

Rother District Council

Report to: Overview and Scrutiny Committee

Date: 19 July 2021

Title: Draft Revenue Budget and Capital Programme Outturn 2020/21

Report of: Antony Baden – Finance Manager

Ward(s): All

Purpose of Report: To note the draft out turn for the financial year ending 31 March 2021.

Officer

Recommendation(s): It be **RESOLVED:** That the report be noted.

Introduction

1. This report updates Members on the Council's finances as at the end of March 2021 and includes a draft outturn for 2020/21. Members should note that the information is subject to the external audit of the Council's financial accounts, which is due to take place in August 2021.
2. Since the Quarter 3 Monitoring report there have been no reportable virements.
3. At the end of 2020/21, the Council incurred a deficit of £1.284m, of which £367,000 was unplanned. This represents an improvement of £1.310m on the Quarter 3 forecast. The Cost of Services at line 7 in the table below shows a deficit of £2.441m, which reduces to £2.050m (see line 18) after changes in non-service budgets. This reduces further to £367,000 mainly due to additional grant income from the Ministry of Housing, Communities and Local Government (MHCLG) as detailed in lines 30 to 32 and line 35.
4. The financial position for the Council is summarised in the table below and further analysis is explained in the subsequent paragraphs. There is also a table, which shows how the forecast variances have changed between Quarters 3 and 4.

Line	Rother District Council General Fund Summary	Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Draft Outturn £ (000)	2020/21 Quarter 4 Variance £ (000)
1	Corporate Core	2,217	1,981	2,162	181
1a	Corporate Core - Coronavirus related	0	0	(45)	(45)
2	Environmental Services	321	505	458	(47)
2a	Environmental Services - Coronavirus related	0	0	49	49
3	Strategy and Planning	759	971	880	(91)
3a	Strategy and Planning - Coronavirus related	0	0	150	150
4	Acquisitions, Transformation and Regeneration	(223)	(363)	(410)	(47)
4a	Acquisitions, Transformation and Regeneration - Coronavirus related	0	0	18	18
5	Housing, Community & Neighbourhood Services	7,634	8,312	8,241	(71)
5a	Housing, Community & Neighbourhood Services - Coronavirus related	0	0	1,298	1,298
6	Resources	3,873	3,210	3,252	42
6a	Resources - Coronavirus related	0	0	1,004	1,004
7	Total Cost of Services	14,581	14,616	17,057	2,441
8	Interest from Investments	(508)	(400)	(324)	76
9	Capital Expenditure Charged to Revenue	416	1,359	477	(882)
10	MRP	29	242	150	(92)
11	Interest payments	286	610	292	(318)
12	Salaries turnover	0	0	0	0
13	(i) Increase income - Property Investment Strategy	0	(544)	0	544
14	(ii) Increase income (net) - other	0	(14)	0	14
15	(iii) Lean and Demand	0	(90)	0	90
16	(iv) Service Prioritisation	0	(100)	0	100
17	(v) Reduced Staffing Structure	0	(77)	0	77
18	Net Cost of Services	14,804	15,602	17,652	2,050

