

Report to	-	Overview and Scrutiny Committee
Date	-	26 November 2018
Report of the	-	Executive Director
Subject	-	Revenue Budget and Capital Programme Monitoring Quarter 2 2018/19

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

**Financial Services Manager: Catherine Jobling**

### Changes to the Revenue Budget

- This report updates Members on the provisional outturn for 2018/19 based on expenditure to 30 September 2018. The expected final financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:-

**Table 1 - General Fund Summary**

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
Executive Directors & Corporate Core	2,043	2,011	(32)	-1.6%
Environmental Services	740	631	(109)	-14.7%
Strategy and Planning	930	900	(30)	-3.2%
Acquisitions, Transformation and Regeneration	376	75	(301)	-80.1%
Housing and Community Services	5,420	5,094	(326)	-6.0%
Resources	3,286	3,351	65	2.0%
<b>Total Cost of Services</b>	<b>12,795</b>	<b>12,062</b>	<b>(733)</b>	<b>-6%</b>
Interest from Investments	(362)	(347)	15	-4.1%
Capital Expenditure Charged to Revenue	2,360	1,538	(822)	-34.8%
Savings 2020				
(i) Increase income - Investment in property fund £3 million	(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%
<b>Net Cost of Services</b>	<b>14,500</b>	<b>13,047</b>	<b>(1,453)</b>	<b>-10%</b>

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)	2018/19 Variance %
<b>Parish Precepts</b>	1,549	1,549	0	0.0%
<b>Special Expenses</b>	(715)	(715)	0	0.0%
<b>Business Rates</b>				
Local Share of business rates	(7,141)	(7,141)	0	0.0%
s31 Grants	(1,350)	(1,415)	(65)	4.8%
Tariff	4,926	4,925	(1)	0.0%
Levy payment on account	617	426	(191)	-31.0%
<b>Revenue Support Grant</b>	(73)	(73)	0	0.0%
<b>Non-Specific Revenue Grants</b>		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%
<b>Council Tax Requirement (Rother and Parishes)</b>	(8,129)	(8,129)	0	0.0%
<b>Other Financing</b>				
Collection Fund (Surplus)/Deficit	(5)	(5)	0	0.0%
Contributions to/(from) Earmarked Reserves	(2,850)	(1,099)	1,751	-61.4%
Contributions to/(from) General Fund Balance	0	0	0	
<b>Total Income</b>	<b>(14,500)</b>	<b>(13,047)</b>	<b>1,453</b>	

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

- Overall the cost of services above shows an underspend of £0.733m. The main reasons for the variations are detailed in the paragraphs below.

### Executive Directors and Corporate Core - £32,000 surplus

- 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 grant and will be used to fund future anti-fraud initiatives.

### 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.
- Private sector Housing** – Grant of £1.5 million has been awarded for Disabled Facilities Grants for the financial year and it is expected that £1.3 million 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 will be sited with the Rother team who deliver aids and adaptations to households in Rother 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 - £30,000 surplus**

6. **Planning Applications** – 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.
7. **Planning Policy** – £58,000 savings as planned spend is re-profiled into 2019/20 as the examination of the DaSA will now take place in spring 2019.
8. **Land Charges** – Land Charge income is slightly lower than expected at this stage of the year.
9. **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 – £301,000 surplus**

10. **Property Management** – an overspend of £63,000 is predicted relating to costs incurred for project management, valuations and various studies at the Blackfriars site in Battle to help bring forward a planning application. As previously agreed, these costs will be met from the Corporate Priority Project earmarked reserve.
11. **West Trading Estate (Bexhill)** – additional income of £304,000 has been achieved following receipt of backdated rent due to a rent review on a number of properties.
12. **Staffing costs** – savings of £55,000 have been generated from delays in securing new staff in economic development and transformation. These posts are now filled.

### **Housing and Community Services – £326,000 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. **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.
15. **Car parks** – £212,000 increased income. Due to the good weather, car park income is expected to exceed the budget by £252,000; this is partly offset by £20,000 of increased business rates due to the loss of transitional relief and

£20,000 of one off grants supporting the programme of devolvement of the car parks.

16. **Housing Needs** – £128,000 shortfall. Due to rising demand there is likely to be a shortfall relating to costs of temporary accommodation.
17. **Housing Administration account** – £40,000 shortfall as demand on the service has meant agency staff have been used to manage the workload.

