

JOINT REVENUE OUTTURN 2015/16

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1.0 SUMMARY

- 1.1 This report outlines the revenue financial monitoring position for the end of the 2015/16 financial year for Joint Strategic Committee, Adur and Worthing Councils. At the time of publication of this report, the Statement of Accounts are still to be audited. Any changes that emerge as the audit proceeds will be reported to members later in the year.
- 1.2 Information is also provided in respect of earmarked reserves for the 2 constituent authorities. The 2015/16 capital outturn is reported separately elsewhere on the agenda.
- 1.3 The Joint Strategic Committee is asked to agree and recommend to Adur and Worthing Councils:-
 - The proposals for dealing with any net underspend or overspend on the revenue accounts by making transfers to various reserves; and
 - The carry forward of certain revenue budgets to allow projects to be completed in 2016/17.

2.0 BACKGROUND

- 2.1 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 in expenditure or shortfalls in income emerge. If monitoring establishes that the budgetary situation has deteriorated, authorities are required to take such action as they consider necessary. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or the authority might decide to take no action but to finance the shortfall from reserves.
- 2.2 The monitoring of the revenue budgets has been reported to the Joint Strategic Committee three times during the year.

Budget Managers have delegated responsibility to monitor their services on an ongoing basis throughout the year.

2.0 BACKGROUND

- 2.3 The Joint Strategic Committee (JSC) budgets are held separately and operate as holding accounts. They represent pooled budgets of Adur and Worthing Councils. All expenditure and income in the joint budgets are recharged back to the respective authorities. This means that the net expenditure is fully allocated out to the two councils and the overall position for the Joint Strategic Committee will be zero. An over or underspend reported in the Joint will be incorporated into the individual councils accounts via the allocation process.
- 2.4 Each joint service is allocated out to the councils on an individual basis using an appropriate allocation for that service. Overall, Worthing's share of the joint outturn is 59.8% and Adur's share is 40.2%.

3.0 REVENUE OUTTURN OVERVIEW

- 3.1 The final revenue outturns reported for Q4 are as follows:-

Summary of 4th Budget Monitoring Report			
	Joint	Adur	Worthing
	£000s	£000s	£000s
Current Budget 2015/16	21,744	9,606	13,843
Projected outturn	21,493	9,734	13,663
Projected Forecast over/ (underspend)	(251)	128	(180)
Projected over/(underspend) percentage	-1.2%	1.3%	-1.3%

As highlighted earlier in this report, the Joint underspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported variances in Adur and Worthing in the table above include the total share transferred from the Joint Shared Services.

- 3.2 The Summary Outturn for each body is reported in **Appendices 1 - 3**. The joint budgets are presented by service block. It is not possible to show them by Council portfolios as the portfolios in Adur and Worthing are no longer harmonised.
- 3.3 The headline budget variations across both the councils and joint shared services are:-
- - Business Rate Retention Scheme;
 - Interest on borrowing and reduction in Minimum Revenue Provision
 - Worthing Theatres
 - ICT

3.0 REVENUE OUTTURN OVERVIEW

- Development Control
- Pensions
- Reactive Maintenance
- Waste & Recycling & Cleansing services

3.4 The third quarter monitoring report was presented to Joint Strategic Committee on 1st March 2016.

Comparison of 3rd budget monitoring report & 4th budget monitoring report			
	Joint	Adur	Worthing
	£'000	£'000	£'000
Over/(Under)spends reported at Quarter 3	(1,058)	(75)	250
Over/(Under)spends reported at Quarter 4	(251)	128	(180)
Difference	807	202	(430)

3.5 The significant variations that impact on the final outturn from quarter 3 to quarter 4 were:-

Significant Variations from 3rd budget monitoring report & 4th budget monitoring report			
	Quarter 3	Quarter 4	Movement
	£'000	£'000	£'000
JOINT			
Digital & Design - Increased overspend from CenSus contract costs and overspend in telephony costs on Telephony	170	227	57
Environment - Income for coast protection within the Grounds Maintenance contract has exceeded its budget due to changes in the schedule of rates plus increased demand	-	(160)	(160)
Decrease in staff vacancies predicted (net of vacancy savings target)	(245)	39	284
WORTHING			
Trade - Increased income over and above expected	(34)	(120)	(86)
Theatres - Slight improvement in the overall final position	145	119	(26)
Development Management further downturn in income	110	160	50
Crematorium - Further downturn in Cremations as a result of reduction in death rates, lower return from Cameo scheme £19k and an underachievement of memorial income	41	139	98

3.0 REVENUE OUTTURN OVERVIEW

3.5

Significant Variations from 3rd budget monitoring report & 4th budget monitoring report			
WORTHING			
Treasury management - changes in MRP policy	(249)	(492)	(243)
Business Rate Retention scheme - increased income	(10)	(100)	(90)
Southdowns Leisure - Projected underachievement of target saving due to later than anticipated start of the Trust and increased maintenance.	336	495	159
ADUR			
Treasury management - changes in MRP policy	-	(181)	(181)

3.6 As the table above shows, there needs to be a continued focus on improving financial management. As part of this process, the current MTFP includes a number of key financial health indicators, which are:

- Continue to maintain a General Fund balance at a minimum balance of 6% and a maximum of 10% of the General Fund Net Revenue Budget. (This will measure overall financial health).
- Revenue outturn to be within 2% of the Total Budget Requirement. (This will measure accuracy of budget preparation).
- Revenue outturn for Total Executive Member and Joint Strategic Committee Requirements to be within 1% of the estimate of Total Executive Member Requirements contained in the quarter 3 monitoring report. (This will measure accuracy of budget monitoring).

Overall the revenue monitoring has largely met the target of 2% for Worthing and The Joint account but is over for Adur due to exceptional circumstances set, however there needs to be some improvement in the reporting of individual services. There needs to be a continued focus on budget monitoring with particular emphasis on high-risk areas.

