

Report to	-	Overview and Scrutiny Committee
Date	-	19 March 2018
Report of the	-	Executive Director of Resources
Subject	-	Revenue Budget and Capital Programme Monitoring to 31 December 2017

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

**Service Manager: Robin Vennard**

This report, considered by Cabinet on 12 February 2018, 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 the estimated outturn for 2017/18 as at 31 December 2017. 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	3,683	(537)	-12.7%
Corporate Services and Human Resources	1,129	<b>1,165</b>	<b>36</b>	<b>3.2%</b>
Executive Directors and Corporate Core	817	897	80	9.8%
Environmental Services	546	458	(88)	-16.1%
Finance and Welfare	2,718	3,178	460	16.9%
ICT and Customer Services	1,856	1,745	(111)	-6.0%
Strategy and Planning and Development	898	739	(159)	-17.7%
Total Cost of Services	12,184	11,865	(319)	-3%
Interest from Investments	(235)	(335)	(100)	42.6%
Capital Expenditure Charged to Revenue	925	900	(25)	-2.7%
Net Cost of Services	12,874	12,430	(444)	-3%

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
<b>Parish Precepts</b>	1,573	1,573	0	0.0%
<b>Special Expenses</b>	(715)	(715)	0	0.0%
<b>Business Rates</b>				
Local Share of business rates	(7,125)	(7,125)	0	0.0%
s31 Grants	(836)	(1,292)	(456)	54.5%
Tariff	4,783	4,783	0	0.0%
Levy payment on account	392	435	43	11.0%
<b>Revenue Support Grant</b>	(450)	(450)	0	0.0%
<b>Non-Specific Revenue Grants</b>				
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 and Preventing Homelessness		(98)	(98)	
Flexible Homeless Support Grant		(177)	(177)	
<b>Council Tax Requirement (Rother and Parishes)</b>	(7,883)	(7,883)	0	0.0%
<b>Other Financing</b>				
Collection Fund (Surplus)/Deficit	(120)	(120)	0	0.0%
Contributions to/(from) Earmarked Reserves	(888)	300	1,188	-133.8%
Contributions to/(from) General Fund				
Balance	0	0	0	
<b>Total Income</b>	<b>(12,874)</b>	<b>(12,430)</b>	<b>444</b>	

## Review of significant variations to the Net Cost of Services

- Overall the cost of services above shows an under spend of £0.319m. The main reasons for the variations are detailed below:

### Community and Economy (£537,000) surplus

- Private Sector Housing* – £388,000 underspend. Grant of £1.388m has been received in respect of Disabled Facility Grants (DFG). £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.
- Car Parking* – £150,000 savings including additional income from car parking fees is expected by year end if usage 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. There has however, been extra expenditure on resurfacing of the entrance to Beeching Close Car Park and resurfacing works at various car parks in the district.

5. *Refuse Collection and recycling* – £170,000 saving. This is made up of extra income from garden waste service and bulky waste collections of £70,000. In addition savings of £80,000 are expected on the Waste Contract provision and savings of £20,000 on postage costs.
6. *Committee Property Account* – £60,000 shortfall in the main due to costs incurred on a number of properties including the Colonnade, Bexhill and at the Pebsham Community Centre.
7. *Sports Centres & Pools* – £45,500 shortfall due to demand led repairs at the pools for the pump and filter vessel refurbishment.
8. *Economic Development* – £29,000 shortfall due to staff costs for work on the new asset register. This will be funded from earmarked reserves.
9. *Property Management* – £16,000 shortfall due to costs of professional advice on investment strategy and valuations.

#### **Corporate Services and Human Resources £36,000 shortfall**

10. *Electoral Registration* – £23,000 additional costs relating to canvass and shortfall in funding will be funded from earmarked reserves.
11. *Representing Local Interest* – £10,000 extra spend on Members' Allowances which has been reflected in the 2018/19 Revenue Budget.
12. *Other variances* – £3,000 shortfall.

#### **Environmental Services (£88,000) surplus:**

13. 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 (£80,000) which came after this budget was agreed by Members in February 2017. The remaining £8,000 saving is a net of variances within operational costs.

#### **Finance and Welfare £459,000 shortfall:**

14. *Housing Benefit administration and Collection costs of Council Tax and Business Rates* – £214,000 extra spend. This is made up of £55,000 additional costs of using an external support contract for the service, although this has been offset by salary savings and £35,000 additional postage costs have been incurred due to the volume of post being sent. To date annual billing has been externalised but work is on-going regarding the securing of an external contract to print and post external communications at a lower cost. 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. £20,000 additional cost of using external support to review the Council's housing benefit subsidy claim, which was partially offset by reduced external audit fees. It has also been necessary to make an £86,000 provision for bad debt on the cost of collecting Council Tax.

15. *Housing Needs* – £264,000. 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 £275,000 received from the Government which is shown below the cost of services in the table above.
16. *Accountancy* – Additional staffing costs of £60,000 due to the implementation of the new financial system.
17. *Other Apportionable Overheads* – £28,000. Savings on External Audit Fees have been identified against the annual budget provision.

