

Report to	-	Cabinet
Date	-	11 March 2019
Report of the	-	Executive Directors
Subject	-	Revenue Budget and Capital Programme Monitoring Quarter 3 2018/19

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

Assistant Director Resources: Robin Vennard
Lead Cabinet Member: Councillor Lord Ampthill

Changes to the Revenue Budget

- This report updates Members on the provisional outturn for 2018/19 based on expenditure to 31 December 2018. The expected final financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:

	Revised 2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Executive Directors & Corporate Core	2,043	2,076	33	1.6%
Environmental Services	740	631	(109)	-14.7%
Strategy and Planning	930	876	(54)	-5.8%
Acquisitions, Transformation and Regeneration	376	151	(225)	-59.8%
Housing and Community Services	5,420	5,197	(223)	-4.1%
Resources	3,286	3,351	65	2.0%
Total Cost of Services	12,795	12,282	(513)	-4%
Interest from Investments	(362)	(347)	15	-4.1%
Capital Expenditure Charged to Revenue	1,493	1,493	0	0.0%
Savings 2020				
(i) Increase income - Investment in property fund	(150)	(63)	87	-58.0%
(ii) Increase income - Investment in property	(240)	(240)	0	0.0%
(iii) MRP	0	0	0	
(iv) Interest payments	97	97	0	0.0%
Net Cost of Services	13,633	13,222	(411)	-3%

	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)	(1,415)	(65)	4.8%
Tariff	4,926	4,926	0	0.0%
Levy payment on account	617	412	(205)	-33.2%
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	(40)	(40)	#DIV/0!
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	(1,983)	(1,261)	722	-36.4%
Contributions to/(from) General Fund Balance	0	0	0	
Total Income	(13,633)	(13,222)	411	
Balance	0	0	0	

Review of significant variations to the Net Cost of Services

- Overall the cost of services above shows an underspend of £0.411m (£411,000). The main reasons for the variations are detailed in the paragraphs below.

Executive Directors and Corporate Core – £33,000 overspend

- Additional recurring income of £15,000 has been generated from the letting of the majority of the top floor of Amherst Road to East Sussex Healthcare NHS Trust. One-off income of £20,000 has been received from the East Sussex Fraud Hub being the remaining Ministry of Housing, Communities and Local Government (MHCLG) grant and will be used to fund future anti-fraud initiatives. Costs have been incurred relating to building repairs, audio visual equipment, fire alarm maintenance and recruitment and staffing costs.

Environmental Services – £109,000 surplus

- 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. In addition, savings in operational costs and additional income have been identified. The Council's share of the overall saving is expected to be £52,000.

5. **Private sector Housing** – Grant of £1.5m has been awarded for Disabled Facilities Grants for the financial year and it is expected that £1.3m will be spent by the end of the financial year. Following discussions across the county, it is planned that some of the grant funding will be used to meet part of the costs of the East Sussex Occupational Therapists service. These officers who deliver aids and adaptations to households in Rother will be sited with the Rother Housing team rather than at present at East Sussex County Council offices. The balance of grant remaining, estimated at £50,000, will be transferred to earmarked reserves.

Strategy and Planning – £54,000 surplus

6. **Salaries** – £60,000 underspend due to savings on staff salaries.
7. **Planning Applications** – £40,000 shortfall – 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.
8. **Planning Policy** – £60,000 savings as planned spend is re-profiled into 2019/20 as the examination of the Development and Site Allocations, Local Plan, will now take place in spring 2019.
9. **Land Charges** – Land Charge income is slightly lower than expected at this stage of the year.
10. **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 – £225,000 surplus

11. **West Trading Estate (Bexhill)** – additional income of £135,000 has been achieved following receipt of backdated rent due to a rent review on a number of properties.
12. **Staffing costs** – savings of £95,000 have been generated from delays in securing new staff in economic development and transformation. These posts are now filled.

Housing and Community Services – £223,000 surplus

13. **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.
14. **Bexhill Leisure Centre and Pool** – £33,000 overspend – unbudgeted expenditure on repairs to the leisure centre and swimming pool.
15. **Refuse Collection** – savings of £31,000 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.

