

Report to	-	Overview and Scrutiny Committee
Date	-	27 November 2017
Report of the	-	Executive Director of Resources
Subject	-	Provisional Revenue Budget and Capital Programme Monitoring Quarter 2 2017/18

Recommendation: It be **RESOLVED:** That the report be noted and any comments referred to Cabinet as appropriate.

Service Manager: Robin Vennard

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	4,220	3,802	(418)	-9.9%
Corporate Services and Human Resources	1,129	1,159	30	2.7%
Corporate Core	817	817	0	0.0%
Environmental Services	546	486	(60)	-11.0%
Finance and Welfare	2,718	3,008	290	10.7%
ICT and Customer Services	1,856	1,733	(123)	-6.6%
Strategy and Planning and Development	898	847	(51)	-5.7%
Total Cost of Services	12,184	11,852	(332)	-3%
Interest from Investments	(235)	(300)	(65)	27.7%
Capital Expenditure Charged to Revenue	925	846	(79)	-8.5%
Net Cost of Services	12,874	12,398	(476)	-4%

	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)	(1,029)	(193)	23.1%
Tariff	4,783	4,783	0	0.0%
Levy payment on account	392	400	8	2.0%
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%
Homelessness Grant - New Burdens		(44)	(44)	
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)	50	938	-105.6%
Contributions to/(from) General Fund Balance	0	0	0	
Total Income	(12,874)	(12,398)	476	
Total	0	0	0	

Review of significant variations to the Net Cost of Services

- Overall the cost of services above shows an under spend of £0.332m. The main reasons for the variations are detailed below:

Community and Economy (£0.418m) surplus

- Private Sector Housing: £315,000 underspend. A grant of £1.385m has been received in respect of Disabled Facility Grants (DFG) of which it is expected that £1.07m will be spent in 2017/18. The balance of the grant 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.
- Car Parking: additional income from car parking fees is expected of £200,000 by year end if 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.
- Rural Open Spaces: £75,000 additional spending on repairs which are mainly due to expenditure on playground equipment at Coronation Gardens. This will be funded from earmarked reserves.
- Bexhill Swimming Pool and Rye Sports Centre and Pool: £39,000 of additional spend due to repairs at the pool for the pump and filter vessel refurbishment.

7. Bexhill Promenade and Foreshore: £15,000 of savings looks likely which is mainly due to rebate of business rates following a court ruling making beach hut owners liable where they have exclusive use. Previously, the Council has been responsible for the rates.
8. Camber Beach and Foreshore: £18,000 of additional spend for provision of extra signage at Camber Beach. This will be funded from earmarked reserves.
9. Bexhill Parks and Open Spaces: £12,000 shortfall due to the carrying out risk assessments and reduced rental income.
10. Cemeteries: £10,000. Based on 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 £30,000 shortfall

11. Electoral Registration: £23,000 of additional costs have been incurred relating to canvas and shortfall in funding will be funded from earmarked reserves.
12. Representing Local Interest: £10,000 of 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 (£60,000) surplus

13. This saving of £60,000 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 £290,000 shortfall

14. Housing Needs: £220,000 of extra costs is 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 £220,000 received from the Government which is shown below the cost of services in the table at paragraph 1.
15. Collection Costs of Council Tax and Business Rates: £101,000 extra spend including £15,000 of additional postage costs 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. It has also been necessary to make an additional £86,000 provision for bad debt on the cost of collecting Council Tax.
16. 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 in paragraph 1.
17. Other Apportionable Overheads: £28,000 of savings on External Audit Fees has been identified against the annual budget provision. Part of this saving arises from reduced costs on the housing benefit subsidy audit.

ICT and Customer Services (£123,000) surplus

18. Communications Phones: £65,000 of savings is now being delivered through the Council's telephone contracts. This will be built into the 2018/19 budget as on-going savings.
19. Staff Costs: £56,000 of savings have been identified on staff costs due to a number of factors.

Strategy and Planning Development (£51,000) surplus

20. Planning: £51,000 of savings have been identified on staff costs due to vacancies within the Strategy and Planning Department.

Non Cost of Services Budgets:

Interest from Investments (£65,000) surplus

21. 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 Local Authorities Property Fund, as agreed previously by the Audit Committee.

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

22. As referred to above, an additional £56,000 New Burdens grant for various welfare changes DWP has been received. 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. An additional £43,000 has been received in respect of the Homelessness Reduction Act. The implications of the new Act are detailed elsewhere on this agenda.

Collection Fund

23. The figures shown below reflect our collection performance for Council Tax as at 30 September 2017 against monies due to the Council and against the forecasted budget yield.

	Equivalent Period		
	2017/18	2016/17	2015/16
Collectable Annual debit (at 100% collection)	£67,899,479.70	£64,140,561.74	£60,219,652.13
Income Received	£39,148,243.98	£37,004,953.81	£34,943,236.90
Income Received as a % of collectable debit	57.66%	57.69%	58.03%
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	58.78%	58.92%	60.24%

24. 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 of £603,000 by the financial year end.

25. The performance of Business Rates for the period to 30 September 2017 is shown below:

	2017/18	Equivalent Period 2016/2017
Collectable debit	£17,807,726.31	£18,085,556.99
Income Received	£10,231,655.93	£10,581,141.13
Income Received as a % of collectable debit	57.46%	58.51%
Amount outstanding for year	£7,576,070.38	£7,504,415.86

26. As can be seen collection performance is slightly lower than the same period last year.
27. A deficit of £335,000 is expected at the end of the financial year. There are two main reasons; firstly the deficit is due to large number of appeals settled in the year, particularly in relation to the doctor's surgeries where the settlement was higher than the provision the Council made and secondly the amount of relief given to small business was higher than expected. This is compensated in the year by section 31 grants as can be seen as there is £193,000 more received than budgeted in 2017/18.

