

Report to	-	Overview and Scrutiny Committee
Date	-	20 March 2017
Report of the	-	Executive Director of Resources
Subject	-	Revenue Budget and Capital Programme Monitoring to December 2016

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

**Service Manager: Robin Vennard**

This report, considered by Cabinet on 13 February 2017, has been referred to this Committee for Members' information. The report has been reproduced as submitted to Cabinet.

### Changes to the Revenue Budget

1. This report updates Members on income and expenditure to the end of December 2016 and shows the estimated outturn for 2017/18. This is summarised in the table below and further analysis is shown in subsequent paragraphs:

#### Rother District Council General Fund Summary

	2016/17 Budget £ (000)	2016/17 Estimated Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
Community and Economy	4,334	4,073	(261)	-6.0%
Corporate Services and Human Resources	1,245	1,220	(25)	-2.0%
Executive Directors	781	890	109	14.0%
Environmental Services	525	459	(66)	-12.6%
Finance and Welfare	2,331	2,173	(158)	-6.8%
ICT and Customer Services	1,834	1,684	(150)	-8.2%
Strategy and Planning and Development	946	914	(32)	-3.4%
Total Cost of Services	11,996	11,413	(583)	-5%
Interest from Investments	(135)	(170)	(35)	25.9%
Capital Expenditure Charged to Revenue	0	493	493	
Net Cost of Services	11,861	11,736	(125)	-1%

	2016/17 Budget £ (000)	2016/17 Estimated Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
<b>Parish Precepts</b>	1,319	1,319	0	0.0%
<b>Special Expenses</b>	(715)	(715)	0	
<b>Business Rates</b>	(2,540)	(2,540)	0	0.0%
<b>Revenue Support Grant</b>	(1,073)	(1,073)	0	0.0%
<b>Non-Specific Revenue Grants</b>				
New Homes Bonus Grant	(1,655)	(1,661)	(6)	0.4%
Other grants	0	(199)	(199)	
Local Council Tax Support Grant	0	(117)	(117)	
Community Housing Fund	0	(374)	(374)	
Benefits Administration Grant	0	(300)	(300)	
<b>Council Tax Requirement (Rother and Parishes)</b>	(7,367)	(7,367)	0	0.0%
<b>Other Financing</b>				
Collection Fund (Surplus)/Deficit	171	171	0	0.0%
Contributions to/(from) Earmarked Reserves	(1)	1,120	1,121	112100.0%
Contributions to/(from) General Fund				
Balance	0	0	0	
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	

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

<b>COST CENTRE</b>	<b>REASON</b>	<b>DEBIT (£)</b>	<b>CREDIT (£)</b>
Planning MTFS Earmarked Reserve	In settlement of planning appeal costs	42,000	42,000
Bexhill Parks and Open Spaces Waste Collection	Savings on the waste contract released to enable play area repairs at Bending Crescent, Bexhill	40,000	40,000
<b>Total Virements</b>		<b>82,000</b>	<b>82,000</b>

### Review of significant areas of spend:

#### Community and Economy (£261,000) surplus

3. Salary savings across the service of £15,000 have been identified as a result of staff turnover. The Waste Contract looks set to make savings of £130,000, net of the virement referred to above to fund works on the play area at Bending Crescent, Bexhill. Additional expenditure of £10,000 has been incurred in relation to the contribution to Royal National Lifeboat Institute in respect of support at Camber Sands during 2016/17. Additional professional fees of £24,000 have been incurred in relation to investment properties in respect of valuations and Land Registry fees.

4. As previously reported due to the increase in fees for garden waste collection service, a surplus of (£236,000) has been achieved. This additional income will be reduced by £10,000 due to the termination of the contribution from East Sussex County Council (ESCC) relating to the Rye Sports Centre and Pool.

#### **Corporate Services and Human Resources (£25,000) surplus**

5. Savings of £25,000 on printing in Committee services has been identified due to the increased use of electronic media such as iPads. This will be an on-going saving into future financial years and has been reflected in the draft Revenue Budget for 2017/18 reported elsewhere on this agenda.

#### **Executive Directors £109,000 deficit**

6. The main variation relates to additional costs of £72,000 for external Counsel legal fees in excess of the contracted cost of the legal shared service with Wealden District Council. These additional fees relate to a number of items including an increase in the number of challenges the Council is receiving arising from homelessness decisions.