16. **Car parks** – £180,000 increased income. Due to the good weather, car park income is expected to exceed the budget by £250,000; this is partly offset by £20,000 of increased business rates due to the loss of transitional relief, £20,000 of one-off grants supporting the programme of devolution of the car parks and maintenance costs.
17. **Housing Needs** – £159,000 shortfall. Due to rising demand there is likely to be a shortfall relating to costs of temporary accommodation.
18. **Housing Administration account** – £42,000 shortfall as demand on the service has meant agency staff have been used to manage the workload.

Resources – £65,000 deficit

19. **Corporate Management** – savings of £10,000 have been identified relating to a reduction in external audit fees.
20. **Accountancy** – £94,000 shortfall. This is due to external support costs and overtime costs for the implementation of the new financial system (ERP). It is anticipated that there will be on-going savings of £50,000 arising from the implementation of the new system from 2020/21 onwards.
21. **Revenues and Benefits** – additional costs of £67,000 relating to software costs, off-site resilience contract and postage. New Burdens Growth funding of £36,000 has been received which will help offset these costs and is shown below the second half of Table 1 above.
22. **Computer Services** – £40,000 in year savings identified relating to software licences and maintenance charges.
23. **Communications** (telephones) – £25,000 in year savings identified from reduced telephone costs.

Non Cost of Service Budgets:

Interest from Investments – £15,000 deficit

24. Income of £347,000 is expected compared to the annual budget of £362,000, a shortfall of £15,000. This is an improvement based on estimates at the end of Quarter 1.

Capital Expenditure charged to Revenue

25. Due to slippage on items within the capital programme funded through revenue, there is expected to be a final spend of £1.493m, a reduction of £0.822m compared to the original budget. The detailed variations on the Capital Programme are shown below.

Council Tax, Business Rates and Non Specific Grants

26. Extra income of £65,000 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 £426,000 which represents the share of business rates growth payable to the East Sussex Business Rates pool, £191,000 less than budgeted. In addition, grants of £40,000 relating to neighbourhood planning and new burdens relating to welfare reform have been received.

27. The Government also announced funding for local government totalling £56.5m to help support the cost arising from preparations for BREXIT. Some £40m of the funding will be split equally between 2018/19 and 2019/20 financial years, with £1.5m being used to meet the impact on Ports of increased activity, £10m to respond to specific local needs as they arise and £5m for the MHCLG and local government sector to support resilience and community cohesion. Rother's share of the funding amounts to £35,000.

Collection Fund

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

	2018/19	Equivalent Period 2017/18 2016/17	
Collectable Annual debit (at 100% collection)	£72,387,056.78	£67,899,534.12	£64,195,304.66
Income Received	£61,572,952.47	£57,984,594.74	£54,893,271.72
Income Received as a % of collectable debit	85.06%	85.40%	85.51%
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	86.58%	87.06%	87.40%

29. As can be seen, the collection rate is slightly lower compared 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 £1,238,900 as at 30 September 2018. Rother's share is estimated to be £154,000.

30. The performance of Business Rates as at 31 December 2018 is shown below:

	2018/19	Equivalent Period 2017/2018
Collectable debit	£18,501,218.10	£17,786,046.18
Income Received	£15,767,993.33	£15,019,119.13
Income Received as a % of collectable debit	85.23%	84.44%
Amount outstanding for year	£2,733,224.77	£2,766,927.05

31. As can be seen, collection performance is slightly higher than the same period last year. There is an expected deficit of £1,226,400 as at 31 December 2018 due to adjustments to prior year debt and the settlement of appeals by the Valuation Office Agency. Rother's share is estimated to be £490,550.

