposals and any committed growth. The budgets are still to be adjusted for the proposals to invest in services detailed in Appendix 2 which were considered by the Cabinets last week.

1.3 The budget is analysed by Directorate. 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 cost adjustments that do not impact either on the Budget Requirement or the Council Tax Requirement).

1.4 The respective Adur and Worthing 2023/24 Estimates and Council Tax setting reports have already been considered by the Worthing Cabinet on 1st February 2023 and the Adur Cabinet on 2nd February 2023. Both the estimates for Adur District Council and Worthing Borough Council include their respective share of the cost of the Joint Strategic Committee.

1.5 The following appendices have been attached to the report:

- (i) **Appendix 1** 5 year forecasts for the Joint Strategic Committee;
- (ii) **Appendix 2** Proposals for investment in services; and
- (iii) **Appendix 3** Summary of Executive Member Portfolio budgets for 2023/24

2. Recommendations

2.1 The Joint Strategic Committee is recommended to:

- (a) Note the proposals to invest in services outlined in Appendix 2 which were considered at the Executive meetings in early February;
- (b) Note the proposed 2023/24 budget detailed in Appendix 3. The respective Council shares having been approved by the Adur and Worthing Executives. The budget will be adjusted for any changes to the Investment in Services proposals agreed by Cabinet.

3. Background

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.

3.2 On 6th December the '2023/24 Budget update report' was approved by the Joint Strategic Committee, this report updated the members on the latest

budget forecast, the options for addressing the budget shortfalls and considered any unavoidable growth.

3.3 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:

- The Major Projects programme leads on delivering regeneration projects to increase employment space and additional housing;
- The Strategic Asset Management programme will lead on delivering the income growth associated with the Strategic Property Fund and any proposed new developments;
- The Commercial programme is developing initiatives for income growth from commercial services and seeks to improve the customer experience;
- 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; and
- 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.
- The Service and Digital Redesign Programme which continues to deliver new digital services and improvements to existing systems.

3.4 Since the meeting on the 6th December, the Joint Strategic Committee budget has been finalised and the last adjustments have been included. Overall, therefore, the current financial position of the Joint Strategic Committee for 2023/24 can be summarised as :

	£'000
Original 2023/24 budget shortfall	3,770
Add: Transferred budgets	354
<i>Changes to Pay and inflation</i>	
(a) Impact of latest assessment of 22/23 pay award	280
(b) Additional pay award 23/24 above 2%	27
(c) Change in inflation estimate	-805
(d) Impact of 1.25% national insurance contribution reduction	-180
(e) Net change to pension costs	-20
(f) Increase in energy and diesel cost assumptions	196
Delay to the implementation of the requirements of the Environment Act	-150
Impact of waste negotiation	97
<i>Adjustment for final items</i>	
Other minor adjustments	-4
Increase in funding from constituent authorities	-1,870
Revised Budget shortfall	1,695
Less: Net savings agreed in December	-2,018
Add: Adjustment for savings that are directly attributable to the constituent authorities budgets	323
Balanced budget	-

- 3.5 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.
- 3.6 A full update on the provisional settlement is included in the Budget Estimate reports for both Councils.

3.7 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.

3.8 The key issues which will affect the future funding for the Joint Strategic Committee include:

i) The Council Tax referendum thresholds confirmed as the higher of 3% or £5.00 for a Band D property.

ii) The inclusion of Council Tax Support Administration Grant as part of Revenue Support Grant for the first time. Since 2016/17 both Councils have seen Revenue Support Grant fall and have received no grant since 2018/19 until 2023/24. The Councils have been allocated the following grant in 2023/24;

- Adur £ 74,160
- Worthing £109,100

iii) 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.

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 in income from the business rate system of £191,000 in Adur and £304,000 in Worthing.

- iv) A new funding guarantee 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. Allocations for Adur District Council and Worthing Borough Council are £226,630 and £256,100 respectively. It is expected that this funding will remain in place in 2024/25.

- v) The Services Grant was introduced in 2022/23 as a one year grant to fund core services which was distributed using the 2013/14 Settlement Funding Assessment methodology. This has continued in 2023/24 but reduced to reflect the estimated benefit from the changes to National Insurance. Allocations are;

- Adur District Council will receive £68,650,
- 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.

- vi) 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 Councils will receive an additional grant of;

- Adur District Council £ 78,980
- Worthing Borough Council £125,110

3.9 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 fundamental changes to the Business Rate Retention Scheme have now been delayed until 2025/26 at the earliest, effectively deferred until after the next election.

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

4.0 DRAFT REVENUE ESTIMATES 2023/24

4.1 Detailed budgetary work for the Joint Strategic Committee is now complete (subject to any decisions arising from the Adur and Worthing Executives in February) and the estimate of the budget requirement is £26,346,800. This includes the savings agreed by the Joint Strategic Committee in December. Attached at Appendix 2 are the additional proposals for investment into services recently considered by the Executives.