#### **Environmental Health Service (£66,000) surplus**

7. Savings of £66,000 have been made across the service to the end of December 2016 due to staff vacancies. The Service Manager – Environmental Services and Licensing has been holding these two posts empty pending a review of how the service is delivered.

#### **Finance and Welfare (158,000) surplus**

8. The benefit administration grant of £215,000 is now re-classified as being non-specific and the income is no longer credited to the service. This is now shown below the line and therefore this variation has no overall financial effect. Extra costs of £35,000 have been incurred mainly relating to software upgrades that will be funded by grant and therefore do not represent a net additional cost to the Council.
9. Following a balance sheet review £310,000 of provisions for payments has been identified as no longer being required and therefore need to be brought into the revenue account. Savings of £50,000 have been identified in respect of benefit investigation partnership work with Hastings. This has been adjusted in the draft Revenue Budget for 2017/18. It is likely that £65,000 will be saved in respect of grants to voluntary bodies in 2016/17.

#### **ICT and Customer Services (£150,000) surplus**

10. Savings of £55,000 have been made across the service to the end of September 2016 due to staff vacancies and turnover. Savings of £90,000 have been identified relating to a number of operational budgets including the costs of licences for computer software. Any on-going savings have been reflected in the draft Revenue Budget 2017/18.

## Strategy and Planning Development (£32,000) saving

11. Planning applications income is at a similar level to that achieved at the same time last year and if this trend continues throughout the year a surplus of £90,000 is likely to be achieved.
12. The spend profile on the Local Development Framework has been updated and is reflected in the Revenue Budget 2017/18. This will reduce expenditure in the current financial year by £50,000. As this work is funded from earmarked reserves there will be no impact on the overall Revenue Budget.
13. There has been an additional £25,000 of costs incurred regarding legal fees relating to the claim of personal search companies in Land Charges.

## Other variations

14. An extra £35,000 of income is expected to be received due to the recent investment in the Local Authorities Property Fund, as agreed by the Audit Committee at its meeting in September 2016. Total investment earnings for the year are projected to be £170,000.
15. The Council have received the following non-specific revenue grants (£117,000) Local Council Tax support Grant, (£374,000) grant from the Community Housing Fund and (£300,000) Housing Benefit Administration Subsidy. A further (£199,000) of other non-specific grants including transition grant and rural services delivery grant have been received.
16. Given the uncertainty over the impact of the national revaluation of business rates from April 2017 and the awaited outcome of the consultation on 100% business rate retention, it is proposed that any surplus business rate income at financial year end is transferred to the Business Rate Equalisation Reserve.

## Collection Fund

17. The figures shown below reflect our collection performance for Council Tax as at 31 December 2016 against monies due to the Council and against the forecasted budget yield.

	2016/17	Equivalent Period 2015/16	2014/15
Collectable Annual debit (at 100% collection)	£64,195,304.66	£60,191,953.69	£58,454,458.31
Income Received	£54,893,271.72	£51,753,067.42	£50,307,161.29
Income Received as a % of collectable debit	85.51%	85.98%	86.06%
Budgeted yield (at 98.5% collection)	£62,805,735.41	£58,006,683.98	£56,451,093.89
Income Received as a % of budgeted yield	87.40%	89.22%	89.12%

18. As can be seen the collection rate is broadly comparable to previous years. The total collectable is currently above the original estimate and the Council Tax element of the Collection Fund is currently projected to be in surplus/deficit at year end by approximately £1,186,916. Rother's share of this will be £152,661.

19. The performance of Business Rates for the period to 31 December 2016 is shown below:

	2016/17	Equivalent Period 2015/16
Collectable debit	£18,160,707.46	£17,197,894.02
Income Received	£15,422,963.19	£14,460,121.07
Income Received as a % of collectable debit	84.92%	84.08%
Amount outstanding for year	£2,737,744.27	£2,737,772.95

20. As can be seen collection performance is improved on the same period last year. Overall performance for Business Rates suggests that there will be an in year deficit of approximately £80,000 within the Collection Fund with Rother's share being £32,000.
21. 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 regarding the timing of these settlements.

