

Report to	-	Overview and Scrutiny Committee
Date	-	23 July 2018
Report of the	-	Executive Director
Subject	-	Provisional Revenue Budget and Capital Programme Monitoring Quarter 4 2017/18

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

Assistant Director Resources: Robin Vennard

This report, considered by Cabinet on 4 June 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 provisional outturn for the financial year 2017/18. There may be changes to the final position as the external auditors complete their work. The final financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:-

Table 1

**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	3,518	(702)	-16.6%
Corporate Services and Human Resources	1,129	1,124	(5)	-0.4%
Executive Directors and Corporate Core	817	763	(54)	-6.6%
Environmental Services	546	468	(78)	-14.3%
Finance and Welfare	2,718	3,483	765	28.1%
ICT and Customer Services	1,856	1,651	(205)	-11.0%
Strategy and Planning and Development	898	687	(211)	-23.5%
Total Cost of Services	12,184	11,694	(490)	-4%
Interest from Investments	(235)	(337)	(102)	43.4%
Capital Expenditure Charged to Revenue	925	356	(569)	-61.5%
Net Cost of Services	12,874	11,713	(1,161)	-9%

	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
Parish Precepts	1,573	1,572	(1)	-0.1%
Special Expenses	(715)	(715)	0	0.0%
Business Rates				
Local Share of business rates	(7,125)	(7,001)	124	-1.7%
s31 Grants	(836)	(1,345)	(509)	60.9%
Tariff	4,783	4,782	(1)	0.0%
Levy payment on account	392	581	189	48.2%
Revenue Support Grant	(450)	(450)	0	0.0%
Non-Specific Revenue Grants				
New Homes Bonus Grant	(1,117)	(1,123)	(6)	0.5%
Rural services delivery grant	(49)	(49)	0	0.0%
Transition Grant	(71)	(71)	0	0.0%
Other non-specific grant	(3)	(126)	(123)	4100.0%
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	0	(54)	(54)	
Flexible Homeless Support Grant	0	(177)	(177)	
Council Tax Requirement (Rother and Parishes)	(7,882)	(7,882)	0	0.0%
Other Financing				
Collection Fund (Surplus)/Deficit	(120)	(120)	0	0.0%
Contributions to/(from) Earmarked Reserves	(889)	830	1,719	-193.4%
Contributions to/(from) General Fund Balance	0	0	0	
Total Income	(12,874)	(11,713)	1,161	
Total	0	0	0	

Review of significant variations to the Net Cost of Services

- Overall the cost of services in table 1 above shows an underspend of £0.490m. The main variations are detailed below:

Community and Economy (£702,000) surplus

- Private Sector Housing** - £424,000 underspend. Government grant of £1.388m was received in respect of Disabled Facility Grant of which £0.994m was spent in 2017/18. The balance of the grant will be transferred to reserves to meet outstanding approved applications and to supplement expenditure in 2018/19. Whilst this is a capital programme item, it has to be accounted for through the revenue budget as there is no asset owned by the Council as a result of the expenditure. In addition a further £34,000 of income has been received from repayments of housing grant from households.
- Car Parking** - Car parking activities has generated a net surplus of £183,000 for the financial year largely as a result of additional income from increased activity in the car parks.
- Waste contract and Recycling** - £184,000 savings. As a result of contract defaults, reduced variable costs and lower spend against the contract contingency savings of £143,000 for the year were generated. In addition £41,000 of extra income has been generated from additional bulky waste and

garden bins collections, although this will be offset by increased collection charges from the contractor.

6. **Estates and Property** - £119,000 overspend. A number of variations make up the overall overspend. These include for example additional spend on plant equipment at Bexhill and Rye Pools, lift repairs at Bexhill museum and procurement of specialist property advice. Offsetting this has been reduced sewage and coastal protection spend and an additional £34,000 of back dated rent following the outcome of rent reviews.
7. **Bexhill Promenade and Foreshore** - £69,000 savings. This is mainly due to a £59,000 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** - £23,000 shortfall. This is mainly due to additional signage at Camber Beach which has been funded from earmarked reserves.

Corporate Services and Human Resources (£5,000) surplus

9. **Town Hall and Amherst - admin buildings** - £26,000 savings have been made largely due to reduced spend on repairs and running costs. Members should note that it is intended to invest around £100,000 to improve access and security to the various floors within the Amherst Road offices which will include a replacement lift. A number of expressions of interest in this building are being pursued and this investment will make the building more attractive to potential tenants.
10. **Electoral Registration** - an additional £16,000 of costs incurred relating to canvassing which will be funded from earmarked reserves.
11. **Communications** - £13,000 savings have been generated mainly due to reduced spend on postage.

