

Report to	-	Cabinet
Date	-	3 September 2018
Report of the	-	Executive Director
Subject	-	Provisional Revenue Budget and Capital Programme Monitoring Quarter 1 2018/19

Recommendation to COUNCIL: That:

- 1) the revised Capital Programme set out in Appendix B be approved; and
 - 2) an architect and other associated consultants be appointed to carry out the master-planning exercise for the Blackfriars development site at Battle, at a cost of up to £50,000.
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Financial Services Manager: Catherine Jobling
Lead Cabinet Member: Councillor Lord Amphill

Changes to the Revenue Budget

1. This report updates Members on the provisional outturn for 2018/19. 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

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Executive Directors & Corporate Core	2,043	2,043	0	0.0%
Environmental Services	740	540	(200)	-27.0%
Strategy and Planning	930	958	28	3.0%
Acquisitions, Transformation and Regeneration	376	509	133	35.4%
Housing and Community Services	5,420	5,215	(205)	-3.8%
Resources	3,286	3,299	13	0.4%
Salaries year to date	0	(178)	(178)	
Total Cost of Services	12,795	12,386	(409)	-3%
Interest from Investments	(362)	(327)	35	-9.7%
Capital Expenditure Charged to Revenue	2,360	1,135	(1,225)	-51.9%
Savings 2020				
(i) Increase income - Investment in property fund £3 million	(150)	(69)	81	-54.0%
(ii) Increase income - investment in property	(240)	(82)	158	-66.0%
(iii) MRP	0	0	0	
(iv) Interest payments	97	16	(81)	-83.5%
Net Cost of Services	14,500	13,059	(1,441)	-10%

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Parish Precepts	1,549	1,549	0	0.0%
Special Expenses	(715)	(715)	0	0.0%
Business Rates				
Local Share of business rates	(7,141)	(7,141)	0	0.0%
s31 Grants	(1,350)	(1,396)	(46)	3.4%
Tariff	4,926	4,925	(1)	0.0%
Levy payment on account	617	441	(176)	-28.5%
Revenue Support Grant	(73)	(73)	0	0.0%
Non-Specific Revenue Grants		0		
New Homes Bonus Grant	(714)	(714)	0	0.0%
Rural services delivery grant	(38)	(38)	0	0.0%
New Burdens Grant	0	(60)	(60)	
Local Council tax Support Grant	(100)	(101)	(1)	1.0%
Benefits Administration Grant	(233)	(233)	0	0.0%
Homelessness Grant - New Burdens	(41)	(41)	0	
Flexible Homeless Support Grant	(203)	(203)	0	0.0%
Council Tax Requirement (Rother and Parishes)	(8,129)	(8,129)	0	0.0%
Other Financing				
Collection Fund (Surplus)/Deficit	(5)	(5)	0	0.0%
Contributions to/(from) Earmarked Reserves	(2,850)	(1,125)	1,725	-60.5%
Contributions to/(from) General Fund Balance	0	0	0	
Total Income	(14,500)	(13,059)	1,441	
Total Income	0	0	0	

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)
Executive Directors & Corporate Core Environmental Services Strategy and Planning Acquisitions, Transformation and Regeneration Housing and Community Services Resources Community and Economy ICT and Customer Services MTFS reserve	Virement of budgets following restructure	226 89 527	14 340 98 85 127 178
Total Virements		842	842

Review of significant variations to the Net Cost of Services

3. Overall the cost of services above shows an under spend of £0.509m. The main reasons for the variations are detailed in the paragraphs below.

Environmental Services - £200,000 Surplus

4. **Environmental Health Partnership** - there are currently several vacant posts in the Environmental Health Shared services team, this could potentially lead to savings for the partnership by the end of the year.
5. **Private sector Housing** - £200,000 extra income. Grant of £1.5 million has been awarded for Disabled Facilities Grant (DFGs) and £1.3 million is anticipated to be spent by the end of the year. The balance of £200,000 will be transferred to earmarked reserves for future spending on disabled facilities. Members will recall that due to accounting requirements, any spend on DFGs as shown in the capital programme are ultimately reflected through the General Fund.