For the past four years, the Councils have undertaken review of revenue base budgets and this exercise contributed to the savings required to meet the budget requirement between 2012/13 and 2015/16. We intend to carry out a similar exercise for 2017/18.

4.0 REVENUE 2015/16 OUTTURN

4.1 The following table details the major variances for the year:

Service Area	Joint £000s (under)/ over- spend		Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations * Share of joint services allocated 40:60 to Councils
NET TRADING					
Trade			30	(120)	Trade waste service has increased its customers by more than the expected budget target in Worthing but ,has a shortfall in Adur against budget
Theatres				119	The new cultural offer is making a positive impact on income and this has exceeded the budget, but this will only partially offset the cost of additional staff recruited to generate income, plus a shortfall in the Catering operation
Parking			12	(24)	ADC - Increased income from car parking offset by an overspend for the enforcement contract. WBC - Car parking income slightly better than predicted
Total Net Trading	-		42	(25)	
INCOME:					INCOME:
Corporate				(511)	One-Off payment for compensation for the use of Council land during the construction of a new wind farm
Environment	(160)	*	(64)	(96)	Income for coast protection within the Grounds Maintenance contract, exceeded its budget by £64.9k due to changes to schedule of rates and increased demand. There has also been an increase in external income £44.5k along with a general underspend on supplies & services across the service.
Recycling	(135)	*	(49)	(86)	Increase in Garden Bin and Green Sack take up over and above predicted income and recycling payments higher than budgeted
Business Rates Retention Scheme				(100)	Additional income from the Business Rate retention scheme
Parade & Foreshore				(55)	Increased income from Beach Huts & Parade

4.0 REVENUE 2015/16 OUTTURN

Service Area	Joint £000s (under)/over-spend		Adur £000s (under)/over-spend	Worthing £000s (under)/over-spend	Significant Variations * Share of joint services allocated 40:60 to Councils
INCOME:					INCOME:
Grants				(74)	Additional ring fenced grants received over and above that budgeted
Development Management			(50)	160	Under achievement of income from planning fees in Worthing, particularly those related to large scale development
Crematorium & Cemeteries			22	139	Shortfall in income from cremations, memorial income and Cameo scheme
Investment Properties	65	*	26	39	Projected shortfall in rental income for recharge to Commerce Way.
Total Income	(230)		(115)	(584)	
COSTS:					COSTS:
Minimum Revenue Provision			(277)	(298)	Change in policy for repayment of Capital
Revenues & Benefits			139	(198)	Impact of the Adur Benefits Administration subsidy qualification 2014/15 relating to the incorrect assessment of benefit and the restatement of LA Error overpayments has resulted in subsidy being claimed in excess of entitlement plus Contribution to Census Capita module upgrades not budgeted £14,400 less saving from staff relocation costs £22,100. For Worthing there is an increase in income from overpayments less a shortfall in income from court costs
Planning Policy		*	-	(52)	Mainly due to unused carry forwards due to delay in work
Financial Services			96	(194)	There are lower borrowing costs in Worthing, due to slippage in the Capital programme and continuing strategy of borrowing shorter term to take advantage of lower rates and in Adur a shortfall in investment income due to delay in sale of Civic Centre
Severance Payments	145		58	87	Severance payments met by services, not funded by reserves

4.0 REVENUE 2015/16 OUTTURN

Service Area	Joint £000s (under)/over-spend		Adur £000s (under)/over-spend	Worthing £000s (under)/over-spend	Significant Variations * Share of joint services allocated 40:60 to Councils
COSTS:					COSTS:
South Downs Leisure				495	Projected under achievement of target saving due to later than anticipated start of the Trust £157k plus impact of pension costs as a result of the actuarial valuation £171k and corrective works for vandalism at Splashpoint £168k.
Digital and Design	227	*	91	136	The overall ICT CenSus variance is a £256,000 overspend, of which Adur and Worthing's share is £120,000, Central Telephony costs exceed budget by £77,000, due to still paying for existing systems whilst investing in a new telephony provision. In addition there are some increased costs for Digital & Design of £30,000
Maintenance of Council properties	39	*	16	102	Increased maintenance costs for Portland House and Commerce Way. In addition, in Worthing, increasing costs arising from maintaining some of the Council's properties: including the emergency concrete works within the car parks and additional works needed to address the Theatre's fire risk assessments
Consultancy costs	104		42	62	Increased use of Consultants. £25k for legal costs associated with employment tribunals, £43k for consultancy support for service reviews, and specialist cover for vacant posts £25k offset by vacancy savings (see below)
Pension				93	Relates to underbilling by WSCC for Added years costs dating back to 2008
Vehicle Maintenance	89		36	53	Increased maintenance costs for Waste vehicles due to age, this will improve as the replacement programme starts in 2016/17
Postages	55		22	33	Increased cost of postages

4.0 REVENUE 2015/16 OUTTURN

Service Area	Joint £000s (under)/ over- spend		Adur £000s (under)/ over- spend	Worthing £000s (under)/ over- spend	Significant Variations * Share of joint services allocated 40:60 to Councils
Vacancies achieved	(717)	*	(287)	(430)	Staff vacancies held for future restructures and delay in recruitment of vacancies net of Vacancy provisions
Less: Vacancy target			241	515	
Total costs	(58)		176	405	
Other Variations below £100,000	37		25	24	
Total Variance	(251)		128	(180)	

Details of other less significant variations and outturn are available on request from the finance team.

4.2 As highlighted earlier in this report, the JSC underspend is transferred to Adur and Worthing Councils in line with their allocated share. The reported underspends in Adur and Worthing Councils in the table above includes the total share transferred from the JSC.

4.3 In addition to the variances highlighted above, there are a number of key issues which require a more detailed consideration. These are listed below.

4.4 Vacancy savings

4.4.1 There is an allowance for staff vacancy savings in both authorities' budgets for 2015/16 (Adur £245,450 and Worthing £514,700). There is no savings target included in the Joint Committee budget.

