

Overview and Scrutiny Committee

Date and Time - **Monday 25 January 2021 - 6.30pm**

Venue - **Remote Meeting**

Councillors appointed to the Committee:

P.N. Osborne (Chairman), Mrs V. Cook (Vice-Chairman), J. Barnes, J.J. Carroll, C.A. Clark, P.C. Courtel, B.J. Drayson (ex-officio), Mrs D.C. Earl-Williams, S.J. Errington, P.J. Gray, C.A. Madeley, C.R. Maynard and M. Mooney.

Substitute Members: S.J. Coleman, L.M. Langlands, G.F. Stevens and R.B. Thomas.

AGENDA

1. **MINUTES**

To authorise the Chairman to sign the minutes of the meeting of the Overview and Scrutiny Committee held on 23 November 2020 as a correct record of proceedings.

2. **APOLOGIES AND SUBSTITUTES**

The Chairman to ask if any Member present is substituting for another Member and, if so, to declare his/her name as substitute Member and the name of the absent Member.

3. **ADDITIONAL AGENDA ITEMS**

To consider such other items as the Chairman decides are urgent and due notice of which has been given to the Head of Paid Service by 12 Noon on the day of the meeting.

4. **DISCLOSURE OF INTERESTS**

To receive any disclosure by Members of personal and disclosable pecuniary interests in matters on the agenda, the nature of any interest and whether the Member regards the personal interest as prejudicial under the terms of the Code of Conduct. Members are reminded of the need to repeat their declaration immediately prior to the commencement of the item in question.

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**Rother District Council's aspiring to deliver
an Efficient, Flexible and Effective Council; Sustainable Economic Prosperity;
Stronger, Safer Communities; and a Quality Physical Environment.**

5. **DRAFT REVENUE BUDGET 2021/22** (Pages 1 - 24)
6. **REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING - QUARTER 2 2020/21** (Pages 25 - 34)
7. **WORK PROGRAMME** (Pages 35 - 36)

Malcolm Johnston
Chief Executive

Agenda Despatch Date: 15 January 2021

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Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	25 January 2021
Title:	Draft Revenue Budget 2021/22
Report of:	Antony Baden – Finance Manager
Ward(s):	All
Purpose of Report:	To present the draft Revenue Budget 2021/22 for approval
Officer Recommendation(s):	It be RESOLVED : That the comments of the Overview and Scrutiny Committee be considered by Cabinet when setting the 2021/22 Draft Revenue Budget at its meeting on 8 February 2021

The Cabinet, at its meeting held on Monday 11 January 2021, considered a report on the Draft Revenue Budget 2021/22. The Minute in relation to this matter is reproduced below.

CB20/86. **DRAFT REVENUE BUDGET 2021/22**

Consideration was given to the report of the Assistant Director Resources on the preparation of the draft Revenue Budget for 2021/22. The report outlined the likely financial position and key issues that Members needed to consider as part of the budget setting process. Appended to the report were details of the summary draft Revenue Budget, the summary information for each service area, main changes from the 2021/22 budget, the Council's revenue reserves and identified savings and additional income.

All budgets were shown as "Net Operational Expenditure Levels" which excluded capital charges, central costs and support service recharges. In addition, budgets were shown on a departmental basis which provided Members with a clear identifiable cost for each service.

The following key issues were highlighted:

- as the Council no longer received any Revenue Support Grant it was wholly reliant on revenue from business rates, council tax, specific grants, charges for services and income generation in meeting its net budget;
- the draft settlement announced by Government in December confirmed that the Council's share of business rates remained unchanged from 2020/21, a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22 would be received and additional support to extend the extra support

