



3rd Quarter Revenue Monitoring Report 2022/23

Report by the Director for Digital, Sustainability and Resources

Executive Summary

1. Purpose

- 1.1. This report updates the Joint Strategic Sub Committee for Worthing Borough Council with the latest expenditure and income projections for both Adur District Council and Worthing Borough Council for the current financial year 2022/23, compared to the Revenue Budget approved by both Councils in February. Whilst the 'spend to date' will be the position as at the 31st December 2022, the forecast outturn position will reflect the latest information available to ensure an up-to-date forecast is presented.

As at quarter 3, the current outturn projection for the 2022/23 financial year for the Worthing Borough Council General Fund is a net overspend after reserve transfers of £2.1m. A breakdown is set out in section 4.4 of the report.

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

- (i) **Appendix 1** Briefing Note on Service Performance
- (ii) **Appendix 2** (a) Worthing Summary
(b) Worthing Use of Earmarked Reserves
- (iii) **Appendix 3** (a) Table of Variations over £20,000
(b) Table of movements over £50,000 between

2. Recommendations

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

3.0 Context

3.1 The Joint Strategic Committee last considered the 5-year forecast for 2022/23 to 2026/27 on 5th July 2022.

3.2 The report outlined the financial context, and updated the outline 5 year forecast, the key budget pressures and the savings proposals for addressing the budget gap for Adur and Worthing Councils. The report built on previous strategies whose aim was to ensure that the Councils would become community funded by 2020 reliant, by then, only on income from trading and commercial activities, council tax income and business rate income.

3.3 The successful delivery of the strategy is fundamentally changing how the Councils are funded. The Councils are moving increasingly away from ever reducing government funding towards funding from the local community via Council Tax and Business Rates, and will become increasingly reliant on income from commercial activities.

4.0 Issues for consideration - Revenue 2022/2023 Forecast

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

4.2 However, the financial landscape has changed due to the impact of the economic downturn, energy prices, rising inflation and interest rates visible in additional cost pressures falling on the Council over the last 7 months. Additional pressure has also been created by the national pay award which is higher than assumed and built into the 2022/23 budget.

4.3 The ongoing uncertainty around inflation, increased demand on services and energy resources and pricing, it is difficult to have certainty on the estimates and assumptions, the current projections indicate forecast year end overspends against budgets of £382k in Adur and £2.1m in Worthing. This includes meeting the challenges of the impact of the inflationary cost pressures, reduced levels of income together with the significant savings requirements to balance the 2022/23 budget. The main factors influencing the level of spend are discussed in detail in section 4.11 of the report.

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

| 2022/23 Forecast Outturn | Worthing | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| | Q2 £000 | Q3 £000 |
| Over/(under)spend in operational services – including share from Joint | 2,991 | 3,395 |
| Reduced borrowing requirement: A lower than forecast call on the MRP (provision to repay debt) and net interest in 2020/21, due to reprofiling of the capital programme. | (302) | (302) |
| Net Interest (increase)/decrease | (361) | (497) |
| Commercial property income shortfall and cost pressure (excluding business rates) | 61 | 81 |
| Property void allowance | (450) | (450) |
| Pay award - impact above budgeted allowance | 606 | 606 |
| Reduction in national insurance contribution rate | (45) | (45) |
| | 2,500 | 2,788 |
| Net over/(under) spend before funding from reserves | | |
| Grant Funding | (111) | (129) |
| Transfer to/(from) reserves | (372) | (559) |
| Forecast net over/(under) spend | 2,017 | 2,100 |

4.5 The key factors underpinning the current financial position include:

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

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

Once the above items are taken into account, the operational position is a net overspend by services of £3.395m in Worthing. This projection demonstrates the pressure on the Councils finances as a result of an increase in inflation, increased homelessness caseloads and income levels in some areas still below pre pandemic levels.

4.6 In summary the overall revenue outturn projections reported for Q3 are as follows:

| Projected Outturn Summary | | | |
|---------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------|---------------------------|
| | Joint £000s | Adur £000s | Worthing £000s |
| Current Budget 2022/23 | 25,790 | 9,742 | 13,785 |
| Forecast Outturn | 28,752 | 10,582 | 16,572 |
| Projected Forecast over/ (underspend) before Government support packages or any transfer to reserves | 2,962 | 840 | 2,788 |
| Reserves Funding | | (419) | (559) |
| Grant Funding | (50) | (39) | (129) |
| Projected Forecast over/ (underspend) after Government funding and proposed transfer to reserves | 2,912 | 382 | 2,100 |
| Projected over/(underspend) percentage | 11.29% | 3.92% | 15.23% |

Comparison to the Q2 forecast:

| | Joint £000s | Adur £000s | Worthing £000s |
|------------------------------------------------------------|------------------------|-----------------------|---------------------------|
| Forecast Over/(under)spend Q3 | 2,912 | 382 | 2,100 |
| Forecast Over/(under)spend Q2 | 2,338 | 64 | 2,017 |
| Change in Forecast Q2 to Q3 (improvement)/deterioration | 574 | 318 | 83 |

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

- 4.7 In the table below, projections have been separated between authority and by Income and Expenditure, to indicate the level of overall under/overspend of costs and the over/under achievement of income targets.