Capital Programme

32. The provisional outturn for the 2018/19 Capital Programme is £7.246m spend against an original budget of £10.262m an underspend of £3m. The Capital Programme was updated and approved by Council at its meeting on the 25 February to reflect the projected year end spend as shown at Appendix A. The following explanations relate to the changes from the original Capital Programme approved in February 2018.
33. **East Parade – Project A – Bexhill East Beach** – £287,000 slippage. The planning application costs have fallen into 2018/19, the rest of the spend will slip into future years. A bid has been submitted to Coastal Communities Fund for £400,000 and this will increase both the cost and income if it is successful.
34. **Solar Panels** – As part of the 2020 income generation programme £47,000 is being invested in solar panels at Amherst Road and Bexhill Museum as part of an invest to save initiative.
35. **Blackfriars** – £1m of initial funding has been approved by Cabinet to complete the necessary Masterplan, surveys, acquisitions, works and applications where necessary, for facilitating the delivery of the site, inclusive of the neighbourhood road. Most of the spend will fall in later years with £100,000 being provided for in 2018/19 for initial costs.
36. **Property Investment Strategy** – The Council's regeneration ambitions are primarily being driven through the property investment strategy. The original provision for 2018/19 was £4m. The Council has achieved two acquisitions in 2018/19 totalling £2.5m and expects further acquisitions in early 2019/20.
37. **Community Led Housing Schemes** – £90,000 spending related to this project is expected to slip into 2019/20.
38. **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.
39. **Bexhill Leisure Centre** – £1.930m 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.
40. **Sidley Sports and Recreation** – £300,000 slippage. The spend on this project will 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.
41. **Disabled Facilities Grant** – There is £797,000 in earmarked reserves and a further £1.5m has been received in 2018/19. Actual spend by the end of the year is expected to be £1.3m.

Conclusion

42. Overall the Council's Revenue Budget underspend is estimated to be £722,000 of which £411,000 relates to savings and additional income from

Council services. Additional income is also expected from business rates and grants compared to the expected position when the Revenue Budget was originally set.

Malcolm Johnston
Executive Director

Dr Anthony Leonard
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.

CAPITAL PROGRAMME – 2018/19

	2018/19 Original Budget Feb 18 £ (000)	2018/19 Revised Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
<u>Acquisitions, Transformation and Regeneration</u>				
Community Grants	130	130	130	0
East Parade – Project A – Bexhill East Beach	295	8	8	0
East Parade – Project B – Shelters and Heritage Hub		2	2	0
East Parade – Project D – Ornamental Lighting	8			0
Colonnade Restaurant/Units	0	333	333	0
Cemetery Entrance	0	50	50	0
Community Led Housing Schemes	390	300	300	0
Blackfriars Housing Development	0	100	100	0
<u>Rother 2020 Programme</u>				
Property Investment Strategy	4,000	0	0	0
Acquisition 14 Terminus Road	0	887	887	0
Acquisition 3 Sites – Beeching Road	0	1,625	1,625	0
Demolition				0
Solar Panels	0	47	47	0
Rother 20/20 ICT Investment	458	390	390	0
Corporate Document Image Processing System	203	232	232	0
<u>Housing and Community Services</u>				
De La Warr Pavilion – Capital Grant	52	52	52	0
Fairlight Coastal Protection		29	29	0
Sidley Sports and Recreation	300	0	0	0
Land Swap re Former High School Site	1,085	1,085	1,085	0
Bexhill Leisure Centre – Site Development	2,190	260	260	0
Disabled Facilities Grant	791	1,300	1,300	0
New Bins	13	13	13	0
Beach Huts	95	0	0	0
Camber Western Car Park	0	120	120	0
<u>Corporate Core including Executive Directors</u>				
Delegate Conference System	50	50	50	0
<u>Resources</u>				
Enterprise Resource Planning System Upgrade	36	52	52	0
Printing Services – Guillotine	0	15	15	0
ICT Infrastructure – Ongoing Upgrade Programme	166	166	166	0
Total Capital Programme	10,262	7,246	7,246	0
	2018/19 Original Budget Feb 18 £ (000)	2018/19 Revised Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
<u>Funded By:</u>				
Capital Receipts	3,057	1,345	1,345	0
Grants and Contributions	0	1,729	1,729	0
Borrowing	4,845	2,559	2,559	0
Capital Expenditure Charged to Revenue	2,360	1,493	1,493	0
Unfunded		120	120	0
Total Funding	10,262	7,246	7,246	0