- for residents through the Council Tax Reduction Support scheme (CTRS) amounting to approximately £146,000;
- New Homes Bonus grant was expected to be £271,770 and would be incorporated into the draft budget to reduce the use of reserves, with no ongoing reliance;
 - further work to refine the business rate estimate in time for the final approval of the Revenue Budget in February was on-going;
 - the 2021/22 council tax base had been calculated at 37,606.6 and showed a reduction of 518 Band D equivalents mostly due to an increase in the number of CTRS claimants expected in 2021/22 as a result of the pandemic; the in-year recovery rate for Council Tax had reduced to 98.2% from 98.5%, taking into account the increased risk of non-payment due to the effects of the pandemic on employment;
 - the council tax referendum principle for Rother would allow an increase in council tax of £5 or 2% whichever was the highest; it had been assumed that the Council would increase Council Tax by the maximum allowed before a referendum was required;
 - for 2021/22 to ensure the Council remained within the referendum limit, it was assumed that an increase of £4.94 to £189.04 would be agreed for a Band D property, resulting in additional income of £90,000.

The financial risks that may affect the Council's finances were highlighted within the report and these included homelessness demands, staffing costs, the impact of COVID-19 on the Council's commercial tenants, leisure, swimming centres, cultural services delivered through two charitable trusts (Freedom Leisure and the De La Warr Pavilion Trust) and the emerging new Corporate Plan which aspired to accelerate the development of new housing in Rother, both market and affordable, deliver on the commitment to be a carbon neutral district by 2030 and regeneration of the local economy through investment.

The following assumptions had also been made in calculating the draft Revenue Budget:

- a. inflation of up to 1.5% had been applied except for contracts where specific indices were applied;
- b. salaries had been assumed to increase by 2% from September 2021;
- c. Appendix C to the report included details of any growth built into the base budget;
- d. the use of transfers between existing budgets had been encouraged to help enable funding to be re-directed into priority areas; and
- e. where the Council had discretion to increase income, increases should be in line with the increase in costs.

The net Revenue Budget before Government grants, use of reserves and other funding was expected to be £16.206m, an increase of £604,000 over the revised 2020/21 Revenue Budget. There had been a positive change of £1.6m between the financial forecast presented to Cabinet on the 2 November and the latest forecast, which was welcome.

The draft Revenue Budget for 2021/22 utilised £3.2m of reserves in order to meet specific costs (capital and service expenditure). Savings and increased income of £0.956m (excluding the reduction in use of revenue reserves to fund capital) had been assumed and if these were not delivered, further use of reserves may be required to balance the budget. Over the five-year financial forecast, earmarked reserves were predicted to fall to a minimum of £3.2m, rising to £3.8m by 2025/26, in excess of the minimum level of cash backed reserves and balances promoted by the Council's external auditors. However, it was below the minimum level previously agreed by Members at £5m and did not provide for any revenue reserves required to support the future Corporate Plan.

The budget consultation was currently on going and due to on 18 January 2021; interim results would be reported to the Overview and Scrutiny Committee at their meeting on the 25 January 2021.

In conclusion it was noted that the Revenue Budget included a number of assumptions relating to income generation and savings, which if not delivered, would result in an increased call on reserves. Cabinet Members were working with officers and looking at service budgets line by line to identify potential savings, some of which would be difficult to deliver.

RESOLVED: That the draft Revenue Budget for 2021/22 be considered by the Overview and Scrutiny Committee at its meeting on the 25 January 2021.

(Cabinet Agenda Item 6).

Appendix 1: Cabinet Report 11 January 2021 – Draft Revenue Budget 2021/22

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Rother District Council

Report to:	Cabinet
Date:	11 January 2021
Title:	Draft Revenue Budget 2021/22
Report of:	Antony Baden – Finance Manager
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To present the draft Revenue Budget 2021/22 for approval
Decision Type:	Key
Officer Recommendation(s):	It be RESOLVED : That the draft Revenue Budget for 2021/22 be considered by the Overview and Scrutiny Committee at its meeting on the 25 January 2021.
Reasons for Recommendations:	To agree the draft Revenue Budget 2021/22

Introduction

1. The Council is required to set a balanced budget each year. The Local Government Finance Act 1992 requires the Council to estimate revenue expenditure and income for the forthcoming year from all sources, together with contributions from reserves, in order to determine a net budget requirement to be met by Government Grant, Business Rates and Council Tax.
2. This report updates Members on preparation of the draft Revenue Budget for 2021/22; the report outlines the likely financial position and the key issues Members need to consider. Appendix A details the summary draft Revenue Budget, Appendix B gives summary information for each service area and Appendix C details the main changes from the 2020/21 Budget. Appendix D provides details of the Council's Revenue Reserves.
3. All Budgets, for the purposes of Cabinet and Overview and Scrutiny Committee presentation, are shown at "Net Operational Expenditure Levels", that is, to exclude capital charges, central costs and support service recharges. This ensures Members are provided with a clear identifiable core cost for each service.