| | Expenditure | Income | Net Total |
|----------------------------------------------------|--------------------|---------------|------------------|
| Joint | £'000 | £'000 | £'000 |
| Budget | 31,489 | (6,590) | 24,899 |
| Forecast (after transfer to reserves) | 34,371 | (6,510) | 27,861 |
| Projected Forecast (Under)/ Overspend | 2,882 | 80 | 2,962 |
| Forecast variance % before Government funding | 9.15% | -1.21% | 11.90% |
| Worthing | £'000 | £'000 | £'000 |
| Budget | 67,673 | (51,494) | 16,179 |
| Forecast (after transfer to reserves) | 69,510 | (52,321) | 17,190 |
| Authority Projected Forecast (Under)/Overspend | 1,837 | (826) | 1,011 |
| Share of Joint (Under) / Overspend | 1,729 | 48 | 1,777 |
| Authority Projected Forecast (Under)/ Overspend | 3,566 | (778) | 2,788 |
| Forecast variance % before Government funding | 5.27% | 1.51% | 17.23% |

4.8 The Joint Strategic Committee (JSC) sub committee for Worthing Borough Council is asked to consider:-

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

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

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

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

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

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

4.11.1 Commentary on service areas that are forecasting significant variances from budget are presented in appendix 1 of this report, summarised highlights are provided in this section 4.11.

4.11.2 The forecast in year deficit is set out in the following table with focus on the main factors that make up the estimated outturn position:

| In Year (surplus)/deficit | Joint (Memo) £000 | Worthing £000 |
|-------------------------------------------------------|------------------------------|--------------------------|
| Cross Cutting | | |
| Pay Award | 972 | |
| National Insurance | (73) | |
| Utilities and Rates | 138 | 360 |
| Maintenance | 198 | (127) |
| Treasury | | (799) |
| Services (detail in appendix 1) | | |
| Waste | 1,296 | (84) |
| Car Parks | | 280 |
| Homelessness | | 653 |
| Bereavement | | 672 |
| Strategic Property | | (369) |
| Planning and Development | | 355 |
| Revenues and Benefits | 270 | |
| Other | 111 | 100 |
| <i>Share of Joint</i> | | <i>1,747</i> |
| Total projected deficit before use of reserves | | 2,788 |

Further detail on these factors is provided below.

4.11.3 Pay Award and National Insurance contributions

The national pay award has been agreed with an increase of £1,925 to each spinal column pay point, this increase is higher than the budgeted allowance creating an in year cost pressure. Offsetting this is the reduction in employer national insurance contributions following the government decision to remove the 1.25% rate increase introduced at the start of April 2022 from November.

4.11.4 Utilities and Rates

The contract for energy has now been renewed and the anticipated usage and price are expected to increase the costs to the council substantially by an average of 190% for electricity and 380% for gas over the next two years. However, this increase is lower than previously forecast due to the introduction by the Government of the Energy Price Relief Scheme which provides support to businesses through discounted energy rates for 6

months until the end of March 2023. The cost impact in the current year is as follows:

- Joint £150,000
- Worthing £276,000

Water and rates variances against budget make up the difference in the table at 4.11.2, further information is provided in appendix 1:

| | Over/(under) spend against budget | |
|-------|-----------------------------------|----------|
| | Joint | Worthing |
| Water | £2,000 | £3,000 |
| Rates | (£14,000) | £81,000 |

4.11.5 Maintenance

Costs are expected to be overspent within Joint Services and Adur District Council. In Worthing Borough Council it is expected there will be an underspend with demand on the service for reactive works lower than budget.

4.11.6 Treasury

The Councils has an underspend against the MRP budget of £302k due to reprofiling to 2022/23 of a proportion of the 2021/22 Capital Programme and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow.

Increase in interest rates during the year has also led to higher investment return income:

| Treasury Management (under)/overspends | Worthing |
|----------------------------------------|---------------|
| Minimum Revenue Provision | £000 (302) |
| Interest from Investment Income | (444) |
| Interest payable on borrowing | (53) |
| Total | (799) |

4.11.7 Waste

Additional costs resulting from the negotiated changes following the waste dispute earlier in the financial year and agency costs being incurred to cover vacancies, holiday and sickness. In addition there has also been a reduction in income against budget partly as a result of cancellations and refunds associated with the dispute. The service is also impacted by rising costs of fuel, parts, bins and consumables.

4.11.8 Car Parks

Demand for parking in Worthing Borough is still below pre covid levels and income levels are underachieving against budget. This perhaps reflects a change in customer behaviour particularly the commuter group. In addition there have been some periods of closure to enable refurbishment works to be undertaken in the town centre car parks.

4.11.9 Homelessness

Costs pressures continue to be experienced with caseload numbers (individuals, couples and families presenting themselves to the council in immediate housing crisis) continuing to increase:

| | Caseload Number (Worthing) |
|------------------------|-------------------------------|
| Current (January 2023) | 330 |
| Quarter 2 | 313 |

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

4.11.10 Bereavement

The deficit against budget is due to an underachievement in income, in Worthing this is associated with cremations and memorials and work is underway to address this. Further detail is set out in appendix 1.

4.11.11 Strategic Property

Projected income in Worthing from strategic property portfolios are based on the assumption that the budgeted transfer to the Property Investment Risk Reserve of £450,000 is not made for 2022/23. There is currently one vacant property within the Worthing portfolio where the council picks up associated service costs and rates charges, and one lease under a rent free period.