Executive Directors and Corporate Core (£54,000) surplus

12. **Legal Services** - £22,000 saving. This is mainly due from income recovered in court and other costs. Due to inherent uncertainty relating to such recovery no provision is made in the revenue budget.
13. **Joint Waste Client costs** - overall the cost of the joint waste client unit was £23,000 less than budgeted for the year.

Environmental Services (£78,000) surplus:

14. This saving represents Rother's share of the savings on the partnership costs. It is mainly as a result of staff vacancies and the reduction in employer pension contribution rates which came after this budget was agreed by Members in February 2017.

Finance and Welfare £765,000 shortfall:

15. **Housing Administration and Temporary Accommodation** - £377,000 shortfall. The net budget for Temporary Accommodation (TA) (Bed and Breakfast) was £180,000. During the year due to increase in households presenting as homeless to the Council and the difficulties in recovering the housing element of Universal Credit, the gross spend on TA was £452,000. The Ministry for Housing, Communities and Local Government provided Flexible Homelessness Support and New Burdens funding of £230,000 which will partly meet this extra cost. The Council has incurred further costs of £46,000 on TA at Jameson Road, this provides 7 units of accommodation. A further £20,000 of additional spend has been incurred on implementing the new Locata housing software used to manage the new processes required by the Homelessness Reduction Act and manage the Council's housing register. In order to ensure resources are available to help manage the impact of the new Act, £100,000 of the support grant received will be carried forward to 2018/19 to help with schemes to prevent homelessness in future years.
16. Additional spend of £39,000 was incurred in relation to housing administration largely due to costs of agency staff needed to cover staff vacancies and meet increased demand on services. This cost has been offset by some of the new burdens grant referred to above.
17. **Reliefs and Benefits Housing Benefit** - £272,000 shortfall. The amount recovered in respect of overpaid benefits is less than the budget. The total amount of housing benefit overpayment debt raised in year has fallen from £1.6m in 2016/17 to £1.3m in 2017/18. This is largely a reflection of the reduced caseload for housing benefits. Assuming this trend will continue it will have an ongoing effect on the Revenue budget.
18. **Collection costs of Council Tax and Business Rates** - £150,000 additional spend. An £86,000 provision has been made for doubtful debts relating to Council Tax collection costs. In addition there have been extra costs relating to changes in Housing Benefit and the introduction of Universal Credit that will be met by £68,000 of extra grant received from the Department of Work and Pensions (DWP). This is shown below the cost of services in the table in paragraph 1. Additional postage costs of £31,000 have been incurred due to an increase in cost and 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 all external communications from the service at a lower cost. This is expected to be in place by the end of 2018/19.
19. **Financial Services** - Additional one off staffing costs of £72,000 have been incurred to support the implementation of the new Enterprise Resource Planning system which has replaced four other systems covering accounting, procurement, payroll/HR and income management.
20. **Other Apportionable Overheads** - £29,000 savings on external audit fees have been identified against the annual budget provision.

ICT and Customer Services (£206,000) surplus:

21. **Computer Services** - £143,000 savings. Savings of £79,000 relating to maintenance and software licences were delivered in 2017/18. In addition

savings on telephones costs of £28,000 were achieved and this on-going saving has been built into the 2018/19 budget. Additional savings of £29,000 have been generated relating to photocopier leases and consultancy costs.

22. **Printing Services** - There is a continued reduction in the amount of internal printing which has created a £49,000 shortfall between costs of the print service and its income. The team are very focused on selling the spare capacity to the market and external fee income is now increasing as an overall percentage of total income.
23. **Communications Phones** - As expected savings of £76,000 are now being delivered through the Council's telephone contracts. This was built into the 2018/19 budget as on-going saving.

Strategy and Planning Development (£212,000) surplus:

24. **Local Development Framework** - £120,000 underspend. This relates to the work associated with the Council's work on planning policy and the costs are met from an earmarked reserve. Therefore any underspend will effectively be carried forward to future years. The planned spend for 2018/19 and beyond is currently under review.
25. **Planning Applications** - £52,000 shortfall. This is mainly due to £31,000 extra spending on specialist planning advice.
26. **Planning Policy** - £50,000 savings mainly due to staff turnover during the year.

Review of significant variations to Non Cost of Services Budgets:

Interest from Investments (£102,000) surplus

27. An extra £102,000 of income above the annual budget will be received due to the investments in the Churches, Charities, Local Authorities Property Fund, as agreed previously by the former Audit Committee (now the Audit and Standards Committee).

Capital Expenditure charged to revenue (£568,000) underspend

28. The capital programme outturn shows an underspend of £568,000 on items that are charged to the revenue budget. The main one relates to disabled facility grants as detailed in paragraph three above.