Government Grant Settlement

4. As Members will be aware, the Council no longer receives any Revenue Support Grant and is wholly reliant on revenue from business rates, council tax, specific grants, charges for services and income generation in meeting its net

budget. The draft settlement was announced by the Government on the 17 December 2020. The settlement confirmed that the assumed baseline for the Council's share of business rates remains unchanged from 2020/21. The settlement did however confirm a specific additional COVID-19 grant of £519,000 to support the ongoing effects of the pandemic in 2021/22. The announcement also included extra support to extend the extra support for residents through the Council Tax Reduction Support scheme (CTRS). Based on the provisional numbers, this is approximately £146,000 for Rother, £1.46m in total including preceptors. This funding only effects the Collection Fund and does not meet the loss of income due to the increase in the number of households claiming CTRS.

5. As part of the settlement, indicative New Homes Bonus grant was confirmed. For Rother the total grant is expected to be £271,770 which is higher than in the previous forecast. In line with the previous agreement of Cabinet, this has been incorporated into the draft budget to reduce the use of reserves. However as this is just a one-year grant, no ongoing reliance of this income can be assumed, pending the outcome of the review of this grant.

Business Rates

6. Members will be aware that the Council is part of a 50% Business Rate pooling arrangement with the other East Sussex local authorities. Due to the COVID-19 pandemic, the Government significantly increased the amount of rate relief for businesses and charities and this is reflected in the forecast outturn for 2020/21. For 2021/22, the estimate is based on the assumption that there will be a return to normal exemptions and reliefs of business rates. Further work is in progress to refine the business rate estimate in time for the final approval of the Revenue Budget in February. This will include an updated estimate of the amount of Section 31 grants if the Government extends further the additional reliefs for businesses and charities.

Council Tax Base

7. The 2021/22 council tax base has been calculated at 37,606.6 and shows a reduction of 518 Band D equivalents over the equivalent December 2019 figures. The main reason for the change is an increase in the number of Council Tax Reduction claimants expected in 2021/22 due to the pandemic. The in-year recovery rate has been reduced to 98.2% for 2020/21 compared to 98.5% in the current financial year. This is to take account of the increased risk of non-payment due to the effects of the pandemic on employment. The calculation makes little allowance for potential growth during 2021/22 but for future years average growth of 2% per annum has been assumed. This is felt to be a prudent estimate but will be updated to reflect the effectiveness of the push for housing delivery by the Government and when the timing of delivery by the Council's own housing company becomes clearer.
8. The draft settlement confirms the 2021/22 council tax referendum principles for Shire districts, like Rother, will allow an increase in council tax of £5 or 2% whichever is the highest. As Council Tax is a major source of income to the Council, the draft Revenue Budget and forecast assumes that the Council will increase Council Tax by the maximum allowed before a referendum is required. For 2020/21 to ensure the Council remains within this limit, including the effect of special expenses, it is assumed, after taking account of any changes in

Special Expense charges, that an increase of £4.94 to £189.04 will be agreed for a Band D property. This increases the income from Council tax by £90,000 to an estimated total of £7.109m.