4.11.12 Planning and Development

As with Bereavement Services the budget shortfall is largely related to the underachievement of income. These income streams are largely demand led and can therefore fluctuate making forecasting difficult to predict. Worthing expenditure includes unbudgeted costs for the planning inspection of £85,000 which is to be funded by approved use of reserves. Based on current performance the forecast outturn position is:

| | Worthing |
|-----------------------------------------------------|------------|
| Income | £235,000 |
| Expenditure (including Planning Inspectorate costs) | £120,000 |
| Total projected net overspend against budget | £355,000 |
| Approved Use of Reserves | (£100,000) |

4.11.13 Revenues and Benefits

An overspend is projected due to the extension of agency staff to the end of March 2023 to process the backlog of work as a result of the additional work undertaken by the service relating to administering covid support measures and energy rebates.

4.12 Budget variations greater than £20,000

The Council's individual Summary Projected Outturns are reported in Appendix 2a. The variations greater than £20,000, for this report, are detailed in Appendix 3a.

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

They include:-

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

4.13 Future Risks

4.13.1 *Inflation*

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

4.13.2 *Demand for housing*

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

4.13.3 *Financial sustainability*

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

This is a particular issue for Worthing where the level of available reserves (excluding the Business Rates Smoothing Reserve, the Tax

Guarantee Reserve and Grants and Contributions) will be reduced significantly. The predicted level of reserves undermines the Council's financial stability and potentially puts Worthing Council in an unsustainable financial position, as set out in the table below:

| Worthing Borough Council Available Reserves | Balance at 1.4.22 | Projected Transfer In/(Out) 2022/23 | Remaining balance |
|----------------------------------------------------|--------------------------|--------------------------------------------|--------------------------|
| | £ | £ | £ |
| Capacity Issues Reserve | 1,308,326 | (860,826) | 447,500 |
| General Fund Working Balance | 1,347,348 | | 1,347,348 |
| Property Investment Risk Reserve | 450,000 | | 450,000 |
| Building Maintenance Reserve | 326,259 | (150,000) | 176,259 |
| Insurance Reserve | 252,394 | (4,550) | 247,844 |
| Museum Reserve | 106,396 | (20,000) | 86,396 |
| Leisure Lottery & Other | 27,766 | | 27,766 |
| Projected overspend 2021/22 | | (2,099,830) | (2,142,790) |
| Total | 3,818,489 | (3,165,830) | 683,283 |

The current commitment on all the General Fund earmarked reserves are set out in appendix 2b. As set out in the '2023/24 Budget Update' report elsewhere on this agenda the council will need to plan for protecting and rebuilding reserve levels into the future to ensure we meet the guideline minimum level.

4.14 Corrective action:

4.14.1 To mitigate the impact of the identified cost pressures, the council:

1. Is holding any emerging underspend in the current year 2022/23 to manage in-year pressures.
2. Reviewed all major projects and capital projects and put on hold unless the project has an initiative that either:
 - a. Improves our financial position; or
 - b. We are committed to delivery via a funding agreement; or
 - c. We are already contractually committed to the project; or

- d. Addresses health and safety concerns; or
 - e. The project is identified as a key priority in the new corporate strategy.
3. Vacancy control measures are in place for all posts including agency staff. This will also support the budget measures required to balance the 2023/24 budget.
 4. Seeking to implement savings needed to balance the budget in 2023/24 early to also support the budget in 2022/23.
- 4.14.2 As a result of these measures, the expected position for the General Fund is improving. Further work is ongoing with respect to the implementation of those savings approved for 2023/24 which could potentially benefit the 2022/23 position.

Engagement and Communication

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

Financial Implications

- 6.1 At this stage at the end of the second quarter of the revenue budgetary cycle, we continue to see the financial impact of the increase in inflation on the Councils.
- 6.2 Overall the projected outturn positions net of treasury savings, the performance in the strategic property portfolio and reserve transfers is an overspend in Worthing of £2.1m which includes the councils share of the estimated £2.912m overspend within the Joint Service.
- 6.3 The financial performance of the Councils will continue to be monitored closely against budgets and projections updated as the financial year continues.

Legal Implications

- 7.1 Section 151 of the Local Government Act, 1972 requires the Councils to make arrangements for the proper administration of their financial affairs. Further, Local authorities have a statutory duty under the Local Government Act 2003, to monitor their income and expenditure against

their budget, and be ready to take action if overspends or shortfalls in income emerge.

- 7.2 The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, and s42A and 42B of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 7.3 There are a range of safeguards in place that help to prevent local authorities overcommitting themselves financially. These include a duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003 when the authority is considering its budget requirement

Background Papers

Joint Overall Budget Estimates 2022/23

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

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

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

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

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

Financial Performance 2021/22 - Revenue Outturn

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

Officer Contact Details:-

Emma Thomas

Chief Accountant

01403 221232

emma.thomas@adur-worthing.gov.uk

Sustainability & Risk Assessment

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

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

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

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

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

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

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

Appendix 1

Quarter 3 Budget Monitoring - Commentary on Services with significant outturn forecast to budget variances

This information supplements the information in the 3rd Quarter Revenue Monitoring report providing more detail to the service forecast in areas where there are significant variances in the forecast outturn positions than budgeted. The variances are across the organisation but are mostly in the areas that are either volatile in nature or demand led which can make income streams more difficult to predict. There are also some areas where global and national economic activity are impacting causing costs pressures, such as inflation and energy supply.