4.4.2 The salaries underspend in the Joint Committee represents an expected contribution to Adur and Worthing's vacancy savings. The Joint Strategic Committee outturn underspend for salaries is £717,000.

4.5 Worthing Theatres

Worthing Theatres have made an improvement of £54,000 from 2014/15 with a year - end position is £120,000 overspend/under-achieved excluding support costs. This overspend represents £226,000 on pay costs due to job evaluations and a high level of long term sickness and £91,000 overspend on non-pay costs (mainly electricity). Live events greatly improved making a net surplus of £620,000 but, is still not quite achieving the target set. Catering had a difficult year with 60% of staff leaving in May to work at the Perch but still made a surplus of £80,000. Income was over-achieved by £197,000 within Films and Catering service areas.

This year shows continued improvement which is further demonstrated by a 38% increase in ticket revenue and a 33% increase in first time ticket bookers. Particularly successful areas have been venue hire, comedy sales and a dramatic increase in film sales.

4.0 REVENUE 2015/16 OUTTURN

4.6 Corporate receipts

Worthing Borough Council received a one-off compensation payment of £511,000 for the use of the Council's land and loss of income from Brooklands during the construction of the off-shore Rampion wind farm

4.7 Environment

Parks and Open Spaces - There has been an increase in income from Coast protection within the Grounds maintenance contract, due to changes in the schedule of rates and an increase in demand £65,000. There has also been an increase in other external income £44,500 and an underspend on general supplies and services.

Parade and Foreshore – An increase in Beach hut income and other income.

Cemeteries and Crematorium – There is an overall income shortfall of approximately £64,000. This was primarily as a result of the mild weather and reductions in death rates. Memorial income was also lower than expected with a shortfall of £52,000 and this will be addressed in 2016/17 with a launch of a new range of products. Equipment, repairs and maintenance were overspent by £35,000, mainly as a result of an intensive service programme, to ensure the cremators are in good working order.

4.8 South Downs Leisure

As reported throughout the year, there were three factors that contributed to the overall overspend:

- i. South Downs Leisure went out to Trust from 1st May 2016. The delay in the start of this and some set up costs caused an overspend of £157,000.
- ii. There were additional costs for maintenance in-year for repairs due to environmental issues, vandalism and the new service contracts for items such as ground source heat pumps and sand filters.
- iii. South Downs Leisure Trust had its preliminary valuation by the actuary which will lead to an increase in the employers pension cost from 19.1% to 26.9%. Under the terms of the contract with SDLT, the Council becomes liable for this increase. This cost £171,000 in 2015/16. The SDLT operates a 'closed' scheme with WSCC and so this cost will reduce with time. This is discussed in greater detail within the 'Outline 5-year forecast and savings proposals' report which is elsewhere on this agenda.

4.9 Waste and Cleansing section

As expected from earlier in the year, the service enjoyed higher income levels, compared with the budget set from recycling payments and green waste income (higher take-up of garden waste than budgeted for) and also Trade Waste within Worthing achieved additional income above their budget. In addition, this is offset by high vehicle maintenance costs to the fleet, due to their age. This will reduce with the introduction of new fleet during 2016/17.

4.0 REVENUE 2015/16 OUTTURN

4.10 Worthing Revenues and Benefits

There was additional income from overpayments following a change in how the Council identifies overpayments. This is due to improvements in the real time reporting between the Council, Department of Work and Pensions (DWP) and Her Majesties Revenues and Customs (HMRC). This was offset by a reduction in court cost recoveries.

4.11 Adur Revenues & Benefits (Census)

Adur Revenues and Benefits (Census) have had some issues regarding the Housing Benefit subsidy claims. This relates the incorrect assessment of benefit and the restatement of LA Error overpayments which has resulted in subsidy being claimed in excess of entitlement. This resulted in repayment of the 2014/15 subsidy of £145,000.

4.12 External Borrowing Costs, Investments and Minimum Revenue Provision

The net cost of external borrowing and investments and the change to the method of calculating the Minimum Revenue Provision has led to a favourable variance for Adur and Worthing. This results from slippage in the capital programme, which leads to underspends in both interest and repayment budgets. In addition, for Worthing, who are actively borrowing, officers are taking advantage of the stability in interest rates to borrow short term rather than long term, resulting in reduced costs from lower interest rates and reduced provision for repayment of debt. Adur, who are not currently actively borrowing, are operating within budget. This policy was approved at the 2 June 2016 Joint Strategic Committee.

4.13 Reactive Maintenance

Reactive maintenance budget will be overspent by £270,000. This is mainly due to:

- Southern Water bylaw requirements in the parks
- Emergency repairs to car parks structure plus also replacement intercom,
- Theatres fire safety works following a fire safety inspection and receiving a Notice of Deficiency
- Increased Splashpoint repairs – due to environmental issues, vandalism and a new service contract for items such as ground source heat pump.

4.14 ICT

The overall ICT CenSus variance is a £256,000 overspend, of which Adur and Worthing's share is £120,000. The variance is made up of increased employee costs from agency staff, termination costs, plus higher than anticipated computer maintenance costs.

4.15 Telephony

The Central Telephony budget shows an overspend of £77k for 2015/16, as detailed below.

4.0 REVENUE 2015/16 OUTTURN

4.15 Telephony

The overspend on mobile costs is due to a fault with the provider. The Councils were promised a £30,000 equipment fund, however, having only been given £22,000, the budget was used to buy mobile phones as an alternative to ensure the project was not delayed. This is currently in the process of being resolved between Officers and the Provider with a resolution expected for end of June.

Officers are also currently investigating the further overspend on the telephony, as it is believed that some invoices have been paid on the incorrect budget code. BT and Overline invoices for instance are not just for Telephony but also include broadband costs and so should be paid from a different budget. This will be corrected in the future.

