

Report to	-	Cabinet
Date	-	4 September 2017
Report of the	-	Executive Director of Resources
Subject	-	Provisional Revenue Budget and Capital Programme Monitoring Quarter 1 2017/18

Recommendation: It be **RESOLVED:** That the report be noted.

Service Manager: Robin Vennard

Lead Cabinet Member: Councillor Lord Ampthill

Changes to the Revenue Budget

1. This report updates Members on the estimated outturn for 2017/18. The final financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:

Rother District Council General Fund Summary

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Community and Economy	4,200	3,731	(469)	-11.2%
Corporate Services and Human Resources	1,129	1,139	10	0.9%
Corporate Core	817	817	0	0.0%
Environmental Services	546	506	(40)	-7.3%
Finance and Welfare	2,718	2,938	220	8.1%
ICT and Customer Services	1,876	1,836	(40)	-2.1%
Strategy and Planning and Development	898	886	(12)	-1.3%
Total Cost of Services	12,184	11,853	(331)	-3%
Interest from Investments	(235)	(300)	(65)	27.7%
Capital Expenditure Charged to Revenue	925	925	0	
Net Cost of Services	12,874	12,478	(396)	-3%

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Parish Precepts	1,573	1,573	0	0.0%
Special Expenses	(715)	(715)	0	0.0%
Business Rates				
Local Share of business rates	(7,125)	(7,125)	0	0.0%
s31 Grants	(836)	(836)	0	0.0%
Tariff	4,783	4,783	0	0.0%
Levy payment on account	392	392	0	0.0%
Revenue Support Grant	(450)	(450)	0	0.0%
Non-Specific Revenue Grants				
New Homes Bonus Grant	(1,117)	(1,117)	0	0.0%
Rural services delivery grant	(49)	(49)	0	0.0%
Transition Grant	(71)	(71)	0	0.0%
New Burdens Grant	(3)	(59)	(56)	1866.7%
Local Council tax Support Grant	(108)	(108)	0	0.0%
Benefits Administration Grant	(257)	(257)	0	0.0%
Flexible Homeless Support Grant		(177)	(177)	
Council Tax Requirement (Rother and Parishes)	(7,883)	(7,883)	0	0.0%
Other Financing				
Collection Fund (Surplus)/Deficit	(120)	(120)	0	0.0%
Contributions to/(from) Earmarked Reserves	(888)	(259)	629	-70.8%
Contributions to/(from) General Fund				
Balance	0	0	0	
Total Income	(12,874)	(12,478)	396	

2. Since the last report to Cabinet there have been the following reportable virements which have been reflected in the table above:

COST CENTRE	REASON	DEBIT (£'000)	CREDIT (£'000)
Community and Economy	Virements of budgets to bring salary budgets in-line with pay rise and adjustment re late pension changes		36
Corporate and Human Resources			12
Corporate Core including Executive Directors			57
Environmental Services			38
Finance and Welfare			45
ICT and Customer Services			27
Strategy and Planning			34
Contingency		249	
Community and Economy			
Corporate and Human Resources	Rental income on Amherst Road	55	55
Community and Economy	Costs for the Housing stock and condition survey	59	
Earmarked Reserves			59
Total Virements		363	363

Review of significant variations to the Net Cost of Services:

3. Overall the cost of services above shows an underspend of £0.331m. The main reasons for the variations are detailed overleaf:

Community and Economy (£0.469m) surplus

4. Private Sector Housing: £385,000 underspend. Grant of £1.385m has been received in respect of Disabled facility Grants. £1m is expected to be spent in 2017/18 and the rest will be transferred to reserves for future years. Whilst this is a Capital Programme item, as there is no asset owned by the Council as a result of the expenditure, it has been accounted for through the Revenue Budget.
5. Car Parking: additional income from car parking fees is expected of £200,000 by year end if the performance is similar to the last financial year. As Members will be aware, in Rother the amount of car park income collected is very dependent on the weather and therefore it may be necessary to revise this forecast later in the year.
6. Camber Beach and Foreshore: £18,000. The Council has provided additional signage at Camber Beach. This will be funded from earmarked reserves.
7. Rural Open Spaces and Amenities: £58,000. This relates to additional expenditure on playground equipment at Coronation Gardens which will be funded from earmarked reserves.
8. Cemeteries: £10,000. Based on the previous year's income at this time of the financial year, it is expected that income for the year will be £10,000 lower than the £180,000 income budget for Cemetery Fees.