1.1 Car Parking

Worthing car park income continues to be one of the main income streams that is most impacted by the pandemic's longer term effect of changing behaviour by customers. One of the main reasons for this is that previous town centre workers are choosing to work remotely some or part of the time reducing the levels of town centre worker deal income and season tickets.

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

Buckingham Road is currently closed for refurbishment and not expected to open until March 2023 and there are a number of bays closed at Liverpool gardens while works are completed on the former mobility shop section. Whilst some of these drivers will be displaced to other council owned car parks (particularly High Street and Grafton) the closures will have some impact on income.

However, there were 150 12-month season tickets purchased across Worthing car parks in July and the council are working with the NHS Trust on leasing the smaller part of Lyndhurst Road car park which will assist with income. Despite these measures income is still predicted to be below the budget set by £182,000, which is marginally higher than the shortfall estimated in quarter 2. In addition there are unbudgeted cost pressures of £98,000 associated with transactional fees on electronic payment methods. The net shortfall £280,000 reflects 10% of the service budget in Worthing.

1.2 Homelessness

There continue to be cost pressures associated with homelessness within both Adur and Worthing, current forecast outturn overspend positions have increased from those predicted in quarter 2.

Worthing is seeing an increase in demand, the average caseload for quarter 2 was 313 increasing to 330 by the end of January. The outturn forecast includes an assumed increase in caseload of 3 cases per month for the remainder of the year.

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

The current forecast compared to Quarter 2 is shown below:

Housing Needs Variances

| | Worthing | |
|-------------------------------------------------------------------------------------------|-----------------|-------------|
| | Q3 | Q2 |
| | £000 | £000 |
| Homelessness - Emergency and temporary accommodation costs - budget pressure/(underspend) | 1,702 | 1,563 |
| Local Housing Allowance Income - budget shortfall/(excess) | (1,016) | (897) |
| Additional MHCLG Domestic Abuse Accommodation Grant | (33) | (33) |
| Night Shelter (funded from reserves) | 50 | - |
| Net over/(under)spend forecast against budget | <u>703</u> | <u>633</u> |
| Variance as a percentage of Housing Needs Budget | 64.5% | 58.0% |

1.3 Waste

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

£1,296,000. This will impact on Adur and Worthing by £518,000 and £778,000 respectively, however the use of £581k of reserves has been approved by members to fund some of this cost (£209k Adur and £372k Worthing).

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

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

Food waste customer accounts continue to increase, despite a difficult trading year so far. Industrial action meant that no active promotional work took place as resources were re-prioritised. Income from commercial waste is above budget due to an increase in the customer base.

Overall the net outturn forecast for Waste Services are overspends are:

| | Joint (memo) | Adur | Worthing |
|-------------------------------------|--------------|-----------------|-----------------|
| Net forecast overspend/(underspend) | £1,296,000 | (£24,000) | (£84,000) |
| Share of Joint | | £518,000 | £778,000 |
| Total cost pressure | | £494,000 | £694,000 |
| Approved use of reserves | | (£209,000) | (£372,000) |

1.4 Bereavement Services

Worthing cemetery income is expected to exceed the income budget by £74,000 (26% overachievement). There have been 162 burials up to the end of December 2022 compared to 170 over the same period in the previous year. Offsetting this are some expected overspends against expenditure budgets of £43,000 associated with security costs and the installation of the mausoleum.

The crematorium is forecasting an overall 21% shortfall against the service income budgets of £704,000 as set out in the table below;

| | | |
|---------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cremations | £662,000 | Average number of cremations per month 240 in 22/23 compared to an average of 300 in the previous 2 years. In addition the fees were not increased for 2022. |
| Memorial Garden | £75,000 | Capacity has been reached at the garden and additional income would need to be generated. Extension to the memorial garden was approved by members in January 23. |
| Memorials | £29,000 | |
| Cameo Reimbursement | £3,000 | |
| Donations | (£13,000) | |
| Tribute Income | (£52,000) | |
| Total | <u>£704,000</u> | |

There is currently no available space in the existing memorial garden. Additional income is expected from the delivery of the new garden which was considered and approved by members in January 2023.

There are some small offsetting savings to offset this within expenditure budgets. Overall the Bereavement Services budget in Worthing is predicting a net deficit against the budget of £672,000, which reflects 21% of the £3.265m service budget. This is a marginal improvement on the £708,000 deficit predicted at quarter2.

1.5 Strategic and Commercial Property

Within Worthing investment property and core estate portfolio the forecast is a net income surplus of £369,000 assuming that the transfer of the void allowance of £450,000 to the Property Investment Risk Reserve is not made in 2022/23. This is due to a combination of void periods and the re-letting of some properties with agreed rent free periods. Rent free periods are normal commercial practice and allow us to capture a greater rent in the future whilst the occupier pays business rates and all other outgoings during that period.

Included within the budget is the assumption that there will be some modest growth in the commercial property income for 2022/23 of £186.5k, £166k of this target has already been achieved. Any shortfall in the budget is offset by the in year property void allowance. Across both Strategic Property Investment Funds, the occupancy level is at 97.5% which is extremely healthy.