#### **Resources - £65,000 deficit**

18. **Corporate Management** – savings of £10,000 have been identified relating to a reduction in external audit fees.
19. **Accountancy** – £14,000 shortfall. This is due to 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.
20. **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.

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

##### **Interest from Investments – £15,000 deficit**

21. 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**

22. Due to slippage on items within the capital programme funded through revenue, there is an expected underspend of £0.822m. The detailed variations on the Capital Programme are shown below.

##### **Council Tax, Business Rates and Non Specific Grants**

23. 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.

##### **Collection Fund**

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

	Equivalent Period		
	2018/19	2017/18	2016/17
Collectable Annual debit (at 100% collection)	£72,338,594.34	£67,899,479.70	£64,140,561.74
Income Received	£41,520,955.86	£39,148,243.98	£37,004,953.81
Income Received as a % of collectable debit	57.40%	57.66%	57.69%
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	58.39%	58.78%	58.92%

25. 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 £1,263,721 as at 30<sup>th</sup> September 2018.
26. The performance of Business Rates as at 30 September 2018 is shown below:

	Equivalent Period	
	2018/19	2017/2018
Collectable debit	£18,527,752.01	£17,807,726.31
Income Received	£10,737,560.14	£10,231,655.93
Income Received as a % of collectable debit	57.95%	57.46%
Amount outstanding for year	£7,790,191.87	£7,576,070.38

27. As can be seen, collection performance is slightly higher than the same period last year. There is an expected deficit of £1,138,085 as at 30 September 2018 due to adjustments to prior year debt and the settlement of appeals by the Valuation Office Agency.

### Capital Programme

28. The provisional outturn for the 2018/19 Capital Programme is £8.550 million spend against a £10,552 million budget an underspend of £2m. The estimated outturn for the Programme is shown at Appendix A.
29. **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.
30. **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.
31. **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.

32. **Community Led Housing Schemes** – £90,000 spending related to this project is expected to slip into 2019/20.
33. **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.
34. **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.
35. **Sidley Sports and Recreation** – £280,000 slippage. The majority of this project spend is likely to 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.
36. **Disabled Facilities Grant** – There is £797,000 in earmarked reserves and a further £1.5 million has been received in 2018/19. Actual spend by the end of the year is expected to be £1.3million.

## **Conclusion**

37. Overall the Council revenue budget underspend is estimated to be £1.751m of which £0.822m relates to the revenue funded slippage on the capital programme.

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**

	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
<b>Acquisitions, Transformation and Regeneration</b>			
Community Grants	130	130	0
Land Swap re Former High School Site	1,085	1,085	0
Property Investment Strategy	3,113	3,113	0
East Parade - project A - Bexhill East Beach	295	8	(287)
East Parade - project D -Ornamental Lighting			
DLWP	8	0	(8)
Colonnade	260	333	73
Solar Panels	47	47	0
Cemetery Entrance	0	50	50
Rother 20/20 ICT Investment	390	390	0
Corporate Document Image Processing System	232	232	0
Acquisition 14 Terminus Road	887	887	0
Community Led Housing Schemes	390	300	(90)
Blackfriars	0	5	5
<b>Housing and Community Services</b>			
De La Warr Pavilion - Capital Grant	52	52	0
Beach Huts	95	0	(95)
Bexhill Leisure Centre	2,190	260	(1,930)
Fairlight Coastal Protection	0	29	29
Sidley Sports and Recreation	300	20	(280)
<b>Executive Directors &amp; Corporate Core</b>			
Delegate Conference System	50	63	13
New bins	13	13	0
<b>Resources</b>			
Disabled Facilities Grant	797	1,300	503
Enterprise Resource Planning System upgrade	52	52	0
Printing Services - Guillotine	0	15	15
IT Essential Maintenance Programme	166	166	0
<b>Total Capital Programme</b>	<b>10,552</b>	<b>8,550</b>	<b>(2,002)</b>
	2018/19 Budget £ (000)	2018/19 Estimated Outturn £ (000)	2018/19 Variance £ (000)
<b>Funded By:</b>			
Capital Receipts	3,057	1,345	(1,712)
Grants and contributions	797	1,329	532
Borrowing	4,338	4,338	0
Capital Expenditure Charged to Revenue	2,360	1,538	(822)
<b>Total Funding</b>	<b>10,552</b>	<b>8,550</b>	<b>(2,002)</b>