It has also been identified that further savings can be made by investigating BT lines that either are no longer needed or can be decommissioned as part of the new Telephony system. This could save up to a further £40,000.

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

5.1 Adur Homes is held within a ring fenced Housing Revenue Account, which is shown in Appendix 4.

	ORIGINAL ESTIMATE 2015/2016	FINAL OUTTURN 2015/2016	VARIANCE (UNDER)/ OVERSPEND 2015/2016	% (UNDER)/ OVERSPEND On gross expenditure
	£'000	£'000	£'000	
Adur Homes	0	104	104	
Less: Approved contributions to Reserves	0	-104	-104	
	0	0	0	

5.2 The variances for the year comprise of the following headline figures:-

	(Under)/ Overspends £'000
Variations in income and running costs:	
Underspend on Pay, Grading & Consultancy	(186)
Relocation costs	81

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

	(Under)/ Overspends £'000
Reduced cost from Corporate & Democratic Core	(84)
Increased cost of Central Allocations	61
Overspend on Building Maintenance, Repairs & Void	553
Shortfall in rental income due to closure of Cecil Norris House, the Albion Street Hostels and sales of properties.	117
Various minor variations	2
Total variation in running costs	544
Variations in treasury management and capital costs:	
Savings in interest costs	(280)
Increase in depreciation (used to fund the capital programme)	268
Additional interest receipts	(19)
Reduced contribution to the capital programme	(409)
Total variation in treasury management and capital costs	-440
TOTAL	104


5.3 The year-end outturn position is less than the underspend of £240,000 projected in the 3rd 2015/16 monitoring report. The overall variance primarily arises from a number of areas explained further as follows:

- Significant repairs and maintenance overspend of £553,000 due to additional work on void properties and increased gas contract maintenance works
- Underspend on Pay, Grading & Consultancy £186,000
- Reduced interest costs of £280,000
- Increase in Interest Received £19,000
- Overspend on central support service re-allocations £61,000
- Reduced costs of Corporate & Democratic Core £84,000
- Net reduction in resources used to fund the capital programme of £141,000. This reduction has been made to offset the overspend in the maintenance costs.

5.0 ADUR HOUSING REVENUE ACCOUNT (HRA)

5.4 Proposed contributions to HRA Reserves

It is proposed that the HRA outturn underspend of £488,000 for 2015/2016 is utilised as set out in the following table.

PROPOSED CARRY FORWARD OF HRA UNSPENT BUDGETS and CONTRIBUTION TO HRA RESERVES		
<u>Contributions to Reserves</u>		£'000
Contribution to New Development and Acquisition reserve		592
Contribution from HRA General Reserve to fund Severance payments as approved by members		(104)
TOTAL		488

5.5 The proposed contribution of £592,000 to the new Development and Acquisition Reserve is in keeping with the budgeted amount included in the HRA budget strategy for setting aside resources specifically to increase capacity for the supply of affordable housing in future years.. This transfer will increase the New Homes Reserve to £1.6m.

5.6 The HRA Reserve stood at £2.178m at 31st March 2015. This balance is deemed to be sufficient. There is a transfer £104,000 from this Reserve to HRA to cover the cost of a number of severance payments which has been approved by Members during the year.

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.1 Recommended Carry Forwards of Unspent Budget

Any unspent funds are placed into reserves at the year end. Budgets in respect of the following items remain unspent at 31st March 2016 and are required to complete existing initiatives in 2016/17. The focus for carry forward proposals this year is on existing commitments or other essential items rather than bids for new initiatives. This is to build capacity in the reserves to protect the Councils' interests for the next two years. It is recommended that these amounts are carried forward to 2016/17 and funded from the respective Capacity Issues Reserves. The Committee may wish to consider how these items contribute to the Councils' priorities when approving the carry forwards.

There are no recommended carry forwards for the Joint Committee or Adur District Council.

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.1 Recommended Carry Forwards of Unspent Budget

Proposed Carry Forward of Unspent Budgets within Worthing Borough Council	
	£
Economic Regeneration Income from Concessions funds, which is going to be used to continue to carry out works along the seafront area in Worthing. Due to a delay in sourcing quotes and other agreements, a large portion of planned works for 2015/2016 were left incomplete. These include but are not limited to seafront showers, a new operations unit for the sandcourt, an upgrade to the Canadian memorial, and seafront decking areas on the beach. Cllr Turner is working with officers to realise these projects which have over-run into the next financial year.	11,123
TOTAL FOR WORTHING BOROUGH COUNCIL	11,123

6.2 Recommended Carry Forwards of 2015/16 Approvals to Use Reserves

The following unspent items have been approved for 2015/16 and were planned to be funded from reserves. It is recommended that these approvals to utilise reserves are carried forward from 2015/16 to 2016/17. ***No transfer to reserves is required as the funds have been previously set aside.***

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

Proposed Carry Forwards (not yet spent and previously approved) - Existing Reserves	
<p>Planning Policy The Council has committed to a full review of the Core Strategy and the progression of a new Local Plan. The need to update the evidence base (often using specialist consultants) is the main cost to the service linked to this review. Some key studies (housing, employment and landscape) are already in place but additional studies (retail, transport, infrastructure, viability etc) are required to inform the drafting of the new plan. The transport study represents the most expensive element and a full study (involving the development of a transport model) could cost in excess of £60k. The hope is that WBC may be able to utilise the transport model being developed for Highways England and this would reduce this cost significantly. However, at this stage, there is no certainty that this will be available in time to inform the Worthing plan. Therefore, this carry forward is required to ensure that there is sufficient budget in place to fund studies that are essential to inform the new Local Plan.</p>	38,590
<p>Economic Regeneration Income from Concessions funds, which is going to be used to continue to carry out works along the seafront area in Worthing. Due to a delay in sourcing quotes and other agreements, a large portion of planned works for 2015/2016 were left incomplete. These include but are not limited to seafront showers, a new operations unit for the sandcourt, an upgrade to the Canadian memorial, and seafront decking areas on the beach. Cllr Turner is working with officers to realise these projects which have over-run into the next financial year.</p>	22,333
TOTAL FOR WORTHING BOROUGH COUNCIL	60,923

6.3 Movements and Use of Reserves

As part of the 2015/16 final accounts process, officers have identified amounts that are recommended for transfer to reserves for specific purposes or planned as part of the budget process, as detailed below.