Corporate Services and Human Resources £10,000 shortfall

9. Representing Local Interest: £10,000 extra spend as the increase in Members' Allowances was not provided for in the base budget. This will need to be reflected in the 2018/19 Revenue Budget.

Environmental Services (£40,000) surplus

10. This saving represents Rother's estimated share of the partnership costs. It is mainly as a result of staff vacancies and the reduction in pension rates which came after this budget was agreed by Members in February 2017.

Finance and Welfare £220,000 shortfall

11. Collection costs of Council Tax and Business Rates: £15,000. Additional postage costs have been incurred due to the volume of post being sent. To date annual billing has been externalised but work is ongoing regarding the securing of an external contract to print and post external communications at a lower cost.
12. Other Apportionable Overheads: £28,000. Savings on External Audit Fees have been identified against the annual budget provision.

13. Housing Needs: £177,000. There are extra costs anticipated on temporary accommodation following changes in housing benefit rules and the roll-out across Rother of Universal Credit. This additional cost is expected to be met from the extra grant of £177,000 received from the Government which is shown below the cost of services in the table above.
14. Housing Benefit Administration: £56,000. There are additional costs relating to Housing Benefit that will be met by £56,000 of extra grant received from the Department of Work and Pensions (DWP) which again is shown below the cost of services in the table above.

ICT and Customer Services (£40,000) surplus

15. Communications Phones: £40,000 of savings are now being delivered through the Council's telephone contracts. This will be built into the 2018/19 budget as on-going savings.

Strategy and Planning Development (£12,000) surplus

16. Planning Policy: £12,000 of savings have been identified on staff costs due to difficulties in recruitment for posts in the Planning Policy team.

Non Cost of Services Budgets:

Interest from Investments (£65,000) surplus

17. By the end of the financial year it is expected that an extra £65,000 of income above the annual budget will be received due to the recent investments in the Churches Charities Local Authorities Property Fund, as agreed previously by the Audit Committee (now the Audit and Standards Committee).

Council Tax, Business Rates and Non Specific Grants (£233,000) surplus

18. An additional £56,000 New Burdens grant for various welfare changes from the DWP has been received. Also an additional £177,000 Flexible Homelessness Support Grant has been received to cover the removal of the management fee from Housing Benefit for temporary accommodation. It is hoped that this grant will be in excess of the additional cost and can help meet some of the financial effect of a rising number of families being placed in temporary accommodation.

Collection Fund

19. The figures shown below reflect our collection performance for Council Tax as at 31 July 2017 against monies due to the Council and against the forecasted budget yield.

	2017/18	2016/17	Equivalent Period 2015/16
Collectable Annual debit (at 100% collection)	£67,850,697.12	£64,025,777.54	£60,099,278.04
Income Received	£26,618,765.42	£25,122,768.22	£23,734,754.61
Income Received as a % of collectable debit	39.23%	39.24%	39.49%
Budgeted yield (at 98.5% collection)	£66,599,906.61	£62,805,735.41	£58,006,683.98
Income Received as a % of budgeted yield	39.97%	40.00%	40.92%

20. As can be seen the collection rate is comparable to the previous year. The total collectable is above the original estimate made when the budget was set which, providing the collection rate is maintained, should result in a surplus by the financial year end.
21. The performance of Business Rates for the period to 31 July 2017 is shown below:

	2017/18	Equivalent Period 2016/2017
Collectable debit	£18,029,508.69	£18,077,065.24
Income Received	£7,326,628.08	£7,536,101.37
Income Received as a % of collectable debit	40.64%	41.69%
Amount outstanding for year	£10,702,880.61	£10,540,963.87

22. As can be seen collection performance is similar to the same period last year.
23. Whilst collection performance referred to above is expected to be on track by the end of the financial year, the overall performance is significantly influenced by the level of appeals made by businesses. Each year the appeals provision will need to increase until the Valuation Office Agency settle the appeals. The Council has very little information as regard to the timing of the settlements but some are now starting to come through.

Capital Programme

24. The estimated outturn for the Programme is shown at Appendix A. Work continues to resolve the outstanding issues with East Sussex County Council (ESCC) and the land swap for the former Bexhill High School site. Recent discussions with ESCC appear to have identified a way forward to enable the redevelopment of the site and leisure centre.
25. A grant of £133,000 funded from section 106 monies for affordable housing will be made to Optivo for affordable housing provision in Peasmarsh. Estimated spend in 2017/18 on Disabled Facility Grants (DFGs) is £1m as reported earlier.