Strategy and Planning - £28,000 deficit

6. **Planning Applications** - Planning fees were raised by 20% in January 2018; income is slightly lower than expected at this stage of the year due to a reduction in planning applications reflecting the slowdown in construction in the area.
7. **Land Charges** - Land Charge income is slightly lower than expected at this stage of the year.
8. **Building Control Shared Service** - Wealden District Council host this service for Rother and the charge for the year is £77,000 against a budget of £49,000. The budget was set before costs were finalised for the new partnership. The increase in net cost relates to an increase in non-fee earning work carried out on behalf of the Council.

Acquisitions, Transformation and Regeneration - Deficit £133,000

9. **Property Management** - an overspend of £70,000 is predicted relating to costs incurred for project management, valuations and various studies at the Blackfriars site in Battle to help bring forward a planning application. As previously agreed these costs will be met from the Corporate Priority Project earmarked reserve.
10. **West Trading Estate (Bexhill)** - additional income of £197,000 has been achieved following receipt of backdated rent due to a rent review on a number of properties.
11. **Colonnade Restaurant/Café** - costs of £260,000 have been incurred for the approved works at the Colonnade for the refit that have been initially charged to the revenue budget. The property will be subject to a new valuation during the year and should the value be sufficiently enhanced then these works will be capitalised. This has been reflected in the capital programme as shown in Appendix A. Costs have also been incurred associated with the engagement of staffing, which are expected to be covered by income, once the business is fully operational.

Housing and Community Services - Surplus £205,000

12. **Bexhill Promenade and Foreshore** - the erection and sale of 43 new beach huts, 12 at East Parade and 31 at Glyne Gap has generated income of £250,000.
13. **Refuse Collection** - savings of £100,000 are estimated even after taking into consideration the increased joint waste partnership salary costs and Rother's contribution to legal costs incurred relating to the current procurement process for the new waste collection and street cleaning contract. It is also important to note that the costs arising from the new contract procurement are uncertain and therefore may increase from the current estimate.
14. **Car parks** - (£60,000) increased income. Due to the good weather car park income is expected to exceed the budget by £100,000, although this is partly offset by higher business rates and £20,000 of one off grants arising from the devolvement programme for rural car parks.
15. **Housing Needs** - £185,000 shortfall. Due to rising demand there is likely to be a shortfall relating to costs of temporary accommodation.
16. **Housing Administration account** - £20,000 shortfall. Due to demand on the service agency staff have been used to manage the workload.

Resources - £13,000 Deficit

17. **Accountancy** - £13,000 shortfall. This is due to overtime costs for the implementation of the new financial system (ERP).

Staffing

18. The General Fund summary table shows an overall salary saving of £178,000. This saving will help meet the cost of changes to the Council staffing structure to meet the aims of the Rother 2020 plan estimated at £120,000. As referred to above these additional costs relate primarily to the engagement of a project manager for the Blackfriars development and manager for the Colonnade café/restaurant. The latter costs are expected to be covered by income once the business is fully operational in 2019/20. An additional four apprenticeship posts have also been created at a cost of approximately £50,000 to meet the Council's commitment to this Government requirement.

Non Cost of Services Budgets:

Interest from Investments - £35,000 Deficit

19. Income of £327,000 is expected compared to the annual budget of £362,000 a shortfall of £35,000. With the base rate rising to 0.75% on the 2 August 2018 it is hoped there may be some improvement by the end of the year.

Capital Expenditure charged to revenue - £1.225m reduction

20. Due to slippage on the capital programme there is an expected reduction in the planned amount of capital expenditure met through the revenue budget of £1.225m.

Council Tax, Business Rates and Non Specific Grants - £284,000 Surplus

21. Extra income of £46,000 from Section 31 grants (compensation grants relating to business rates) is expected. The Government Levy on business rates for 2018/19 is expected to be £441,000 which represents the share of business rates growth payable to the East Sussex Business Rates pool. This is £176,000 less than budgeted. In addition, grants of £60,000 relating to neighbourhood planning and new burdens relating to welfare reform have been received.