Line		Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Draft Outturn £ (000)	2020/21 Quarter 4 Variance £ (000)
19	Special Expenses	(674)	(687)	(687)	0
	Business Rates				
20	Local Share of business rates	(7,609)	(7,157)	(7,157)	0
21	s31 Grants including additional MHCLG funding (pandemic response)	(2,080)	(1,892)	(1,948)	(56)
22	Tariff	5,715	5,121	5,121	0
23	Levy	0	195	493	298
	Non-Specific Revenue Grants				
24	New Homes Bonus Grant	(449)	(247)	(247)	0
25	Rural Services Delivery Grant	0	(50)	(61)	(11)
26	Local Council tax Support Grant	(96)	(102)	(102)	0
27	Benefits Administration Grant	(214)	(238)	(220)	18
28	Homelessness Grant - New Burdens	(237)	(126)	(126)	0
29	Flexible Homeless Support Grant	(276)	(275)	(276)	(1)
30	Coronavirus Grants	0	0	(1,482)	(1,482)
31	Coronavirus Grant - administration costs	0	0	(328)	(328)
32	Coronavirus Grant - Partial reimbursement of sales, fees & charges	0	0	(352)	(352)
33	Council Tax Requirement (Rother only)	(6,829)	(7,019)	(7,019)	0
	Other Financing				
34	Collection Fund (Surplus)/Deficit	337	(849)	(849)	0
35	s31 Grants including Hardship Fund grant (pandemic response)	0	0	(651)	(651)
36	Contribution from reserves to fund capital expenditure	(416)	(1,359)	(477)	882
37	Contributions to/(from) Earmarked Reserves	(1,769)	0	0	0
38	Total Income	(14,597)	(14,685)	(16,368)	(1,683)
39	Net Deficit/(Surplus)	207	917	1,284	367

Line	Rother District Council General Fund Summary	2020/21 Quarter 4 Variance £ (000)	2020/21 Quarter 3 Variance £ (000)	Change in Quarter Variance £ (000)
1	Executive Directors & Corporate Core	181	254	73
1a	Executive Directors & Corporate Core - Coronavirus related	(45)	22	67
2	Environmental Services	(47)	4	51
2a	Environmental Services - Coronavirus related	49	44	(5)
3	Strategy and Planning	(91)	(41)	50
3a	Strategy and Planning - Coronavirus related	150	172	22
4	Acquisitions, Transformation and Regeneration	(47)	124	171
4a	Acquisitions, Transformation and Regeneration - Coronavirus related	18	125	107
5	Housing, Community & Neighbourhood Services	(71)	105	176
5a	Housing, Community & Neighbourhood Services - Coronavirus related	1,298	1,472	174
6	Resources	42	579	537
6a	Resources - Coronavirus related	1,004	836	(168)
7	Total Cost of Services	2,441	3,696	1,255
8	Interest from Investments	76	60	(16)
9	Capital Expenditure Charged to Revenue	(882)	(148)	734
10	MRP	(92)	(82)	10
11	Interest payments	(318)	(310)	8
12	Salaries turnover	0	0	0
13	(i) Increase income - Property Investment Strategy	544	544	0
14	(ii) Increase income (net) - other	14	14	0
15	(iii) Lean and Demand	90	90	0
16	(iv) Service Prioritisation	100	100	0
17	(v) Reduced Staffing Structure	77	77	0
18	Net Cost of Services	2,050	4,041	1,991

Line		2020/21 Quarter 4 Variance £ (000)	2020/21 Quarter 3 Variance £ (000)	Change in Quarter Variance £ (000)
19	Special Expenses	0	0	0
	Business Rates			
20	Local Share of business rates	0	4,289	4,289
21	s31 Grants including additional MHCLG funding (pandemic response)	(56)	(4,269)	(4,213)
22	Tariff	0	0	0
23	Levy	298	0	(298)
	Non-Specific Revenue Grants			
24	New Homes Bonus Grant	0	0	0
25	Rural Services Delivery Grant	(11)	19	30
26	Local Council tax Support Grant	0	0	0
27	Benefits Administration Grant	18	18	0
28	Homelessness Grant - New Burdens	0	0	0
29	Flexible Homeless Support Grant	(1)	(1)	0
30	Coronavirus Grants	(1,482)	(1,482)	0
31	Coronavirus Grant - administration costs	(328)	(170)	158
32	Coronavirus Grant - Partial reimbursement of sales, fees & charges	(352)	(264)	88
36	Council Tax Requirement (Rother only)	0		0
	Other Financing			
37	Collection Fund (Surplus)/Deficit	0	0	0
38	s31 Grants including Hardship Fund grant (pandemic response)	(651)	0	651
39	Contribution from reserves to fund capital expenditure	882	(651)	(1,533)
40	Contributions to/(from) Earmarked Reserves	0	148	148
41	Total Income	(1,683)	(2,363)	(680)
42	Net Deficit/(Surplus)	367	1,677	1,310

Review of significant unplanned variations

5. The previous report estimated the net cost of the Council's pandemic response to be about £912,000 after the additional funding from the MHCLG. The draft outturn shows this figure to be only £485,000, which is a reduction of £427,000. The changes are summarised in the table below.