4.2 A breakdown of each Executive Member’s summary budget is attached in Appendix 3. The changes can be summarised briefly as follows:

	£'000	£'000
2022/23 Original Estimate		24,477
Add: Budget transferred in 2022/23 for approved growth items		143
2022/23 Revised Estimate		24,620
Add: Pay and Price Increases		2,378
Add: Committed and Unavoidable Growth:		
Impact of Waste dispute		347
Increased Energy & Diesel costs		540
Measures to reduce Waste		50
Less: Compensatory savings and additional Income:		
Reduction in pension contributions	-20	
Decrease in employer NI contributions	-180	-200

	£'000	£'000
Other items:		
Transfer of Budgets from Joint Services		211
Provision for investment in services		96
2023/24 budget prior to agreed savings		28,042
Less: Savings agreed by members		
Approved in December		-2,018
Less : Savings subsequently attributed to the constituent councils		323
Net cost to be funded by the Councils		26,347
Net cost allocated as follows:		
- Adur District Council		10,590
- Worthing Borough Council		15,757
Cost reallocated to both Councils		26,347

- 4.3 The Joint Strategic Committee budget has been reflected in both the Adur and Worthing Estimates, which will be approved by their respective Executives on 2nd February and 1st February 2023. The allocation of the costs of joint services under the remit of the JSC has again been reviewed this year. There is no significant swing of costs between the two Councils this year.

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

5.0 IMPACT ON FUTURE YEARS

- 5.1 The impact of the proposed changes on the overall revenue budget for the next 5 years is shown at Appendix 1. However, following settlement, it is clear that the Councils will continue to have budget shortfalls for at least the next 2 - 5 years. Consequently, the Joint Strategic Committee is likely to show the following shortfalls in line with that experienced by the Constituent Councils:

	Expected shortfall (Cumulative)				
	2023/24	2024/25	2025/26	2026/27	2027/28
	£'000	£'000	£'000	£'000	£'000
Cumulative budget shortfall as per appendix 1	1,695	2,082	2,409	2,983	3,570
Less:					
Net savings identified in 2023/24 budget round	-1,695	-1,695	-1,695	-1,695	-1,695
Adjusted cumulative budget shortfall	-	387	714	1,288	1,875
Savings required each year		387	327	574	587

5.2 To ensure that the Joint Strategic Committee continues to balance the budget there will need to be a continuing emphasis on efficiency and value for money in the annual savings exercise.

6.0 SIGNIFICANT RISKS

6.1 Members will be aware that there are several risks to the Joint Strategic Committee's overall budget. These can be summarised as follows:-

(i) 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	267
Non-pay	19

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

All budgets within the public sector continue to come under intense scrutiny which may lead to partners reassessing priorities and withdrawing funding for partnership schemes. Consequently, either council might lose funding for key priorities, which would leave the Joint Committee with unfunded expenditure together with the dilemma about whether to replace the funding from internal resources.

(iii) **Income**

The Committee receives income from a number of services which will be affected by demand. Whilst known reductions in income have been built into the proposed budgets for 2023/24, income may fall further than expected.

7.0 CONSULTATION

7.1 The Council ran a public consultation exercise this year, there were 925 responses from Adur district residents and 1,239 from Worthing borough residents. Further details are provided within the appendices of the Adur District Council and Worthing Borough Council budget estimates 2023/24 and setting of the 2023/24 Council Tax reports considered by the Adur Executive and Worthing Cabinet on 23rd February 2023 and 21st February 2023, respectively.

7.2 Officers and members have been consulted on the development of the budget.

8.0 COMMENTS BY THE CHIEF FINANCIAL OFFICER

8.1 Section 25 of the Local Government Act 2003 requires an authority's Chief Financial Officer to make a report to the authority when it is considering its budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so Members will have authoritative advice available to them when they make their decisions. The Section requires Members to have regard to the report when making their decisions.

8.2 As Members are aware, the Joint Strategic Committee must set its estimates in advance of the start of the financial year. This is because both Councils must decide every year how much they are going to raise from council tax.

They base their decision on a budget that sets out estimates of what they plan to spend on each of their services. This includes a share of the cost of the Joint Strategic Committee. Because they decide on the council tax in advance of the financial year in question, and are unable to increase it during the year, they have to consider risks and uncertainties that might force them to spend more on their services than they planned. Allowance is made for these risks by:

- making prudent allowance in the estimates for each of the services, and in addition;
- ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.

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

- (1) The provision of estimates for items outside of the direct control of the Council:
 - Income from fees and charges in volatile markets, and income from grants.
 - External competition and declining markets, particularly during a recession.
- (2) Cost pressures not identified at the time of setting the budget. This would include items such as excess inflation.
- (3) Initiatives and risks not specifically budgeted for.

8.3 Overall view on the robustness of the estimates:

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

8.4 The Chief Financial Officer and Section 151 Officer's overall view of the robustness of the estimates is, therefore, as follows:

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

9.0 LEGAL IMPLICATIONS

- 9.1 The Local Government Act 2003 requires that the Councils set a balanced budget. This report demonstrates how the Council will meet this requirement for 2023/24.