Collection Fund

22. The figures shown below reflect our collection performance for Council Tax as at 30 June 2018 against monies due to the Council and against the forecasted budget yield.

	Equivalent Period		
	2018/19	2017/18	2016/17
Collectable Annual debit (at 100% collection)	£72,229,742.41	£67,797,693.99	£64,031,795.55
Income Received	£21,534,585.74	£20,319,919.87	£19,194,039.48
Income Received as a % of collectable debit	29.81%	29.97%	29.98%
Budgeted yield (at 98.75% collection 18/19, 98.5% earlier years)	£71,114,683.69	£66,599,906.61	£62,805,735.41
Income Received as a % of budgeted yield	30.28%	30.51%	30.56%

23. As can be seen the Council Tax collection rate is comparable to the previous year. The total collectable is above the original estimate made when the budget was set and there is a surplus expected of £1,163,337 as at 30 June 2018. The majority of the surplus will accrue to East Sussex County Council as the major preceptor.

24. The performance of Business Rates as at 30 June 2018 is shown below:

	2018/19	Equivalent Period 2017/2018
Collectable debit	£18,592,974.36	£18,157,334.28
Income Received	£6,104,990.14	£5,773,938.11
Income Received as a % of collectable debit	32.83%	31.80%
Amount outstanding for year	£12,487,984.22	£12,383,396.17

25. As can be seen collection performance is slightly better than the same period last year. However there is predicted to be a deficit of £1,044,092 as at 30 June 2018. The deficit is due to adjustments to prior year debt and settlements of appeals.

Capital Programme

26. The provisional outturn for the 2018/19 Capital Programme is £8.347 million spend against a £10.552 million budget, an under spend of (£2.205) million. The estimated outturn for the Programme is shown at Appendix A and, save for the Colonnade referred to above, the main reasons for the variations are shown below:
27. **East Parade - Project A - Bexhill East Beach** - £287,000 slippage. Whilst the planning application costs have fallen into 2018/19, it is anticipated that the rest of the project spend will slip into future years. Members may recall at the 14 May 2018 Cabinet meeting, the original East Parade project has been re-scoped into smaller, discreet projects. Project B, the repair, restoration and conservation of the four, Grade II listed shelters and the development of a Heritage Hub with associated community projects is now ready to progress. A new Heritage Lottery Fund application for £400,000 of grant has been made and requires match funding of £42,000. A further detailed report on the proposals will be made to Members should the application be successful.
28. **Community Led Housing Schemes** - £90,000 underspend - spending related to this project is expected to slip into 2019/20.
29. **Beach Huts** - £95,000 savings. All the beach huts are now sold and the costs relating to their purchase have been charged to revenue following discussions with our external auditors as to the most appropriate accounting treatment. This is due to their individual value being low.
30. **Bexhill Leisure Centre** - £1.931m slippage. Planning permission is being sought in 2018/19 for the redevelopment of the centre. Consequently the majority of spend on the leisure centre is now expected to fall in future years.
31. **Fairlight Coastal protection** - this represents project work by East Kent Engineering Partnership costs on this scheme including relocation of the Compressor House costing circa £150,000. This will be funded from Environment Agency Grant in earmarked reserves.
32. **Sidley Sports and Recreation** - £260,000 slippage. The majority of this project spend is likely to slip into future years. Grant funding of £125,000 has been applied for from Sports England which will increase the cost and funding for this project. Further funding of £76,000 has been awarded from the Big Lottery Fund.
33. **Disabled Facilities Grant** - there is £797,000 in earmarked reserves and a further £1.5 million of grant has been received in 2018/19. Actual spend by the end of the year is expected to be £1.3 million.
34. **Blackfriars Development** - in order to maintain momentum to develop Blackfriars in Battle, architects and associated consultants/surveys will need to be appointed to carry out a master-planning exercise to work up a holistic, whole site solution which secures the principal of residential development in line with the Council's local plan and Corporate Plan.
35. The anticipated total cost of this work is in the region of £50,000. Of this the cost of appointing an architect to carry out this master-planning exercise is

anticipated to be between £30,000 and £40,000. Additional survey work is also required in order for any Planning Application to be validated and recommended for approval. A validation list, breakdown of surveys, consultants and costs will be attached to a full report, which will be presented to a future Cabinet.