Area	Change £'000s
Corporate Core – reduced spend on staff support costs	13
Corporate Core – lower printing & stationery costs in Committee Services	10
Strategy & Planning – recovery in Planning fee income	22
ATRS - Reduction in property rental write offs	77
ATRS – Underspends in Tourism and Cultural Development budgets	26
Housing, Community & Neighbourhood – reduction in car parking income	(133)
Housing, Community & Neighbourhood – additional grants to fund the increased costs of Homelessness	135
Housing, Community & Neighbourhood – additional grants to fund the increased costs of rough sleepers	58
Housing, Community & Neighbourhood – reduced level of support to Freedom Leisure	112
Resources – Costs not collected due to courts being closed	(192)
Resources – Increased spend on Council Tax hardship relief	(39)
Resources – Grant to fund the administration costs of Test & Trace	60
Additional MHCLG funding to cover grants administration costs	158
Increase reimbursement from MHCLG - reduced Sales, Fees & Charges	88
Other Minor Changes	32
Net Change between Quarters	427

6. In regard to changes not related to the pandemic response, the draft outturn shows a reduction £883,000 compared to the Quarter 3 forecast. These variances are detailed in paragraphs 7 to 24 below.

Corporate Core – Deficit £136,000

7. The overspend has decreased by £140,000 since the last forecast partly as a result of reasons (£23,000) explained in paragraph 5 above. Also, expenditure on Postage was £48,000 under budget and Utilities costs on Administrative Offices were £27,000 lower than expected. Several smaller variances of £42,000 make up the remainder of the decrease.

Environmental Services – Deficit £2,000

8. The predicted overspend has decreased by £46,000 as a result of Disabled Facilities Grants being repaid to the Council.

Strategy and Planning – Deficit £59,000

9. The Strategy and Planning overspend decreased by £72,000 since the Quarter 3 forecast partly due to an improvement in income from Planning Fees (£22,000) as shown in the table in paragraph 5.
10. The Local Development Framework budget underspend increased by £52,000 with other minor variances reducing the deficit by a further £2,000.

Acquisitions, Transformation & Regeneration – Surplus £29,000

11. The draft outturn now shows a surplus of £29,000, which is an improvement of £278,000 since the Quarter 3 forecast. As shown in paragraph 5, overspends resulting from the pandemic are £103,000 lower than previously expected due to a lower than expected need to write off commercial rental income and an underspend in the Tourism & Cultural Development budgets.
12. Other significant changes include a £50,000 grant to the Sussex Wildlife Trust for the development of a community wildlife garden at Rye Harbour (Cabinet 3 September 2019, Minute CB18/20 refers) and increased charges of revenue costs (£56,000) to capital projects.
13. Outturn on commercially let properties also decreased by £50,000 due to a combination of higher than expected rental income and delays in contracted works. Other minor variances of £19,000 make up the remaining change.

Housing, Community & Neighbourhood Services – Deficit £1,227,000

14. The draft outturn deficit is £350,000 lower than reported in the previous quarter's forecast. The overspend due to the pandemic response has decreased by £172,000 and is explained in paragraph 5.
15. There have been several material non-COVID-19 related changes since the Quarter 3 forecast. Expenditure was £141,000 lower on repairs, utilities costs, grounds maintenance and equipment across the Parks, Bexhill Promenade & Foreshore, Public Conveniences and Residual Highway areas although these are partially offset by £28,000 due to increased spend on clearing fly tipping.
16. The Housing Needs outturn is estimated to be £49,000 lower than previously forecasted mainly due to lower expenditure on supplies and services. Various smaller variances of £16,000 account for the other changes.