10.0 CONCLUSION

- 10.1 The Councils have implemented a budget strategy which plans for the reduction in the resources provided via Government. The strategy outlines a series of proactive steps which would contribute significantly to meeting the financial challenge by increasing income or by promoting business efficiency through the use of digital technology. Overall the Committee has successfully contributed to this strategy by identifying savings of £1.695m to meet the current year's shortfall against a backdrop of inflationary and cost of living pressures..
- 10.2 Looking further ahead, 2024/25 will again be challenging as the Council grapples with the impact of increasing cost pressures and reduced real term funding. Consequently, the strategy of delivering commercial income growth and business efficiencies through the digital agenda continues to play a vital role in balancing the budget.
- 10.3 However, provided we continue to deliver on this strategy, the Councils will become increasingly financially resilient over the next 5-10 years as government funding reduces, New Homes Bonus disappears and we become largely funded by our community through Council Tax and income from our commercial services.

Background Papers

- Our Plan - The new corporate plan for Adur & Worthing Councils - report to Joint Strategic Committee 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
- Budget Update - Report to Joint Strategic Committee on 6th December 2022.
- 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
- Reports to Adur Joint Strategic Sub-Committees 5th December 2022 – 2nd Revenue Budget Monitoring Report (Q2)
- Report Worthing Joint Strategic Sub-Committees 6th December 2022 – 2nd Revenue Budget Monitoring Report (Q2)

SUSTAINABILITY AND RISK ASSESSMENT

1. ECONOMIC

Matter considered and no issues identified

2. SOCIAL

2.1 Social Value

The Councils' 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 JSC's budget is supporting the delivery of a range of carbon emissions reduction and biodiversity initiatives that is helping the Councils' meet their net zero 2030 commitments.

4. GOVERNANCE

Matter considered and no issues identified

Appendix 1

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
Net Spending to be Financed from Taxation						
Base budget	24,477	24,620	24,620	24,620	24,620	24,620
Investment in services approved as part of 22/23 budget	143					
a) Annual Inflation						
Estimated inflation		603	1,385	2,117	2,832	3,562
Impact of 2022/23 pay award (Assume 5.82% budget contains 2%)		1,081	1,103	1,125	1,148	1,171
Reduction in employers national insurance by 1.25%		(180)	(184)	(188)	(192)	(196)
b) Impact of funding 'Platforms'						
Measures to reduce waste		50	50	50	50	50
c) Impact of Cost of Living crisis						
Additional pay award - Usually budget for 2% assume 4.5%		694	708	722	736	751
Gas and electricity (380% gas, 190% electricity)		359	359	359	359	359
Diesel (50% increase)		181	181	181	181	181
c) Other items						
Impact of waste dispute:						
Impact of negotiation on salaries costs		347	347	347	347	347
Impact of Triennial review:						
Reduction in pension rates		(20)	(20)	(20)	(20)	(20)
Provision for new growth items (see appendix 2).		96	196	296	396	496
Transfer of Budgets from Joint		211	211	211	211	211
Net cost to be reallocated to the Councils	24,620	28,042	28,956	29,820	30,668	31,532
Adur District Council	9,933	10,590	10,802	11,018	11,128	11,239
Worthing Borough Council	14,687	15,757	16,072	16,393	16,557	16,723
Total income for services provided to the constituent councils	24,620	26,347	26,874	27,411	27,685	27,962
(Surplus) / Shortfall in Resources	-	1,695	2,082	2,409	2,983	3,570

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

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Base					
	£'000	£'000	£'000	£'000	£'000	£'000
(Surplus) / Shortfall in Resources		1,695	2,082	2,409	2,983	3,570
Savings identified to date:						
Commercial activities and commissioning						
Commercial and Customer Board		263	263	263	263	263
Service and Digital redesign programme		178	178	178	178	178
Corporate initiatives		460	460	460	460	460
Departmental proposals		1,117	1,117	1,117	1,117	1,117
Savings identified within constituent authorities		(323)	(323)	(323)	(323)	(323)
Total savings identified		1,695	1,695	1,695	1,695	1,695
Savings still to be found/ (surplus)		(0)	387	714	1,288	1,875

Appendix 2

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>
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
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>
Time to spare platform for participation	Planned expenditure to increase our participation and community engagement infrastructure (NB this will slightly different text in Adur and Worthing)	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	72,890	126,510	48,590	72,890	126,510	48,590	72,890
		-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	-17,110	26,510	-21,410	-17,110	26,510	-21,410	-17,110

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



ADUR & WORTHING
COUNCILS

SERVICE BLOCKS	ESTIMATE 2022/2023	ESTIMATE 2023/2024
	£	£
Chief Executive & Communications	645,580	743,830
Director for Communities	9,014,030	10,020,510
Director for Digital & Resources	12,227,570	12,423,640
Director for the Economy	3,903,400	4,333,260
TOTAL SERVICES	25,790,580	27,521,240
ALLOCATION OF COSTS		
Less: Allocation to HRA and Capital Programme charged direct to Adur and Worthing	(1,169,680)	(1,174,440)
	24,620,900	26,346,800
Adur District Council	(9,933,310)	(10,589,810)
Worthing Borough Council	(14,687,590)	(15,756,990)
TOTAL SERVICE BLOCK ALLOCATIONS	(24,620,900)	(26,346,800)