Capital Programme

28. The Capital Programme has been updated in-line with the Medium Term Financial Strategy 2018/19 to 2022/23, reported to the Overview and Scrutiny Committee on 16 October 2017. The investment in property of £7m previously approved by Council is not shown in the Capital Programme. This is due to the Government launching a consultation on the 10 November on changes to legislation regarding accounting for local authority property investments to be implemented from 1 April 2018. The consultation has implications in how these investments are financed and for the legal powers the Council is relying on to make these investments. The consultation will end on 22 December and hopefully the final proposals will be clear shortly after. The estimated outturn for the Capital Programme is shown at Appendix A.
29. Work continues to resolve the outstanding issues with East Sussex County Council (ESCC) and the land swap for the former Bexhill High School site. The estimated spend in 2017/18 on DFGs is £1.07 million compared to the budget of £1.8m. The balance of funds will be transferred to earmarked reserves. It is expected that part of the expenditure on the new Enterprise Resource Planning System will slip into 2018/19. The project is due to go-live on the 1 April 2018 but it is likely that work will continue into next financial year to ensure the Council is maximising the functionality of the system.
30. The Corporate Document Image Processing System is due to go live in the Revenues and Benefits department this month although there will be additional phases of work to bring on line its full functionality. Work on back scanning live files is almost complete and the outsourced post room contract will go live at a similar timescale. It is expected that this work will be completed by the New Year. Once complete it is planned to roll out the system across the Council. The programme will need to be reprofiled to reflect the likely timing of expenditure.
31. Some or all project spend on the Rother 2020 ICT investment scheme, Bexhill Leisure Centre, and the IT SAN replacement will slip into 2018/19.

Conclusion

32. Overall the Council underspend is £938,000 as less needs to be drawn from reserves than was budgeted. Of this £315,000 relates to the expected capital underspend on DFGs which will be transferred to earmarked reserves for future years. This therefore is ring-fenced monies for this purpose. The remaining underspend of £631,000 is made up of an estimated £161,000 underspend on services and additional grant income of £470,000 as shown in the table in paragraph 1 of this report.
33. With regard to the Capital Programme, there remains risk over how quickly the land swap with the 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. Members will also note that there are a number of major corporate ICT investments currently being implemented. These projects all have similar timeframes and as a consequence will impact on staff ability to deliver their day job.

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**

		2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Community and Economy					
Community Grants		130	115	(15)	-11.54%
De La Warr Pavilion - Capital Grant		51	51	0	0.00%
Land Swap re Former High School Site		1,085	0	(1,085)	-100.00%
Bexhill Leisure Centre		190	0	(190)	
Contribution to Affordable Housing funded by s106		133	133	0	0.00%
Galley Hill		37	37	0	0.00%
New bins		13	13	0	0.00%
Beach Huts		24	24	0	0.00%
Finance and Welfare					
Disabled Facilities Grant		1,791	1,069	(722)	-40.31%
Enterprise Resource Planning System Upgrade	Rother 2020	500	464	(36)	-7.20%
ICT and Customer Services					
IT Essential Maintenance Programme		266	100	(166)	-62.41%
IT SAN replacement		160	135	(25)	-15.63%
Rother 20/20 ICT Investment	Rother 2020	300	0	(300)	-100.00%
Corporate Services and Human Resources					
Delegate Conference System		50	50	0	0.00%
Corporate Core					
Corporate Document Image Processing System		350	100	(250)	-71.43%
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Total Cost of Services		5,080	2,291	(2,789)	-54.90%

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Funded By:				
Capital Receipts	1,136	0	(1,136)	-100.00%
Grants and contributions	1,924	1,445	(479)	-24.90%
Capital Expenditure Charged to Revenue	2,020	846	(1,174)	-58.12%
Total Funding	5,080	2,291	(2,789)	-54.90%

Rother District Council
Capital Programme Summary

	2017/18 Budget £ (000)	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Community and Economy						
Community Grants	130	130	130	130	130	130
De La Warr Pavilion - Capital Grant	51	51	0	0	0	0
Land Swap re Former High School Site	1,085	0	0	0	0	0
Bexhill Leisure Centre	190	2,000	0	0	0	0
Contribution to Affordable Housing funded by s106	133	0	0	0	0	0
Galley Hill	37	0	0	0	0	0
New bins	13	13	13	0	0	0
Beach Huts	24	96	0	0	0	0
Community Led Housing Schemes	0	390	0	0	0	0
Finance and Welfare						
Disabled Facilities Grant	1,791	TBD	TBD	TBD	TBD	TBD
Enterprise Resource Planning System Upgrade	500	0	0	0	0	0
ICT and Customer Services						
IT Essential Maintenance Programme	266	0	0	0	0	0
IT SAN replacement	160	0	0	0	0	0
Rother 20/20 ICT Investment	300	200	0	0	0	0
Corporate Services and Human Resources						
Delegate Conference System	50	0	0	0	0	0
Corporate Core						
Corporate Document Image Processing System	350	0	0	0	0	0
Total Cost of Services	5,080	2,880	143	130	130	130
Funded By:						
Capital Receipts	1,136	2,051	0	0	0	0
Grants and contributions	1,924	390	0	0	0	0
Capital Expenditure Charged to Revenue	2,020	439	143	130	130	130
Total Funding	5,080	2,880	143	130	130	130