Financial Risks

9. Members are aware that there are a number of financial risks that may affect the Council's finances. These are discussed below.
10. **Homelessness demands** – the Council continues to experience pressure on this budget as a result of an increase in the number of cases and as at quarter 2, it is projected that there will be a £430,000 overspend in 2020/21. High levels of demand are expected to continue into 2021/22 although Members will be aware that the Council is trying to hold costs through the purchase of high-quality temporary accommodation. This is designed to alleviate budget pressure by reducing the use of more expensive private rented accommodation. The draft Revenue Budget assumes an increase of £299,000 over the current year budget.
11. **Staffing Costs** – the forecast assumes an increase of 2% each year for the annual pay award (excluding increment increases), estimated to add £88,000 (part year from September 2021), to the overall budget requirement. Members will be aware of the recent Government announcement regarding a public sector pay freeze for 2021/22. Rother is not part of the national pay negotiations and can set its own pay award. It is likely however, that there will be an expectation by Government that the Council will be in line with the national position. No decisions are required as of now and the national position will be monitored. Staff budgets are calculated at their expected grade including any in-grade increment increases, but a decrease of 3% has also been applied to the overall cost of salaries, which allows for staff turnover. This reduces the Revenue Budget requirement by £288,000 for 2021/22.
12. **COVID-19 impact** – there are a number of areas that have potential to increase costs or reduce income through the ongoing impact of COVID-19. These include:
 - a. Commercial Tenants – the Council supported its commercial tenants through the COVID-19 lockdown period by deferring their rental payments. The ongoing trading difficulties now suggests that part of this income will be foregone and potentially there will be protracted period of voids with some of the Council's older commercial property stock. At the time of writing, no additional provision has been made in the draft Revenue Budget for loss of rental income above the standard allowance. However, this will need to be kept under review until the Revenue Budget is set and into next financial year.
 - b. Leisure, Swimming Centres, Cultural Services – the Council largely delivers these through two charitable trusts, Freedom Leisure is focused on Sports and the De La Warr Pavilion Trust is focused on the arts and culture. The Council has committed significant resources to supporting these two organisations. Should COVID-19 restrictions continue into 2021/22 then this will severely curtail their recovery and may require the Council to maintain a level of financial support, even if to only ensure buildings and plant are adequately maintained. Cabinet has also agreed to a new 3-year

contract for the continued provision of leisure services in Rother at an expected cost of £130,000 per annum and this has been reflected in the draft Revenue Budget.

13. **Corporate Plan** – the Council is in the process of developing its next Corporate Plan. There is expected to be an emphasis within the plan to:
 - a. Accelerate the development of new housing in Rother, both market and affordable.
 - b. Deliver on the commitment to be a carbon neutral district by 2030.
 - c. Regenerate the local economy through investment.
14. To deliver on these ambitions will cause the Council's borrowing commitment to increase substantially and this brings a risk to the Revenue Budget if the projects fail to cover their costs and deliver the returns expected. The financial framework that will underpin the Corporate Plan is currently being developed. At this stage no additional provision has been included in the draft Revenue Budget.

Budget Assumptions

15. As the Section 151 Officer, the Assistant Director Resources confirms that, in accordance with Section 25 of the Local Government Act 2003, these estimates have been prepared on a robust basis. The following assumptions were made when calculating the draft Revenue Budget:
 - a. **Inflation** – inflation of up to 1.5% has been applied except for contracts where specific indices are applied.
 - b. **Salaries** – salaries have been assumed to increase by 2% from September 2021.
 - c. **Growth** – Appendix C to the report includes details of any growth built into the base budget.
 - d. **Transfers** – the use of transfers between existing budgets has been encouraged to help enable funding to be re-directed into priority areas.
 - e. **Income** – where the Council has discretion, increases should be in line with the increase in costs.

Draft Budget

16. The net Revenue Budget before Government grants, use of reserves and other funding is expected to be £16.206m. This is an increase of £604,000 over the revised 2020/21 Revenue Budget. This is analysed in Appendix C. The capital expenditure charged to revenue will be funded from earmarked reserves. Appendix A summarises the Revenue Budget and the Council Tax calculations.
17. There has been a positive change of £1.6m between the financial forecast presented to Cabinet on the 2 November and the latest forecast. The main reasons are shown overleaf:

	November Forecast 2021/22	Draft Budget 2021/22	change
	£000	£000	£000
Total Net Cost of Service	16,940	16,206	(734)
Freedom Leisure	285	130	(155)
Temporary Accommodation increase	92	308	216
Reduced cost of borrowing	2,263	1,530	(733)
Other	N/A	N/A	(62)
Total Income	12,447	13,270	(823)
Council Tax	7,090	7,109	(19)
Collection Fund deficit	0	(115)	115
COVID Grant		519	(519)
New Homes Bonus	12	272	(260)
Reserves – Capital Expenditure	184	324	(140)
Total Change			1,557