Resources – Deficit £1,046,000

17. The draft outturn has decreased by £369,000 although costs related to the pandemic response have increased by £171,000 mainly for the reasons shown in paragraph 5.
18. The net costs of Housing Benefits have decreased by £227,000 mainly due to lower than previously expected benefit payments (£163,000) and higher than expected income from the recovery of overpayments, (£64,000).
19. The Cost of Collection service within the Revenues & Benefits section was £151,000 lower than the Quarter 3 forecast mainly due to additional grant income (£72,000) and reduced running costs, (£79,000).
20. Staff related costs were £81,000 lower than expected mainly due to a lower than expected payment for additional pension fund costs.
21. Underspends across the department on IT and Consultancy costs reduced the outturn by a further £53,000 and other smaller variances totalling £18,000 make up the remaining changes.

Non-Service Budgets

22. As previously reported, the pandemic has slowed down much of the 2020/21 planned capital expenditure. This has resulted in the amount of revenue funding set aside for capital projects being £734,000 lower than reported in Quarter 3. The associated impact on Reserves is explained in paragraph 25.

Income

23. The Council's income from Business Rates is £222,000 lower than the budget mainly due to a higher than expected government levy payment. This is offset by additional income of £30,000 in relation to its Rural Services Delivery grant.
24. Since the previous forecast, the MHCLG gave the Council further funding of £246,000 to help meet administration costs of managing the overall pandemic response, including the support grants process. This brings the total additional COVID grant funding received to £2,813,000.

Impact on Reserves

25. Overall, Reserves have reduced by £1.761m against the planned use of £2.276m. This is an improvement of £515,000 on the previous forecast. The table below summarises the position as at the 31 March 2021.

	Revised 2020/21 Budget £ (000)	2020/21 Draft Outturn £ (000)	2020/21 Quarter 4 Variance £ (000)
Revenue Reserves and General Fund Balance at 1/4/20	(14,970)	(14,970)	0
Use of Reserves to Fund Capital Expenditure	1,359	477	(882)
Use of Reserves to Balance Budget incl deficit	917	1,284	367
Balance 31/3/21	(12,694)	(13,209)	(515)

Collection Fund

26. The collection rate for the Council Tax part of the Collection Fund was 96.60% against the budgeted yield, which is 2.88% lower than last year and 0.38% lower than the previous quarter expected. The collection performance to the end of March is shown below:

	Equivalent Period	
	2020/2021	2019/2020
Collectible Annual Debit (at 100% collection)	£77,503,276.12	£75,493,263.73
Income Received	£74,985,119.05	£74,161,068.73
Income Received as a % of collectable debit	96.75%	98.24%
Budgeted yield (at 98.5% collection)	£77,625,639.38	£74,549,856.52
Income Received as a % of budgeted yield	96.60%	99.48%

27. The collection rate for the Business Rates Tax part of the Collection Fund was 94.01%, which is 4.71% lower than last year and 1.97% lower than the previous quarter. The collection performance to the end of March is shown below:

	2020/2021	Equivalent Period 2019/2020
Collectable debit	£8,220,438.35	£18,383,662.38
Income Received	£7,727,892.59	£18,148,922.18
Income Received as a % of collectable debit	94.01%	98.72%
Amount outstanding for year	£492,545.76	£234,740.20

28. Based on the current collection rates the Collection Fund was in deficit by £11.168m at the end of the financial year but this will not affect the 2020/21 position because the impact will be spread over the next three financial years. This has been reflected in the Revenue Budget for 2021/22.