The core estate portfolio is forecasting a net shortfall in income of £124,000 the largest driver of this being the rent free period provided to an existing tenant whilst works are ongoing at Buckingham car park due to the extensive disruption.

Major projects are predicting a £85k underspend within Worthing although this will be offset by a share of the £34k overspend in pay costs within Joint services.

1.6 Planning and Development

In Worthing the projected outturn is an overall net overspend of £355,000 within Planning and Development. There is £5,000 in grants and £85,000 in reserves to help fund some of the costs within this forecast. A breakdown of the variation in the service budget is provided below:

| | Expenditure | Income | Net Total | Grant & Reserve Funding |
|---------------------|-------------|----------|-----------|-------------------------|
| Building Control | (£11,000) | £87,000 | £76,000 | |
| Development Control | £59,000 | £100,000 | £159,000 | (£5,000) |
| Planning Policy | £85,000 | | £85,000 | (£85,000) |
| Land Charges | (£13,000) | £48,000 | £35,000 | |
| Total | £120,000 | £235,000 | £355,000 | (£90,000) |

Within Development Control the costs include those associated with the Goring Gap appeal with the reimbursement built into the income figure. The expenditure within Planning Policy relates to unbudgeted inspectorate costs which are to be met from reserves. Income shortfall predictions have increased from that estimated at quarter 2 by £107,000, the largest variation in building control.

1.7 Revenues and Benefits

There has been significant additional work for the service over the last 2 years as a result of the government measures to support businesses and individuals during the pandemic through additional business rate reliefs and business grant and self isolation grants. In the current financial year the increase in workload continued with the introduction by the government of the energy rebate to householders, with the administration of the payments delegated to local government level. As a result additional temporary staff have been required and it is expected that this will continue for the remainder of 2022/23, some of the associated cost is funded from grant but there is forecast to be a cost pressure of £244,000 that will need to be met by the councils.

1.8 Place and Economy

Worthing is forecasting a small shortfall of £7,000 against budget with savings in expenditure budgets offsetting the shortfall in concession income. The budget included income expected from the Worthing Observation Wheel which did not return to the seafront for the summer of 2022. The net shortfall will be partly met from Place reserve funding. This is an improved outlook to the £39k shortfall forecast at quarter 2.

1.9 Parks

There are staff cost pressures associated with the job evaluation process that has been undertaken for roles within the Parks service, however these have been offset by savings on vacancies and forecast is now on budget. This is an improvement from quarter 2 when an overspend of £56,000 was projected. There has also been a shift from quarter 2 to quarter 3 in the non pay expenditure and income estimations are set out below:

| | Joint | | Worthing | |
|----------------------------|----------|----------|------------|-----------|
| | Q3 | Q2 | Q3 | Q2 |
| Pay | £0 | £56,000 | £0 | £0 |
| Non Pay Costs | £79,000 | £25,000 | (£50,000) | £10,000 |
| Income | £85,000 | £28,000 | (£99,000) | (£55,000) |
| Net overspend/(underspend) | £164,000 | £109,000 | (£149,000) | (£45,000) |
| Movement in Forecast | £55,000 | | (£104,000) | |

The movement in income within Joint reflects the reduction in grounds maintenance in the year as a result of insufficient resources to carry out the additional work. Income within Worthing relates to additional receipts associated with both rental and sales. Increased expenditure items in Joint are mainly related to vehicle costs, both repair and fuel. These are offset in part by the underspends against supplies and services budgets in Worthing.

2.0 Treasury- External Borrowing Costs, Investments and Minimum Revenue Provision

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

Worthing Borough Council has underspend in the MRP budget of £302k due to reprofiling to 2022/23 of a proportion of the 2021/22 Capital Programme and the impact of changes to planned financing due to increased levels of capital receipts and capital grants both of which offset the need to borrow. The reduced need to borrow also translates into a saving on interest payable of £53,000 in Worthing.

Interest receivable from treasury investments is forecast to be above budget due to the higher than forecast base rates available in the market.

Overall the outturn forecast is a net underspend of £799,000 for Worthing:

| Treasury Management (under)/overspends | Worthing |
|-----------------------------------------------|-----------------|
| | £000 |
| Minimum Revenue Provision | (302) |
| Interest from Investment Income | (444) |
| Interest payable on borrowing | (53) |
| Total | (799) |

The change in interest rates has led to an overall increase in the net interest receivable with a favourable movement from quarter 2 of £136,000 in Worthing.

3.0 Cross Cutting

3.1 Energy:

The contract for energy has now been renewed and the anticipated usage and price are expected to increase the costs to the council substantially by an average of 190% for electricity and 380% for gas over the next two years, albeit an improvement on the growth assumed at quarter 1. The outturn projection has seen a positive impact from the Government support on energy prices through the Energy Price Relief Scheme.

The forecast cost pressure for the current year is unchanged from that projected at quarter 2:

| | Q1 Forecast | Q2 Forecast | Q3 Forecast |
|----------|-------------|-------------|-------------|
| Joint | £215,000 | £150,000 | £150,000 |
| Adur | £238,000 | £158,000 | £158,000 |
| Worthing | £670,000 | £276,000 | £276,000 |

Within Joint Services the overspends are, based on current consumption, largely associated with the Town Hall. Adur costs span across services and in Worthing significant overspends are anticipated to be associated with car parks, public lighting and the crematorium.