Reserves and General Fund Balance

18. The draft Revenue Budget for 2021/22 utilises £3.2m of reserves in order to meet specific costs. Of this, £0.324m will be used to support capital expenditure with the remaining £2.9m being used to support service expenditure. The draft Revenue Budget identified savings and increased income of £0.956m, excluding the reduction in use of revenue reserves to fund capital. If these are not delivered, it may be that to balance the Revenue Budget during the year, further use of reserves may be required.
19. The total earmarked reserves by the end of March 2022 is estimated to be £7.1m including the General Fund balance. Over the five-year financial forecast, earmarked reserves are predicted to fall to a minimum of £3.2m, rising to £3.8m by 2025/26. This is in excess of the minimum level of cash backed reserves and balances promoted by the Council's external auditors, Grant Thornton, but is below the minimum level previously agreed by Members at £5m and does not provide for any revenue reserves required to support the future Corporate Plan.

Budget Consultation

20. The budget consultation is due to close in January 2021 and interim results will be reported to the Overview and Scrutiny Committee at their meeting on the 25 January 2021. If possible, a verbal update will be given to Members at this meeting.

Conclusion

21. The draft Revenue Budget shows an increase of £604,000 in the cost of services over the 2020/21 position. As explained in the report, the Revenue Budget includes a number of assumptions relating to income generation and savings, which if not delivered, will result in an increased call on reserves.

Cabinet is aware of the actions Members and Officers are putting in place to deliver these, some of which will be difficult to deliver. The Government's fair funding review and business rate reset coming in from 2022 adds to the very uncertain backdrop to Council funding for some time to come.

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

Assistant Director, Resources:	Robin Vennard
Report Contact Officer:	Anthony Baden, Finance Manager
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Appendices:	Appendix A - 2021/22 Revenue Budget Summary and Five-Year Forecast Appendix B - Revenue Budget Summary - Cost of Services Appendix C - Main changes in net cost of services between 2020/21 and 2021/22 Appendix D - Earmarked Reserves
Relevant Previous Minutes:	None
Background Papers:	Local Government Settlement 2021/22
Reference Documents:	None

2021/22 REVENUE BUDGET SUMMARY AND FIVE-YEAR FORECAST

	Original 2020/21 Budget £ (000)	Revised 2020/21 Budget £ (000)	Projected 2020/21 Outturn at Qtr 2 £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Chief Executive and Corporate Core	2,042	1,981	2,136	2,034	1,870	1,870	1,870	1,870
Environmental Services	698	505	680	658	513	513	513	513
Strategy and Planning	993	971	1,198	1,090	1,121	1,121	1,121	1,121
Acquisitions, Transformation and Regeneration	(188)	(313)	55	(299)	(940)	(2,354)	(3,506)	(3,682)
Housing and Community Services	8,374	8,312	9,799	8,715	8,308	8,308	8,308	8,308
Resources	3,402	3,178	4,361	3,400	3,140	3,140	3,140	3,140
Total Cost of Services	15,321	14,634	18,229	15,598	14,013	12,598	11,446	11,271
Non-Pay Inflation	0	0	0	0	102	153	204	255
Pay Inflation	0	0	0	0	376	564	752	940
Vacancy Provision	(282)	0	0	(288)	(299)	(316)	(338)	(366)
Interest from Investments	(400)	(400)	(302)	(326)	(370)	(370)	(370)	(370)
Capital Expenditure Charged to Revenue	1,359	1,359	1,839	324	185	186	187	130
MRP and Interest - Property Investment Strategy	242	242	160	523	934	1,228	1,241	1,209
MRP and Interest - Other	610	610	368	1,007	1,283	1,231	1,128	1,111