For 2015/16, both authorities drew down on reserves to fund redundancy costs. For Adur the delay in the sale of the Civic Centre combined with the subsequent decision to continue to use the Civic Centre as the Civic Presence was one of the more substantial items funded from the reserves. A detailed breakdown of the reserve positions is included in **Appendix 2b** for Adur and **Appendix 3b** for Worthing.

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.3 Movements and Use of Reserves

Adur District Council:

TRANSFERS TO GENERAL FUND EARMARKED RESERVES AND PROVISIONS 2015/16		
Budgeted/Committed contributions to reserves:	£	£
• Grants Carried Forward	225,048	
• Budgeted contribution to Reserves	40,870	
• Self-insurance charges and proposed contributions	30,000	295,918
Withdrawal from working balance to fund overspend		-128,889
TOTAL RECOMMENDED NET CONTRIBUTIONS TO RESERVES FOR ADUR DISTRICT COUNCIL		167,029

If all the proposals in the above table are adopted, Adur District Council's General Fund Working Balance will reduce to £407,171 which, at 4.3% of net expenditure of £9,466,594 is below the range of 6%-10% set by the Council. In addition the Council would retain earmarked revenue reserves of £0.497m (excluding revenue grants reserve), a decrease of £0.791m over 31st March, 2015. The full listing of earmarked reserves is attached as **Appendix 2b**.

Worthing Borough Council:

TRANSFERS TO EARMARKED RESERVES		
	£	£
Budgeted / Committed contributions to reserves		
• Grants Carried Forward	420,417	
• Budgeted contribution to Reserves	79,280	
• Transfer to Museum Reserve	7,081	
• Transfer to Theatre Levy Reserve	50,526	
• Self-insurance charges and proposed contributions	30,700	588,004
Contribution to reserves from 2015/16 underspend:		
Carry Forward requests to Capacity Issues Reserve (see para. 6.1)	11,123	
Contribution to Capacity Issues Reserve funded from underspend	168,996	180,119
New contributions to reserves recommended for approval		768,123

6.0 CARRY FORWARD OF GENERAL FUND BUDGETS AND TRANSFERS TO RESERVES

6.3 Movements and Use of Reserves

If all the proposals in the above table are adopted, Worthing Borough Council will maintain its General Fund Working Balance at £843,625 which, at 6.2% of net expenditure of £13,663,361, is within the range of 6%-8% set by the Council. In addition the Council would retain earmarked revenue reserves of £1.286m (excluding revenue grants reserve), a reduction of £0.520m over 31st March, 2015. The full listing of earmarked reserves is attached as **Appendix 3b**.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2015/16 AND DEBT POSITION

MRP Requirement for 2015/16

- 7.1 The Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008 require the councils to make a prudent provision within the accounts for repayment of debt. This provision is called the Minimum Revenue Provision (MRP) and is charged to revenue expenditure.
- 7.2 The revised MRP policy for both Adur District Council and Worthing Borough Council for making the MRP determination for 2015/16 and subsequent years was considered by the Joint Strategic Committee at its meeting of 2nd June 2016 and was recommended for approval by Worthing Council at its meeting on 19th July 2016 and by Adur Council at its meeting on 21st July 2016.
- 7.3 Advice from both the Councils' treasury advisers and auditors has indicated that the MRP policy can be reviewed provided that the following criteria are met:
- i) the Councils must make a revenue provision each year for the repayment of debt;
 - ii) the provision must be prudent.
- 7.4 It was agreed that: firstly for any debt associated with unfunded capital expenditure incurred before 1st April 2008, the MRP will be set aside in equal instalments over the life of the associated debt. This is a change from the previous policy of calculating the MRP based on 4% of the Non-Housing Capital Financing Requirement (CFR) at the closing balance of the previous financial year. The CFR is a prescribed calculation which is used to measure the Councils' underlying need to borrow to finance all capital expenditure. This does not apply to Worthing Borough Council who had no debt as at 1st April 2008. Secondly, for both Councils' non-HRA capital expenditure financed through borrowing (excluding loans to RSLs) after 1st April 2008, the MRP will be calculated as the annual amount required to repay borrowing using the Annuity Method over the life of the assets acquired, although the option remains to use additional revenue contributions or capital receipts to repay debt earlier. Where a building is being constructed, the MRP will be set aside once the building is completed.
- 7.5 The revised MRP policy will ensure that by the time debts are due to be repaid sufficient funds will have been set aside.

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2015/16 AND DEBT POSITION

MRP Requirement for 2015/16

- 7.6 As MRP is applied in the year after which capital expenditure is funded from borrowing, the MRP for 2015/16 relates to borrowing incurred up to and including 31st March, 2015.
- 7.7 By applying the approved methodologies, described in paragraph 7.4, the following MRP determinations have been provided for in the 2015/16 accounts:
- For Adur District Council: £2,435,297 (£718,390 for General Fund, £1,716,907 for HRA)
 - For Worthing Borough Council : £930,732

Debt Position at 31 March 2016

- 7.8 In recognition of the introduction of the HRA Self-Financing regime, the Councils' joint treasury management policy also includes a requirement to account separately for General Fund and HRA debt in accordance with the "two pool approach" recommended by CIPFA within the Treasury Management Code of Practice. This approach apportioned historic debt at 31 March 2012 between HRA and General Fund in accordance with the Code guidance, and requires new borrowing from 1 April 2012 onwards to be attributed to either General Fund or HRA according to the purpose for which it is obtained.
- 7.9 For Adur Council the separation of General Fund and HRA debt facilitates a comparison with the corresponding underlying need to borrow (the Capital Financing Requirement) i.e. capital expenditure not financed from internal resources. The purpose of the comparison is to enable General Fund and HRA treasury management decisions to be taken independently of each other, and in an equitable and transparent manner.
- 7.10 Accordingly, there follows a comparison of the respective debt outturn positions compared to the CFR for each Council, albeit that as Worthing does not have an HRA it therefore does not operate a two pool approach.