Water:

Overspends in both councils are across a number of services which include public conveniences, parks and offices. The predicted cost pressure has reduced since quarter 2;

| | Q2 Forecast | Q3 Forecast |
|----------|-------------|-------------|
| Joint | £8,000 | £2,000 |
| Adur | £22,000 | £21,000 |
| Worthing | £29,000 | £3,000 |

Maintenance:

Costs are expected to be overspent within Joint Services with a considerable amount of work required at Commerce Way including necessary repairs to the roof. Current projections are a shortfall in the budget of £198,000, the Worthing share of this will be £119,000 and could be funded from the maintenance reserve.

In Worthing it is expected there will be an underspend with demand on the service for reactive works lower than budget. Planned maintenance has been reviewed and reprogrammed where possible to manage the increasing inflationary cost pressures.

SUMMARY - 3RD QUARTER PROJECTED OUTTURN 022/23

APPENDIX 2a

| Actual Previous year 2021/22 | WORTHING CABINET MEMBER PORTFOLIOS | Current Estimate 2022/23 | Projected Outturn to 31st March 2023 | Forecast Over/ (Under) |
|------------------------------|--------------------------------------------------------------------------|--------------------------|--------------------------------------|------------------------|
| 4,084,007 | CM for Environment | 3,253,680 | 4,567,480 | 1,313,800 |
| 2,004,253 | CM for Community Wellbeing | 1,080,300 | 1,278,420 | 198,120 |
| 6,519,553 | CM for Citizen Services | 3,211,100 | 3,977,080 | 765,980 |
| | CM for Climate Emergency | 124,450 | 461,650 | 337,200 |
| | CM for Culture & Leisure | 4,371,610 | 4,555,610 | 184,000 |
| 1,034,267 | Leader | 793,830 | 837,430 | 43,600 |
| 4,029,622 | CM for Regeneration | 2,200,240 | 2,571,640 | 371,400 |
| 369,594 | CM for Resources | 95,650 | (28,620) | (124,270) |
| | Holding Accounts | 732,220 | 732,220 | 0 |
| 18,041,296 | Total Cabinet Member | 15,863,080 | 18,952,910 | 3,089,830 |
| (3,981,831) | Credit Back Depreciation | (4,160,610) | (4,160,610) | 0 |
| 1,535,975 | Minimum Revenue Provision | 1,995,930 | 1,693,930 | (302,000) |
| 3,331,839 | Non ring fenced grants | 0 | 0 | 0 |
| 18,927,279 | | 13,698,400 | 16,486,230 | 2,787,830 |
| 0 | Government Grant funding | 0 | 0 | 0 |
| | Transfer to/from reserves | | | |
| 0 | Contribution to/(from reserves) | 86,250 | 86,250 | 0 |
| | Grant Funded | - | (129,000) | (129,000) |
| (4,283,473) | Transfer from reserves to fund specific expenditure (inc carry forwards) | 0 | (559,000) | (559,000) |
| | General Fund Working balance | 0 | 0 | 0 |
| (196,026) | Net Underspend/(Overspend) | 0 | (2,099,830) | (2,099,830) |
| | Recommended For Transfer To/(From) Reserves | | | |
| 14,447,780 | Total Budget requirement before External Support from Government | 13,784,650 | 13,784,650 | - |

Appendix 2b

|  WORTHING BOROUGH COUNCIL EARMARKED REVENUE RESERVE ACCOUNTS | Opening Balance 2022/23 | Estimated Transfers 2022/23 | Estimated Transfers 2022/23 | Projected Balance 2022/23 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------|------------------------------------------|
| | € | € | € | € |
| Capacity Issues Reserve including approved Carry Forward budgets Development of Natural Burial Area (5 March 2019 JSC/105/18-19) Teville Gate housing initial project costs (03/11/2020 JSC/71/20-21) Hardship Fund Contribution (11/01/22 JSC/77/21-22) Platinum Jubilee (08/02/22 JSC/87/21-22) Funding of cost pressures on the Waste service (07/06/2022 JSC) Resourcing of community engagement, inclusion and participation activities (JSS-C('w')/4/22-23 5 July 2022) Business Development Fund Local Plan examination costs Worthing carry forwards from 2021/22 underspends Budgeted contribution (to)/from revenue Balance | 1,308,326 | (38,375) (100,000) (14,361) (371,530) (76,500) (175,000) (85,000) | - | 447,500 |
| Insurance Reserve | 252,394 | (35,250) | 30,700 | 247,844 |
| Leisure Lottery & Other Partnerships - 01/02/18 JSC/092/17-18 for Museum Costume Research Centre | 27,766 | 0 | | 27,766 |
| Museum reserve | 106,396 | (20,000) | | 86,396 |
| Business Rates Smoothing Reserve | 3,307,389 | (1,335,672) | | 1,971,717 |
| Local Tax Income Guarantee | 301,949 | (234,000) | | 67,949 |
| Property Investment Risk Reserve | 450,000 | | | 450,000 |
| Building Maintenance Reserve | 326,259 | (150,000) | | 176,259 |
| Grants & Contributions | 1,066,798 | TBC | TBC | 1,066,798 |
| Projected Underspend/ (Overspend) (Reserve to be identified at outturn). | | (2,099,830) | | (2,099,830) |
| General Fund Working Balance | 1,347,348 | | | 1,347,348 |
| TOTAL | 8,494,625 | (4,735,578) | 30,700 | 3,789,747 |