26. An additional £37,000 is proposed to be spent on a public play area improvement scheme at Galley Hill. This will include the supply and installation of replacement and additional play equipment, surfacing and fencing at the existing facility. This will be funded from section 106 developer contributions.
27. Plans have been approved for additional beach huts. These will be funded from the capital receipts for the sale of the huts and any surplus monies ring-fenced for future income generating projects.
28. The cost of new waste bins for the joint waste contract has been agreed at £50,000 for three years for all waste contract partner Councils. This has been reflected in the programme and will be jointly funded by the partners.
29. ICT spend of £160,000 of essential work on the network is planned to be completed in 2017/18. The estimated spend on the Corporate Document Image processing system is £50,000 in 2017/18. There will be additional costs as the new system is rolled out across the Council. The costs for the previously reported new Enterprise Resource Planning System (financial and HR systems) is now estimated at £500,000.

Conclusion

30. Overall the Council underspend is £0.629m. Of this £385,000 relates to the expected capital underspend on disabled facility grants which will be transferred to earmarked reserves for future years. This therefore is ring-fenced monies for this purpose.
31. With regard to the Capital Programme, there remains risk over how quickly the land swap with ESCC for the former Bexhill High School site can be concluded. This delay affects delivery of the single biggest investment, the Council has identified as part of its current Corporate Plan, namely a new combined leisure and swimming centre. The site will also deliver additional housing to Bexhill and commercial space.

Malcolm Johnston
Executive Director of Resources

Risk Assessment Statement

Regular financial reporting is integral to good decision making and therefore Members and officers need an up-to-date understanding of the Council's financial position.

CAPITAL PROGRAMME SUMMARY

	Updated 2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Community and Economy				
Community Grants	65	65	0	0.00%
De La Warr Pavilion - Capital Grant	51	51	0	0.00%
Land Swap re Former High School Site	1,085	1,085	0	0.00%
Bexhill Leisure Centre	120	0	(120)	
Galley Hill	37	37	0	0.00%
Waste Collection Contract - New bins	13	13	0	0.00%
Beach Huts	24	24	0	0.00%
Finance and Welfare				
Contribution to Affordable Housing funded by s106	133	133	0	0.00%
Disabled Facilities Grants	1,791	1,000	(791)	-44.17%
Enterprise Resource Planning System Upgrade	500	500	0	0.00%
ICT and Customer Services				
IT Essential Maintenance Programme	266	236	(30)	-11.28%
IT SAN replacement	160	160	0	0.00%
Rother 20/20 ICT Investment	300	0	(300)	-100.00%
Corporate Services and Human Resources				
Delegate Conference System	50	0	(50)	-100.00%
Corporate				
Corporate Document Image Processing System	350	50	(300)	-85.71%
Total Capital Expenditure	4,945	3,354	(1,591)	-32.17%
Funded By:				
Capital Receipts	1,085	1,085	0	0.00%
Grants and contributions	2,935	1,344	(1,591)	-54.21%
Capital Expenditure Charged to Revenue	925	925	0	0.00%
Total Funding	4,945	3,354	(1,591)	0.00%

CAPITAL PROGRAMME SUMMARY

		2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)
Community and Economy				
Community Grants		65	65	
De La Warr Pavilion - Capital Grant		51	52	
Land Swap re Former High School Site		1,085		
Bexhill Leisure Centre		120		
Galley Hill		37		
New bins		13	13	13
Beach Huts		24	96	
Finance and Welfare				
Contribution to Affordable Housing funded by s106		133		
Disabled Facilities Grants		1,791		
Enterprise Resource Planning System Upgrade	Rother 2020	500		
ICT and Customer Services				
IT Essential Maintenance Programme		266		
IT SAN replacement		160		
Rother 20/20 ICT Investment	Rother 2020	300		
Corporate Services and Human Resources				
Delegate Conference System		50		
Corporate				
Corporate Document Image Processing System	Rother 2020	350		
Total Capital Expenditure		4,945	226	13
Funded By:				
Capital Receipts		1,085		
Grants and contributions		2,935		
Capital Expenditure Charged to Revenue		925		
Total Funding		4,945	226	13