Capital Programme

29. A summary of spend by project for 2020/21 and financing sources is shown at Appendix A. The total expenditure was £5.476m.
30. The outturn on the capital programme is an underspend of £8.04 million against the approved programme. Schemes that are underspent are largely affected by timing changes to planned expenditure due to the pandemic and this will be reflected in the 2021/22 Capital Programme.
31. Other reasons for the underspend relate to slippage on schemes for the following reasons: -
- a. £4.207m slippage on the Mount View Street housing and commercial development scheme. Progress was delayed due to legal issues surrounding land acquisition. It is intended that these matters will be resolved during summer 2021.
 - b. £1.085 million in respect of the land swap at the former High School site, Bexhill.

Conclusion

32. The draft revenue outturn for 2020/21 is a deficit of £1.284m and includes the impact of the COVID-19 pandemic. Officers continue to submit financial assessments of the impact of the pandemic to the MHCLG. It is not clear at this stage whether further grant funding over and above what has already been notified to the Council, will be forthcoming. The Council's Medium Term Financial Plan reflects the additional use of reserves this year above the original budget but expects, with the delivery of savings and extra income, to be in surplus by 2024/25, when the Council will be able to start rebuilding its reserves.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

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Appendices:	Appendix A Capital Programme – Spend to 31/03/21
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

Capital Programme 2020/21 Spend to 31 March 2021

	2020/21 Original Budget £000	2020/21 Revised Budget £000	2020/21 Draft Outturn £000	2020/21 Variance £000
Acquisitions, Transformation and Regeneration				
Community Grants	130	130	153	23
East Parade - project A - Bexhill East Beach	288	0	0	0
Cemetery Entrance	0	233	61	-172
Ravenside roundabout	0	200	0	-200
Development of council owned properties	0	0	53	53
1066 Pathways	0	93	27	-66
Property Investment Strategy				
PIS - Beeching Road/Wainwright Road	3,000	100	37	-63
PIS - Office development NE Bexhill	0	20	4	-16
PIS- Barnhorn Road	1,000	140	83	-57
PIS - Beeching Road site 18-40	460	554	445	-109
PIS - 35 Beeching Road	0	675	677	2
PIS - Mount View Street development - commercial	0	964	0	-964
PIS - Purchase of 64 Ninfield Road	0	0	103	103
PIS - uncommitted	6,820	0	0	0
Corporate document image processing	435	435	0	-435
Rother Transformation ICT Investment	345	384	0	-384
Housing, Community & Neighbourhood Services				
De La Warr Pavilion - Capital Grant	53	54	55	1
Bexhill Seafront - Fountain	350	0	0	0
Fairlight Coastal Protection	0	0	0	0
Blackfriars development	3,052	975	597	-378
Sidley Sports and Recreation	300	5	7	2
Bexhill Leisure Centre – site development	155	203	207	4
Disabled Facilities Grant	0	1,625	933	-692
New Bins	125	183	126	-57
Bexhill Promenade – Protective Barriers	0	50	3	-47
Bexhill Promenade – Outflow pipe	100	100	0	-100
Community led housing schemes	450	297	0	-297
Housing (purchases – temp accommodation)	2,000	1,350	1,719	369
Land swap re former High School site	1,085	1,085	0	-1,085
Mount View Street development - housing	0	3,286	3	-3,283
Strategy and Planning				
CIL Payments to Parish/Town Councils	0	163	75	-88
Executive Directors & Corporate Core				
Accommodation Strategy	0	75	91	16
Resources				
ICT Infrastructure – Ongoing Upgrade Programme	0	140	17	-123
Total Capital Programme	20,148	13,519	5,476	-8,043
Funded By:				
Capital receipts	1,240	1,085	0	1,085
Grants and contributions	4,262	3,907	2,469	1,438
Borrowing	12,820	7,316	2,530	4,786
Capital expenditure charged to revenue	1,359	1,211	477	734
Unfunded	467	0	0	0
	20,148	13,519	5,476	8,043

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