Q3 Forecast Outturn Variations

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under) / over spend | Worthin g £000s (under)/ over spend | Description of Significant Variations |
|-----------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chief Executive | | | | |
| Leader | 53 | (140) | - | ADUR; Contingency underspend of £120k, used to offset cost pressures elsewhere plus a current projected underspend in leaders budget. |
| | 53 | (140) | - | |
| Director of Communities | | | | |
| Director of Communities | 285 | - | - | Vacancy Provision underachievement |
| Wellbeing | (89) | 82 | 66 | Vacant post used to fund interim restructure costs shown within other areas |
| Licensing & Regulation | 10 | 1 | 8 | ADC & WBC: Underachievement of income - reduction in number of taxi and gambling licences issued. |
| Env Health - Housing | (9) | (4) | (69) | ADC & WBC: HIA income forecast to exceed budget |
| Housing Needs | (56) | 280 | 736 | ADC & WBC: Increase in number of households supported in temporary accommodation. Shortages in affordable properties within the private sector creating difficulties with move-on from TA including landlords entering our Opening Doors Scheme. Increased use of budget hotel chains and price increase in one of our largest B&B providers |
| Housing Needs Grant | - | (33) | (33) | ADC & WBC: DLUHC Domestic Abuse - Safe Accommodation grant 2022-23 |
| Head of Environment | (114) | - | - | Post saving used to contribute towards the interim staff structure costs elsewhere |
| Parks & Foreshore | 164 | (34) | (149) | JOINT: Mainly due to increased costs following post regradings ADUR: Additional income from Allotments & Parks WORTHING: Relates to additional income from Beach Huts & Chalets and underspends in supplies & services |

| | | | | |
|-------------------------------------------------------------|--------------|------------|--------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental Services (Waste) | 1,296 | (24) | (84) | The overspend for the Waste service relates to increased pay costs following the recent pay dispute settlement plus consequential catch up costs including income refunds for commercial waste & garden waste missed collections, along with increased vehicle costs for fuel & maintenance |
| Bereavement Services (Cemeteries & Crematorium) | 30 | 8 | 672 | ADC Burial income shortfall WBC: Additional burial income offset by net crematorium underachievement, which includes a shortfall in memorial garden income due to lack of capacity. |
| | 1,518 | 276 | 1,147 | |
| Director of Digital and Resources | | | | |
| Elections | (2) | 39 | 13 | ADUR & WORTHING overspends in relation to extra requirements for putting on elections |
| Director For Digital, Sustainability & Resources | 104 | - | - | Vacancy Provision underachievement |
| Customer Services | (12) | - | - | Projected underspend in staff costs |
| Parking Services | 7 | (34) | 280 | Adur: Adur continues to perform well and is expected to be on budget. Worthing: Income still has not improved to pre covid levels and is not expected to do so in 2022/23. Buckingham Road is still closed and is estimated to open in March and there are many bays closed at Liverpool gardens with the temporary move of the Central clinic There are still a number of businesses where staff are working from home and not returned to the office which has had an impact on the income the council would normally have received through the town centre workers income. The council are working with the NHS Trust on leasing out the smaller part of Lyndhurst Road car park which will assist with income. In addition the cost of card services have increased with the move away from cash. |
| Digital & ICT | (32) | - | - | Overspends projected due to Google training, Xpress hosting and an increase in google licences. In addition there are telephony pressures associated with lines and supplier costs. |

| | | | | |
|-------------------------------------------------|----------|--------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenues | 26 | 59 | 1 | ADUR & WORTHING; Under achievement of Court Cost income offset by savings in postage and other costs |
| Benefits | 244 | (27) | 8 | JOINT - Increased cost of recruiting temporary staff to deal with the backlog following increased work from Energy rebates and other Covid related work. ADUR - underachievement of overpayment income WORTHING: Favourable subsidy position compared to budget. |
| Legal Services | 3 | 15 | 18 | Underachievement of income |
| Finance | (225) | 89 | (157) | Joint includes £250k contingency saving offsetting the cost pressures elsewhere. ALL: Saving on inflation set aside which will be offset by overspends elsewhere. |
| HR & OD | (60) | - | - | |
| Sustainability | (48) | - | - | Underspend in Salaries due to vacant posts. |
| Finance: Treasury Interest | | (355) | (497) | Increase in investment income due to increased rates in the market following rise in Base Rate. |
| Finance: Treasury MRP | - | (469) | (302) | Reduced MRP due to re-profiling of capital budgets from 2021/22 and MRP review by external consultants |
| | 6 | (683) | (636) | |
| Director of the Economy | | | | |
| Director of the Economy | 80 | - | 6 | Vacancy Provision underachievement |
| Leisure | - | 14 | 184 | ADUR overspend on Equipment leases. WORTHING: Contract dispute settlement relating to Splashpoint, offsetting saving in the capital programme. |
| Major Projects and Investment | 37 | (283) | (330) | ADUR: Void allowance budget offsetting the income shortfall from initial 6 month free rent period during negotiations of one of our Investment Properties plus loss of income from the One York Way, Uxbridge site which is vacant. WORTHING: Void Allowance Budget to offset net income shortfall mainly from Montague Street properties & Cannon House rent free period. |
| Place and Economy (Economic Development) | 13 | (7) | 7 | JOINT - Includes cost of putting together Levelling Up bids for each Authority ADUR Saving in advertising & service budget offset by reduced market income WORTHING: Overspend relates to reduction in Income from the Observation Wheel. |