CFR v Debt Position at 31 March 2016	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Actual Long Term Debt 01/04/15	12,993,160	62,993,126	75,986,286	3,087,769
New Long Term Debt Raised in year	0	0	0	10,500,000
Long Term Debt Repaid in Year	(18,896)	(1,699,040)	(1,717,936)	(451,893)
Actual Long Term Debt 31/03/16	12,974,264	61,294,086	74,268,350	13,135,876

7.0 MINIMUM REVENUE PROVISION (MRP) REQUIREMENT 2015/16 AND DEBT POSITION

Debt Position at 31 March 2016

CFR v Long Term Debt Position at 31 March 2016	Adur District Council			Worthing BC
	General Fund	HRA	Total	General Fund Total
	£	£	£	£
Capital Financing Requirement (CFR)	15,002,644	61,819,644	76,822,288	23,361,024
(Over) / Under Borrowing	2,028,380	525,558	2,553,938	10,225,148
HRA Debt Limit	N/A	68,912,000	68,912,000	N/A
HRA Borrowing Headroom (Debt Limit – Actual Debt)	N/A	7,617,914	5,918,874	N/A

- 7.11 In addition to the amounts reported in the Table above, Worthing also held temporary borrowing of £6m at 31st March 2016 which will mature fully by 11th July 2016. This will most likely be refinanced as new temporary borrowing as the existing loans mature, pending the receipt of the sale proceeds for the Aquarena site. Adur did not hold any temporary borrowing at 31st March 2016.
- 7.12 For Adur Council the General Fund is under-borrowed by approximately £2m while the HRA is under-borrowed by £0.5m. This position largely reflects the opening position at 1st April 2012 arising from the application of the two pool split, where-in the CIPFA methodology assumed the HRA was fully borrowed at the level of its CFR, so that any under or over borrowing at that time was fully attributed to the General Fund.
- 7.13 The HRA under borrowed position is largely due to the HRA share of accumulated debt repaid since 1st April 2012. Adur General Fund capital expenditure has been funded from internal cash surpluses (i.e. internal borrowing, rather than through new external sources of Prudential Borrowing).
- 7.14 Worthing is under-borrowed by £10.2m and reflects the cumulative impact over a number of years of consistently using internal borrowing and short term borrowing as a cheaper source of funding capital investment. This has been a prudent measure in the climate of historically low interest rates to reduce the “cost of carry” (i.e. the difference between the interest charged on new borrowing compared to the interest foregone on cash balances used to fund capital expenditure that would otherwise have been invested). However £6.5m of Public Works Loan Board loans have been taken out in 2014/15 and 2015/16 to take advantage of low fixed interest rates over the medium term.

8.0 CONCLUSION

- 8.1 The overall underspend for Worthing is most welcome at this time to help the Councils manage the challenging financial climate which they are currently grappling with.
- 8.2 Of more concern is the overspend within Adur District Council; whilst this showed a significant improvement on last year's position, it is disappointing to have to further reduce the working balance. However, most of the issues identified as part of the monitoring have already been addressed within the 2016/17 budget.
- 8.3 This has been an extremely difficult year financially, Last year the Councils introduced a new budget monitoring regime designed to focus on areas of key concern which this year included Theatres and the Building Maintenance service.

9.0 RECOMMENDATIONS

9.1 The Joint Strategic Committee is asked to:

- (a) **note the report and outturn position for the Joint, Adur and Worthing Budgets proposed use of reserves; and**

9.2 The Joint Strategic Committee is asked to recommend that Adur District Council, at its Council meeting on 21st July, 2016 and Worthing Borough Council at its Council meeting on 19th July 2016:-

- (a) **NOTE the overall final outturn for 2015/16;**
- (b) **AGREE the net carry over of revenue budget to 2015/16 where the original approval for 2015/16 was not utilised which will be funded from the Capacity Issues Reserve as set out in paragraph 6.1 (General Fund) totalling:-**

Worthing Borough Council £11,123

- (c) **APPROVE the net appropriation to General Fund reserves in the year as detailed in paragraph 6.3 totalling:**

Adur District Council	£167,029
Worthing Borough Council	£768,123

- (e) **APPROVE a contribution for Adur District Council from the HRA to the Adur Housing New Development and Acquisition Reserve of £592,000 being the original budgeted amount of £566,000 plus a further £25,000; Paragraph 5.6.**

Local Government Act 1972

Background Papers:

Reports to the Joint Overview and Scrutiny and Joint Strategic Committee

Revenue Budget 2015/16 Joint, Adur and Worthing

3rd Monitoring Revenue and Capital Reports Joint Strategic Committee, Adur District Councils and Worthing Borough Council

Accounts and Audit Regulations 2015

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SCHEDULE OF OTHER MATTERS

1.0 COUNCIL PRIORITY

This report deals with the whole of the Joint Committees revenue expenditure and as such contributes both Council's objectives

- To protect and enhance priority services.
- To promote a clean and green environment.