Other Financial Matters

36. Previously Members approved the Council could make a loan to its wholly owned subsidiary, the Colonnade Bexhill Ltd. for set up costs (Council Minute C18/13 refers). The value of the loan is £130,000 as at 8 August 2018.

Conclusion

37. Overall the Council underspend is projected to be £1.855 million by the end of 2018/19. Of this £1.225 million relates to slippage of capital programme items that were intended to be funded from revenue as set out in this report.

Malcolm Johnston
Executive Director

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.

Appendix A

Rother District Council Capital Programme Summary

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
Acquisitions, Transformation and Regeneration			
Community Grants	130	130	0
Land Swap re Former High School Site	1,085	1,085	0
Property Investment Strategy	3,100	3,100	0
East Parade - project A - Bexhill East Beach	295	8	(287)
East Parade - project D - Ornamental Lighting DLWP	8	0	(8)
Colonnade	260	0	(260)
Rother 20/20 ICT Investment	437	437	0
Corporate Document Image Processing System	232	232	0
Acquisition 14 Terminus Road	900	900	0
Housing and Community Services			
De La Warr Pavilion - Capital Grant	52	52	0
Community Led Housing Schemes	390	300	(90)
Beach Huts	95	0	(95)
Bexhill Leisure Centre	2,190	259	(1,931)
Fairlight Coastal Protection	0	230	230
Sidley Sports and Recreation	300	20	(280)
Executive Directors & Corporate Core			
Delegate Conference System	50	63	13
New bins	13	13	0
Resources			
Disabled Facilities Grant	797	1,300	503
Enterprise Resource Planning System upgrade	52	52	0
IT Essential Maintenance Programme	166	166	0
Total Capital Programme	10,552	8,347	(2,205)

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
Funded By:			
Capital Receipts	3,057	1,344	(1,713)
Grants and contributions	797	1,530	733
Borrowing	4,338	4,338	0
Capital Expenditure Charged to Revenue	2,360	1,135	(1,225)
Total Funding	10,552	8,347	(2,205)

**Rother District Council
Capital Programme Summary**

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21/20 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Acquisitions, Transformation and Regeneration					
Community Grants	130	130	130	130	130
Land Swap re Former High School Site	1,085	0	0	0	0
Property Investment Strategy	3,100	10,000	20,000	0	0
East Parade - project A - Bexhill East Beach	295	400	0	0	0
East Parade - project B - Shelters and Heritage trail	0	42	0	0	0
East Parade - project D - Ornamental Lighting DLWP	8	0	0	0	0
Colonnade	260	0	0	0	0
Rother 20/20 ICT Investment	437	0	0	0	0
Corporate Document Image Processing System	232	0	0	0	0
Acquisition 14 Terminus Road	900	0	0	0	0
Blackfriars Development	TBC	TBC	TBC	TBC	TBC
Housing and Community Services					
De La Warr Pavilion - Capital Grant	52	0	0	0	0
Community Led Housing Schemes	390	0	0	0	0
Beach Huts	95	0	0	0	0
Bexhill Leisure Centre	2,190	0	0	0	0
Sidley Sports and Recreation	300	0	0	0	0
Executive Directors & Corporate Core					
Delegate Conference System	50	0	0	0	0
New bins	13	13	0	0	0
Resources					
Disabled Facilities Grant	797	0	0	0	0
Enterprise Resource Planning System upgrade	52	0	0	0	0
IT Essential Maintenance Programme	166	0	0	0	0
Total Capital Programme	10,552	10,585	20,130	130	130

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21/20 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Funded By:					
Capital Receipts	3,057				
Grants and contributions	797	400			
Borrowing	4,338	10,000	20,000		
Capital Expenditure Charged to Revenue	2,360	185	130	130	130
Total Funding	10,552	10,585	20,130	130	130