Council Tax, Business Rates and Non Specific Grants (£557,000) surplus

29. As mentioned earlier, in the report the Council has received a number of grants during the year from the Government in support of new and changed policy. In summary, the Council has received an additional £126,000 of non-specific grant, £68,000 of New Burdens grant for various welfare changes by the DWP, £27,000 other New Burdens grant and £30,000 for Custom Build LA grant. An additional £177,000 of Flexible Homelessness Support Grant has been received to cover the removal of the management fee from Housing Benefit for Temporary Accommodation (TA) and will help meet some of the costs arising from the Homelessness Reduction Act. An additional £53,000 of

new burdens funding has been received for homelessness prevention. These grants have helped meet some of the financial effect of a rising number of families being placed in TA.

30. The Councils share of business rates that it is entitled to retain for the year was £197,000 higher than expected when the budget was set. This is as a consequence of higher than expected compensating grants from the Government (Section 31 grants) offset by a net reduction in the amount of business rates retained and a higher than expected levy payment due to the Government. This is shown in the bottom half of Table 1.

Collection Fund

31. The figures shown below in Table 2 reflect the collection performance for Council Tax as at 31 March 2018 against monies due to the Council and against the forecasted budget yield.

Table 2

	Equivalent Period		
	2017/18	2016/17	2015/16
Collectable Annual debit (at 100% collection)	£67,805,819.98	£64,048,370.29	£60,067,311.47
Income Received	£66,756,142.20	£63,092,808.38	£59,181,737.50
Income Received as a % of collectable debit	98.45%	98.51%	98.53%
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	100.23%	100.46%	102.03%

32. As can be seen the collection rate is broadly comparable to the previous year. The total collectable is above the original estimate made when the budget was set and consequently there is a surplus of £964,889 as at 31 March 2018 with the County Council receiving the largest proportion of this and Rother's share being £122,720.
33. The performance of Business Rates as at 31 March 2018 is shown in Table 3 below:

Table 3

	2017/18	Equivalent Period 2016/2017
Collectable debit	£17,616,905.02	£18,194,416.55
Income Received	£17,450,943.36	£17,911,170.16
Income Received as a % of collectable debit	99.06%	98.44%
Amount outstanding for year	£165,961.66	£283,246.39

34. As can be seen collection performance is slightly lower than the same period last year.
35. There is a deficit of £305,334 as at 31 March 2018 on the business rate part of the collection fund with Rother's share being £122,133. The main reasons for this was the settlement of a large number of appeals, particularly in relation to the doctor's surgeries where the value of the settlement was higher than the provision Rother made in 2016/17 and the amount of relief given to small businesses being higher than expected. The latter was compensated by the Government through Section 31 grants and as can be seen in Table 1, an extra £509,000 more received than budgeted in 2017/18.

Capital Programme

36. The provisional outturn for the 2017/18 Capital Programme is £2.098 million spend against a budgeted spend of £5,080 million. An under spend of £2.982 million. The estimated outturn for the Programme is shown in more detail at Appendix A. The capital programme for the period 2018/19 to 2022/23 has been updated to bring take account of slippage in the 2017/18 financial year.
37. Work continues to resolve the outstanding issues with ESCC and the land swap for the former Bexhill High School site. Members will be aware of recent discussions with ESCC and other land owners with regard to securing a way forward to enable the redevelopment of the site and leisure centre.
38. The spend in 2017/18 on Disabled Facility Grants (DFGs) is £0.994 million and as reported earlier the balance of funds will be transferred to reserves and spend re-profiled into 2018/19.
39. There are commitments of £187,000 relating to community grants awarded but not claimed dating back to 2014/15. This amount has been transferred to the Corporate Development reserve to cover these commitments and progress updates from the various organisations have been requested.

Earmarked Reserves

40. The surplus of £1.719 million will be transferred to earmarked reserves. Due to the Council's 2020 plan and treasury management strategy, it has also been necessary to consolidate and rationalise the reserves. A new reserve has been created called the Treasury Management Reserve which, together with the capital receipts reserve, will help ensure that the Council's cash balances remain above £10 million, meaning the Council maintains its professional client status and can access a wider range of investment instruments such as the high yielding property funds currently used. The Homelessness reserve has been strengthened to help tackle the new responsibilities that the Council faces from the Homelessness Reduction Act. The Grant reserve is used to maintain balances of grants received without conditions for repayment such as the Disabled Facilities grant.