2.0 SPECIFIC ACTION PLANS

2.1 The Medium Term Financial Plan

3.0 SUSTAINABILITY ISSUES

3.1 Matter considered and no issues identified

4.0 EQUALITY ISSUES

4.1 Matter considered and no issues identified

5.0 COMMUNITY SAFETY ISSUES (SECTION 17)

5.1 Matter considered and no issues identified

6.0 HUMAN RIGHTS ISSUES

6.1 Matter considered and no issues identified

7.0 REPUTATION

7.1 Matter considered and no issues identified

8.0 CONSULTATIONS

8.1 Matter considered and no issues identified

9.0 RISK ASSESSMENT

9.1 Matter considered and no issues identified

10.0 HEALTH and SAFETY ISSUES

10.1 Matter considered and no issues identified

11.0 PROCUREMENT STRATEGY


11.1 Matter considered and no issues identified

12.0 PARTNERSHIP WORKING

12.1 This report contains details of the outturn for the Adur and Worthing Partnership.

12.2 Contained within accounts of both Councils is the relevant share of the Adur and Worthing Partnership arrangements.

2015/16 FINAL REVENUE OUTTURN JOINT SUMMARY

	ORIGINAL ESTIMATE 2015/16	CURRENT ESTIMATE 2015/16	OUTTURN 2015/16	(UNDER)/ OVERSPEND 2015/16
	£	£	£	£
Chief Executive	560,630	448,210	405,707	(42,503)
Director for Communities	5,781,170	5,752,850	5,555,354	(197,496)
Director for Customer Services	6,661,590	6,984,260	6,980,428	(3,832)
Director for Digital & Resources	8,849,720	9,269,183	9,518,437	249,254
Director for the Economy Grants Reserves	3,039,460	3,137,467	3,015,865 (12,202)	(121,602) (12,202)
TOTAL SERVICES	24,892,570	25,591,970	25,463,589	(128,381)
ALLOCATION OF COSTS				
Recharged to other joint services	(3,148,890)	(3,848,290)	(3,971,059)	(122,769)
	21,743,680	21,743,680	21,492,530	(251,150)
Adur District Council	(8,797,420)	(8,797,420)	(8,646,387)	151,033
Worthing Borough Council	(12,946,260)	(12,946,260)	(12,846,143)	100,117
TOTAL SERVICE BLOCK ALLOCATIONS	(21,743,680)	(21,743,680)	(21,492,530)	251,150

CIVIC BUDGET 2015/2016
Summary of Final Revenue Outturn

CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2015/16	CURRENT ESTIMATE 2015/16	OUTTURN 2015/16	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>CM for Environment</i>	3,176,270	3,153,870	2,934,447	20,838	(283,152)	42,891
<i>CM for Health & Wellbeing</i>	1,155,320	1,215,474	1,086,063	(41,720)	(12,726)	(74,965)
<i>CM for Customer Services</i>	1,094,360	1,094,360	1,162,739	(7,130)	4,712	70,797
<i>Leader</i>	666,010	666,010	629,095	420	13,036	(50,371)
<i>CM for Regeneration</i>	1,766,380	1,766,950	1,864,044	-	140,768	(43,674)
<i>CM for Resources</i>	1,954,140	2,000,320	2,627,150	77,210	(131,555)	681,176
<i>Support Service Holding Accounts</i>	460,930	611,210	-	(93,623)	268,917	(786,504)
<i>Budget vired to HRA</i>						-
Total Cabinet Members	10,273,410	10,508,194	10,303,539	(44,005)	-	(160,650)
<i>Credit Back Depreciation</i>	(1,403,250)	(1,403,250)	(1,496,873)	44,005	-	(137,629)
<i>Minimum Revenue Provision</i>	995,830	995,830	718,389	-	-	(277,441)
<i>Additional Non Ring Fenced Grants</i>	-	-	(152,103)	-	-	(152,103)
<i>Financial Instrument Adjustment</i>	-	-	2,066	-	-	2,066
	9,865,990	10,100,774	9,375,017	0	-	(725,757)
Transfer to/from reserves:						
<i>Transfer from reserves to fund specific expenditure</i>	(260,130)	(494,914)	359,732	-	-	854,646
Net Overspend Funded From Reserves			(128,889)	-	-	(128,889)
TOTAL BUDGET REQUIREMENT BEFORE EXTERNAL SUPPORT FROM GOVERNMENT	9,605,860	9,605,860	9,605,860	0	-	0




Earmarked Revenue Reserve Accounts

	Opening Balance 2015/16	Decrease 2015/16	Increase 2015/16	Projected Closing Balance 2015/16
Capacity Issues Fund including General Fund Carry Forward Reserve	612,602			
- Re the delay in sale of the Civic Centre (03/02/15 Adur Council/C057/14-15)		(315,000)		
- Contribution to external organisation to run Adur Festival (26/07/12 JSC/026/12-13) agreed for 3 years		(8,580)		
- Partnership and Business Support Manager post (7/11/13 JSC/058/13-14 40% share)		(12,600)		
- Travellers' Exclusion Measures (7/1/14 JSC/083/13-14)		(4,897)		
- Pot of Gold 22/7/14 JSC/027/14-15)		(48,182)		
- New Technology (2/12/14 JSC/076/14-15)		(120,950)		
- Settlement of legal case (3/12/15 JSC/069/15-16)		(7,500)		
Carry Forwards agreed JSC 07/07/2015:				
Adur share of Joint: Recycling bins		(14,000)		
- Budgeted contribution to/from revenue			40,870	
				121,763
Insurance Fund	185,877	(34,256)	30,000	181,621
New Technology Fund	22,300			22,300
Local Plan (Adur) and PDG	70,824	(26,405)		44,419
Health & Safety	32,545			32,545
Investment Property Maint Fund -Revenue Maint Prog	68,387			
- Fishersgate Community Centre fencing (7/7/15 JSC/017/15-16)		(27,440)		40,947
Grants & Contributions held in reserves	247,768	(161,965)	387,013	472,816
Election Reserve	7,880			7,880
Special & Other Emergency Reserve	287,600			
- Redundancy costs (various reports)		(201,497)		86,103

Revenue Underspend 2015/16 in Capacity Issues Reserve				-
General Fund Reserve	536,060	(128,889)		407,171
TOTALS	2,071,843	(1,112,161)	457,883	1,417,565