### Business Rate Pool

22. From 1 April 2015, the Council has been part of the East Sussex Business Rate Pool. This means that Rother shares in the financial benefits of growth in business rates and/or improved collection performance across all East Sussex district and borough councils. Conversely, the Council now shares the financial impact associated with any loss of business rate income through either poor collection performance or an actual decline in the rateable value of business premises in East Sussex.
23. Overall the Pool's performance to the end of December suggests that through the avoidance of paying the levy to Government an additional £2.1m of income will be retained across the County with Rother retaining £170,000 of this. This additional income will need to be ring fenced for investment in regeneration activities in accordance with the Pooling agreement with the Department for Communities and Local Government.

### Capital Programme

24. Expenditure to the end of December is just under £2,340,000 against a total approved programme of £5.218m. The estimated outturn is shown at Appendix A.
25. Work on the first phase of the Fairlight Coastal Protection Scheme is near completion. This phase of the work is estimated to cost £1.517m. The second phase of the works is programmed to take place in 2025. The approved Capital Programme has been amended to reflect this spend profile. An amended Capital Programme is shown at Appendix B.

26. Work continues to resolve the outstanding issues with ESCC and the land swap for the former Bexhill High School site although it is expected to be completed by the end of the financial year. Any delays will have a knock on effect in progressing the redevelopment of the leisure centre, located adjacent to this site.
27. Actual spend to the end of December on Disabled Facility Grants (DFGs) was £700,000. It is expected that by year end, expenditure will be in line with the approved budget of £1.314m.
28. The IT essential maintenance programme is expected to complete in this financial year. The Rother 2020 programme will require investment in the Council's ICT particularly to improve the self-help functionality of the Council's website with integration with core computerised systems such as the customer relationship management system. The detailed investment needs will be developed over the coming months and reported to Members. The revised Capital Programme from 2017/18 has also been included in the draft Revenue Budget reported elsewhere on this agenda.

## **Conclusion**

29. The Council is expecting its Revenue Budget to be in surplus by year end by in excess of £1.1m through a combination of additional income and cost savings. The ongoing financial impact of these has been considered as part of finalising the draft Revenue Budget for 2017/18.
30. 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.

**Rother District Council  
Capital Programme Summary**

	2016/17 Budget £ (000)	2016/17 Estimated Outturn £ (000)	2016/17 Variance £ (000)	2016/17 Variance %
Community Grants	65	65	0	0.00%
De La Warr Pavilion - Capital Grant	50	50	0	0.00%
Land Swap re Former High School Site	1,085	1,085	0	0.00%
Bexhill Leisure Centre	120	120	0	0.00%
Fairlight Coastal Protection Scheme	2,318	1,517	(801)	-34.56%
Disabled Facilities Grant	1,314	1,314	0	0.00%
North Bexhill Access Road	0	7	7	
IT Essential Maintenance Programme	266	266	0	0.00%
<b>Total Cost of Services</b>	<b>5,218</b>	<b>4,424</b>	<b>(794)</b>	<b>-15.22%</b>
<b>Funded By:</b>				
Capital Receipts	1,100	1,100	0	0.00%
Grants and contributions	3,632	2,831	(801)	-22.05%
Capital Expenditure Charged to Revenue	486	493	7	1.44%
<b>Total Funding</b>	<b>5,218</b>	<b>4,424</b>	<b>(794)</b>	<b>0.00%</b>

**Rother District Council  
Capital Programme Summary**

	2016/17 Budget £ (000)	2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)
Community Grants	65	65	65	0
De La Warr Pavilion - Capital Grant	50	51	52	0
Land Swap re Former High School Site	1,085	0	0	0
Bexhill Leisure Centre	120	0	0	0
North Bexhill Access Road	7	0	0	0
Fairlight Coastal Protection Scheme	1,517	0	0	0
Disabled Facilities Grant	1,314	700	0	0
IT Essential Maintenance Programme	266	0	0	0
Contribution to Affordable Housing funded by s106	0	133	0	0
IT SAN replacement	0	160	0	0
New Refuse Containers	0	50	0	0
Rother 20/20 Programme - ICT Investment	0	700	200	0
<b>Total Cost of Services</b>	<b>4,424</b>	<b>1,859</b>	<b>317</b>	<b>0</b>
<b>Funded By:</b>				
Capital Receipts	1,100	51	52	0
Grants and contributions	2,831	883	0	0
Capital Expenditure Charged to Revenue	493	925	265	0
<b>Total Funding</b>	<b>4,424</b>	<b>1,859</b>	<b>317</b>	<b>0</b>

# an additional phase of work at Fairlight is programmed to take place in 2025. This will be funded through Environment Agency grant.