Table 4

General Fund Earmarked Reserves				
	Balance 01/04/2017	Transfers In	Transfers out	Balance 31/03/2018
	£'000	£'000	£'000	£'000
Medium Term Financial Strategy	5,572	410	(2,321)	3,661
Economic Development Reserve	30	0	0	30
Risk Management	147	48	0	195
Interest Equalisation	922	0	(922)	0
Repair and Renewals	1,435	248	(300)	1,383
Corporate Plan Projects	540	0	(540)	0
Invest to Save	218	0	(218)	0
Affordable Housing	920	0	0	920
Corporate Development	1,559	187	(1,425)	321
Planning Improvement and LDF	170	95	0	265
BCCI Refund	0	0	0	0
Housing Benefit Subsidy	55	0	(55)	0
Homelessness	127	99	0	226
New Homes Bonus Scheme	933	0	(933)	0
Business rates equalisation	1,121	0	(1,121)	0
Grants reserve	1,152	559	0	1,711
Treasury Management Reserve	0	7,017	0	7,017
Total Earmarked Reserves	14,901	8,663	(7,835)	15,729

Conclusion

41. Overall the Council underspend is £1,718,000 as less was needed to be drawn from reserves than was budgeted. Slippage of £598,000 in the capital programme related to the revenue budget and of this £394,000 relates to the expected underspend on disabled facility grants which will be transferred to earmarked reserves for future years.
42. The delays in progressing the new leisure centre development continue to impact on the final capital spend. It is hoped that tangible progress can be made in 2018/19 to resolving the land related issues and moving this corporate plan project forward.
43. The Council's reserves remain healthy and able to support the Council deliver on its Rother 2020 ambitions. In addition to maintain access to higher yielding investments in the market (by maintaining professional investor status), £10m has been earmarked for this purpose with the expectation of delivery better investment returns for the Council in the medium term.

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.

**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	86	(44)	-33.85%
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)	-100.00%
Contribution to Affordable Housing funded by s106		133	133	0	0.00%
Galley Hill		37	36	(1)	-2.70%
Coronation gardens		0	69	69	
New bins		13	28	15	115.38%
Fairlight Coastal protection		0	(35)	(35)	
Beach Huts		24	0	(24)	-100.00%
Finance and Welfare					
Disabled Facilities Grant		1,791	994	(797)	-44.50%
Enterprise Resource Planning System Upgrade	Rother 2020	500	447	(53)	-10.60%
ICT and Customer Services					
IT Essential Maintenance Programme		266	0	(266)	-100.00%
IT SAN replacement		160	150	(10)	-6.25%
Rother 20/20 ICT Investment	Rother 2020	300	21	(279)	-93.00%
Corporate Services and Human Resources					
Delegate Conference System		50	0	(50)	-100.00%
Corporate Core					
Corporate Document Image Processing System		350	118	(232)	-66.29%

Total Cost	5,080	2,098	(2,982)	-58.70%
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	2017/18 Budget £ (000)	2017/18 Estimated Outturn £ (000)	2017/18 Variance £ (000)	2017/18 Variance %
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Funded By:

Capital Receipts	1,136	484	(652)	-57.39%
Grants and contributions	1,924	1,258	(666)	-34.62%
Capital Expenditure Charged to Revenue	2,020	356	(1,664)	-82.38%
Total Funding	5,080	2,098	(2,982)	-58.70%

**Rother District Council
Capital Programme Summary**

	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
De La Warr Pavilion - Capital Grant	52	0	0	0	0
Land Swap re Former High School Site	1,085	0	0	0	0
Bexhill Leisure Centre	2,190	0	0	0	0
New bins	13	13	0	0	0
Beach Huts	95	0	0	0	0
Property Investment Strategy	4,000	10,000	20,000	0	0
Community Led Housing Schemes	390	0	0	0	0
Sidley Sports and Recreation	300	0	0	0	0
Beeching Road					
East Parade - project A	295	0	0	0	0
East Parade - project D	8	0	0	0	0
Colonnade	260				
Corporate Services and Human Resources					
Delegate Conference System	50	0	0	0	0
Corporate Core					
Corporate Document Image Processing System	232	0	0	0	0
Finance and Welfare					
Disabled Facilities Grant	797	0	0	0	0
Enterprise Resource Planning System upgrade	52	0	0	0	0
ICT and Customer Services					
IT SAN replacement	0	0	0	0	0
IT Essential Maintenance Programme	166	0	0	0	0

Rother 20/20 ICT Investment	437	0	0	0	0
Total Capital Programme	10,552	10,143	20,130	130	130

	2018/19 Budget £ (000)	2019/20 Budget £ (000)	2020/21 Budget £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)
Funded By:					
Capital Receipts	3,057	0	0	0	0
Grants and contributions	797	0	0	0	0
Borrowing	4,338	10,000	20,000	0	0
Capital Expenditure Charged to Revenue	2,360	143	130	130	130
Total Funding	10,552	10,143	20,130	130	130