CIVIC BUDGET 2014/2015
Summary of Final Revenue Outturn

CABINET MEMBER PORTFOLIOS	ORIGINAL BUDGET 2015/16	CURRENT ESTIMATE 2015/16	OUTTURN 2015/16	Notional Capital Charges Variance	Support Service Recharge Variances	(Under) / Over Spend Excluding Support and Capital Charges
	£	£	£			
<i>Leader</i>	883,980	884,350	745,246	80	(10,054)	(129,130)
<i>CM for the Environment</i>	3,265,280	3,286,100	3,482,573	112,294	(215,460)	299,639
<i>CM for Health & Wellbeing</i>	1,225,000	1,248,335	1,152,435	(1,880)	(18,973)	(75,048)
<i>CM for Customer Services</i>	3,981,290	4,087,745	4,343,209	(20,740)	414,113	(137,909)
<i>CM for Regeneration</i>	2,296,610	2,362,500	2,566,075	200,330	(11,154)	14,398
<i>CM for Resources</i>	2,782,420	2,760,560	3,320,902	48,920	(30,037)	541,459
<i>Holding Accounts</i>	864,510	1,046,560	(1)	(515,731)	(128,436)	(402,394)
Total Cabinet Member	15,299,090	15,676,150	15,610,439	(176,727)	0	111,016
<i>Credit Back Depreciation</i>	(2,738,770)	(2,738,770)	(3,139,367)	176,727		(577,324)
<i>Minimum Revenue Provision</i>	1,221,070	1,221,070	930,732			(290,338)
<i>Additional Non Ring Fenced Grants</i>	0	0	(399,519)			(399,519)
	13,781,390	14,158,450	13,002,285	0		(1,156,165)
Transfer to/from reserves:						
<i>Transfer from reserves to fund specific expenditure</i>	62,090	(314,970)	661,076			976,046
Net Underspend Transferred to Reserves			180,119			180,119
Total Budget requirement before External Support from Government	13,843,480	13,843,480	13,843,480	0		(0)

 Earmarked Revenue Reserve Accounts	Opening Balance 2015/16	Decrease 2015/16	Increase 2015/16	Projected Closing Balance 2015/16
	£	£	£	£
Capacity Issue Reserve	890,415			
- BID Levy		(7,000)		
- Invest to save schemes (Theatres) (26/07/12 JSC/035/12-13) *C		(12,214)		
- Splash Point net cost of investment		(83,440)		
- Partnership and Business Support Manager post (7/11/13 JSC/058/13-14)		(18,900)		
- Survey work for Coastal Communities Fund bid (1/4/14 JSC/124/13-14)		(20,000)		
- Money Tree participatory budget (22/7/14 JSC/028/14-15)		(18,043)		
- New Technology (2/12/14 JSC/076/14-15)		(181,430)		
- Settlement of legal case (3/12/15 JSC/069/15-16)		(7,500)		
- Redundancy costs (various reports)		(287,931)		
Expenditure funded from approved carry forwards from 2014/15				
Worthing share of Joint carry forwards agreed JSC 7 July 2015		(21,000)		
Worthing carry forwards agreed JSC 7 July 2015		(34,065)		
- Budgeted contribution to/from revenue			79,280	
Revenue Underspend for 2015/16			180,119	
				458,291
Insurance Reserve	460,659	(54,147)	30,700	
- Beach House Park new changing rooms(3/3/15 JSC/103/14-15)		(40,000)		
- Seaside Improvement Pot (22/7/14 JSC/028/14-15)		(5,480)		
				391,732
Joint Health Promotion Reserve	21,856	(11,946)		9,910
Leisure Lottery & Other Partnerships *C	77,766			77,766
Museum reserve	106,931		7,081	114,012
Theatre Ticket Levy (Expenditure approved with Budget JSC 7/1/2014)	35,004	(15,070)	50,526	70,460
Planning Delivery Grant	98,663	(49,608)		49,055
Special & Other Emergency Reserve	41,827			41,827
Grants & Contributions	476,906	(523,173)	943,590	897,323
Capital Expenditure Reserve *C	73,158			73,158
Revenue Underspend in Capacity Issues Reserve				0
General Fund Working Balance	843,625			843,625
TOTAL	3,126,810	(1,390,947)	1,291,296	3,027,159

* Capital

ADUR HOMES HOUSING REVENUE ACCOUNT

	BUDGET 2015/16	OUTTURN 2015/16	VARIANCE 2015/16
	£	£	£
EXPENDITURE			
General Management	2,870,260	2,689,332	-180,928
Special Services	711,510	656,222	-55,288
Rent, Rates, Taxes & Other Charges	46,000	55,888	9,888
Repairs & Maintenance	2,613,530	3,225,975	612,445
Bad/Doubtful Debt	50,000	10,944	-39,056
Contribution to reserves for refurbishment and new build	566,060	591,802	25,742
Capital Costs			
Depreciation	2,000,000	2,269,129	269,129
Loan repayments	1,717,000	1,727,041	10,041
Revenue contribution to capital expenditure	409,060	0	-409,060
Interest charges	2,636,660	2,357,026	-279,634
TOTAL EXPENDITURE	13,620,080	13,583,359	(36,721)
INCOME			
Dwelling Rents	-12,421,800	-12,304,556	117,244
Non-Dwelling Rents	-529,890	-522,802	7,088
Heating Charges	-73,360	-70,544	2,816
Leaseholder's Service Charges	-160,000	-144,171	15,829
Other Service Charges	-403,330	-387,358	15,972
Contributions towards Expenditure	-3,700	-2,890	810
Interest Received	-28,000	-46,997	-18,997
TOTAL INCOME	(13,620,080)	(13,479,318)	140,762
NET (SURPLUS)/DEFICIENCY - TRANSFER TO/FROM HRA	0	104,041	104,041
GENERAL RESERVE			