#### **ICT and Customer Services (£111,000) surplus:**

18. *Communications Phones* – £65,000 of savings are now being delivered through the Council's telephone contracts. This has been built into the 2018/19 budget as on-going savings.
19. *Staff Costs* – £69,000 of savings have been identified on staff costs due to vacancies.
20. *Printing Services* – £40,000 shortfall relating to Internal Charges due to the reducing amount of internal printing work required each year. The team are actively marketing their services to organisations and companies in the area.
21. *Computer Services* – £12,000 saving relating to operational leases.
22. *Other variances* – £5,000 savings.

#### **Strategy and Planning Development (£160,000) surplus:**

23. *Planning* – £66,000 of savings have been identified on staff costs due to vacancies.
24. *Land Charges* – £40,000 of savings relating to operational costs.
25. *Local Development Framework* – £50,000 underspend against £150,000 reserve funded budget for the year.
26. *Other variances* – £4,000 savings.

#### **Non Cost of Services Budgets:**

##### **Interest from Investments (£100,000) surplus:**

27. By the end of the financial year it is expected that an extra £100,000 of income above the annual budget will be received due to the recent investments in the Churches, Charities and Local Authorities Property Fund, as agreed previously by the Audit and Standards Committee.

#### **Council Tax, Business Rates and Non Specific Grants (£744,000) surplus:**

28. As referred to above, an additional £56,000 New Burdens grant for various welfare changes from the 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. It is hoped that this Act will significantly reform England's homelessness legislation and ensure that more people get the help they need to prevent them becoming homeless in the first place. An additional £54,000 has been received for preventing homelessness. It is hoped that these grants 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

29. The figures shown below reflect our collection performance for Council Tax as at 31 December 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)	£67,898,917.11	£64,196,592.10	£60,194,883.50
Income Received	£51,910,045.63	£49,100,820.94	£46,334,207.77
Income Received as a % of collectable debit	76.45%	76.49%	76.97%
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	77.94%	78.18%	79.88%

30. 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 £562,205 by the financial year end.

31. The performance of Business Rates for the period to 31 December 2017 is shown below:

	2017/18	Equivalent Period 2016/2017
Collectable debit	£17,736,877.40	£18,113,944.29
Income Received	£13,175,731.95	£13,917,250.36
Income Received as a % of collectable debit	74.28%	76.83%
Amount outstanding for year	£4,561,145.45	£4,196,693.93

32. As can be seen collection performance is slightly lower than the same period last year.

33. A deficit of £168,304 is expected at the end of the financial year. There are several reasons. The deficit is due to large number of appeals settled in the year, particularly in relation to doctors' surgeries where the settlement was higher than the provision Rother made. The amount of relief given to small

business was higher than expected. This is compensated in the year by s31 grants as can be seen as there is £456,000 more received than budgeted in 2017/18 but leaves a deficit in future years.

### **Capital Programme**

34. The capital programme spend has been updated to bring it in line with the Medium Term Financial Strategy 2018/19 to 2022/23 reported to Members at the Overview and Scrutiny Committee in October 2017 (Minute OSC17/28 refers).
35. 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. It has been assumed for this report that the land swap deal with ESCC will take place during 2018/19.
36. Estimated spend in 2017/18 on DFGs is £1m as reported earlier. The balance of funds will be transferred to reserves.
37. Some of the Enterprise Resource Planning System Upgrade costs will slip into 2018/19 as now there will be a staged implementation of the system. From 1 April 2018, the majority of the financial aspects of the system will go live with the human resource and payroll functionality going live later in the year.
38. Some or all of the project spend on the 2020 ICT investment scheme, Bexhill Leisure Centre, Corporate Document Image Processing System and the IT essential maintenance will slip into 2018/19.

### **Conclusion**

39. Overall the Council underspend is £1,188,000 as less needs to be drawn from reserves than was budgeted. Of this £388,000 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.
40. 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**

		2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
<b>Community and Economy</b>					
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%
<b>Finance and Welfare</b>					
Disabled Facilities Grant		1,791	1,000	(791)	-44.17%
Enterprise Resource Planning System Upgrade	Rother 2020	500	464	(36)	-7.20%
<b>ICT and Customer Services</b>					
IT Essential Maintenance Programme		266	100	(166)	-62.41%
IT SAN replacement		160	150	(10)	-6.25%
Rother 20/20 ICT Investment	Rother 2020	300	42	(258)	-86.00%
<b>Corporate Services and Human Resources</b>					
Delegate Conference System		50	0	(50)	-100.00%
<b>Corporate Core</b>					
Corporate Document Image Processing System		350	147	(203)	-58.00%
<b>Total Cost</b>		<b>5,080</b>	<b>2,276</b>	<b>(2,804)</b>	<b>-55.20%</b>

## Appendix B

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
<b>Funded By:</b>				
Capital Receipts	1,136	0	(1,136)	-100.00%
Grants and contributions	1,924	1,376	(548)	-28.48%
Capital Expenditure Charged to Revenue	2,020	900	(1,120)	-55.45%
<b>Total Funding</b>	<b>5,080</b>	<b>2,276</b>	<b>(2,804)</b>	<b>-55.20%</b>