| | | | | |
|-------------------------------------------------------|--------------|-------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planning and Development (Building Control) | 7 | 67 | 76 | Fee income is projected to not meet the budget. |
| Planning and Development (Development Control) | 42 | 81 | 159 | JOINT: Increased cost of using Agency staff to cover vacancies. WORTHING: Includes the cost of Inspectorate re Goring Gap development. |
| Planning and Development (Planning Policy) | (20) | 1 | 85 | WORTHING: Additional Local Plan costs for planning inspector offset by contribution from the Capacity Issues reserve. |
| Planning and Development (Land Charges) | 13 | 48 | 35 | A&W: Income not expected to meet the budget. |
| Business & Facilities | (21) | 15 | 23 | Income for Portland House partial let has been delayed and the income will not meet the full year anticipated budget. |
| | 151 | (64) | 245 | |
| Cross Cutting services | | | | |
| Maintenance | 198 | 71 | (127) | Maintenance projected to underspend in Joint and Adu due to demands on reactive budget. |
| Pay Award - Latest offer | 972 | 3 | 23 | The pay award offer has been agreed and increases each spinal column point by £1,925, higher than built into the 21/22 budget. |
| Corporate Budgets | (73) | (1) | (1) | Decrease in national insurance contribution percentage by 1.25% from November |
| Water | 2 | 21 | 3 | As per our other utility costs there are increased costs. |
| Energy Costs | 150 | 158 | 276 | Our current fixed deal for our energy supplies ran out in October and this increased substantially but is partially offset by the Government support through the Energy Price Relief Scheme. |
| Rates | (14) | 14 | 81 | WORTHING: This overspend relates to the business rates for vacant investment properties. |
| | 1,235 | 266 | 255 | |
| Allocation of Joint Variance | | 1,185 | 1,777 | Share of joint services allocated 40:60 to Councils |
| Total Variance | 2,962 | 840 | 2,788 | |

Quarter 2 to 3 Movements over £50,000

| Service Area | Joint £000s (under)/ over spend | Adur £000s (under)/ over spend | Worthing £000s (under)/ over spend | Description of Significant Variations |
|--------------------------------------------------------|---------------------------------------------|--------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Director of Communities | | | | |
| Community Wellbeing | - | 79 | 95 | Grant funded posts to be met from reserves |
| Parks & Foreshore | 55 | 9 | (104) | Joint: Increased cost of Job evaluation regradings of the parks staff as part of the Council commitment to fairer pay. WBC: Additional income from Foreshore Services and savings against expenditure budgets within the Parks Service. |
| Environmental Services (Refuse & Recycling) | 208 | - | - | Additional cost of service resourcing (agency costs) and increased vehicle costs. |
| Environmental Services - Compliance/Management | 85 | - | (1) | Joint: Increase in resourcing costs and reduced income from external workshop customers due to insufficient capacity. |
| Cleansing | 79 | - | - | Joint: Increased forecast for resourcing costs. |
| Commercial Waste | (5) | (100) | (107) | Adur & Worthing Waste disposal underspend based on invoices to date - retail moving to food & drink resulting in heavier waste and change of service provider to WSCC. |
| Bereavement Services (Crematorium) | 6 | - | (50) | WBC: Improvement in forecast income underachievement. |

| Director of Digital and Resources | | | | |
|-------------------------------------------------------|------|------|-------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Digital & ICT | (51) | - | - | Forecast underspend within supplies and services. |
| Revenue and Benefits | 85 | (38) | 30 | Use of temporary staff has been extended to deal with the backlog of work created by the Pandemic and subsequent post pandemic support schemes. In Adur the Overpayment income is no longer predicted to meet the budget |
| Finance | 62 | 30 | (29) | JOINT: Reduced saving on inflation |
| Finance:Treasury Interest | - | (43) | (136) | Increases in investment income due to increased rates in the market following rise in Base Rate in recent months |
| Director of the Economy | | | | |
| Major Projects and Investment (Core Estates) | - | 34 | 80 | WBC: Impact of works to Buckingham Road car park and the associated compensation to existing tenant. |
| Major Projects and Investment (Major Projects) | (3) | 17 | (85) | WBC: Forecast underspend against Major Projects budget. |
| Planning and Development (Building Control) | 14 | 30 | 52 | Increase in forecast underachievement of income for 2022/23. |
| Planning and Development (Development Control) | (39) | 65 | 93 | Increase in forecast underachievement of income for 2022/23. |
| Leisure Client | - | - | 100 | Revenue costs associated with contract dispute settlement. The negotiated settlement has a beneficial impact on the capital programme budget. |
| Cross Cutting services | | | | |
| Maintenance | 180 | 91 | (36) | JOINT & ADC: Increased demand on reactive budgets and rising costs from suppliers and maintenance providers. |