	Original 2020/21 Budget £ (000)	Revised 2020/21 Budget £ (000)	Projected 2020/21 Outturn at Qtr 2 £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Savings and Income generation								
(i) Increase income - Property Investment Strategy	(544)	(544)	0	0	0	0	0	0
(ii) Increase income (net) - other	(14)	(14)	0	(107)	(202)	(202)	(202)	(202)
(iii) Lean and Demand	(90)	(90)	0	(180)	(180)	(180)	(180)	(180)
(iv) Service Prioritisation/Devolution	(100)	(100)	0	(250)	(1,600)	(1,660)	(1,720)	(1,720)
(v) Reduced Staffing Structure	(500)	(95)	0	(95)	(95)	(95)	(95)	(95)
(vi) Shared Services	0	0	0	0	0	0	0	0
Net Cost of Services	15,602	15,602	20,294	16,206	14,147	13,137	12,053	11,982

	Original 2020/21 Budget £ (000)	Revised 2020/21 Budget £ (000)	Projected 2020/21 Outturn at Qtr 2 £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Special Expenses	(687)	(687)	(687)	(687)	0	0	0	0
Business Rates								
Local Share of business rates 44% 2019/20 and 40% thereafter	(7,157)	(7,157)	(2,868)	(7,043)	(7,043)	(7,043)	(7,043)	(7,043)
s31 Grants	(1,892)	(1,892)	(6,161)	(2,019)	(2,019)	(2,019)	(2,019)	(2,019)
Tariff	5,121	5,121	5,121	5,121	5,121	5,121	5,121	5,121
Pooling Levy	195	195	195	195	195	195	195	195
Non-Specific Revenue Grants								
New Homes Bonus Grant	(247)	(247)	(247)	(272)	0	0	0	0
Rural services delivery grant	(50)	(50)	(31)	(31)	(32)	(32)	(33)	(34)
Local Council tax Support Grant	(102)	(102)	(102)	(104)	(106)	(108)	(110)	(113)
Benefits Administration Grant	(238)	(238)	(215)	(215)	(219)	(224)	(228)	(233)
New Burdens Grant and other non-specific Grants	0	0	(30)	0	0	0	0	0
Homelessness Grant - New Burdens	(126)	(126)	(126)	(129)	(131)	(134)	(136)	(139)
Homelessness Grant - Preventions	0	0	0	0	0	0	0	0
Flexible Homeless Support Grant	(275)	(275)	(276)	(281)	(286)	(292)	(298)	(304)
COVID-19 Support Grants	0	0	(2,372)	(519)	0	0	0	0
Council Tax Requirement (Rother only)	(7,019)	(7,019)	(7,019)	(7,109)	(7,227)	(7,397)	(7,620)	(7,850)
Other Financing								
Collection Fund (Surplus)/Deficit	(849)	(849)	(849)	115	115	115	0	0
Contribution from reserves to fund capital expenditure	(1,359)	(1,359)	(1,839)	(324)	(185)	(186)	(187)	(130)
Total Income	(14,685)	(14,685)	(17,506)	(13,301)	(11,818)	(12,004)	(12,359)	(12,548)
Contribution from Reserves/Funding Gap	917	917	2,788	2,905	2,329	1,134	(305)	(565)

REVENUE BUDGET SUMMARY – COST OF SERVICES

Revenue Budget Summary – Cost of Services	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Acquisition, Transformation and Regeneration	(313,000)	1,771,015	(2,069,945)	(298,930)
Environmental Services, Licensing and Community Safety	505,390	937,850	(280,350)	657,500
Chief Executive and Corporate Core	1,980,930	2,155,190	(120,870)	2,034,320
Housing and Community	8,312,070	12,702,720	(3,987,465)	8,715,255
Resources	3,177,250	23,277,750	(19,878,240)	3,399,510
Strategy and Planning	970,610	2,080,110	(990,000)	1,090,110
Total	14,633,250	42,924,635	(27,326,870)	15,597,765

	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
Acquisitions, Transformation and Regeneration				
	£	£	£	£
Ancient Monuments and Gazebo	4,810	25,930	0	25,930
Business Improvement	304,870	316,580	0	316,580
Committee Property Account	(70,750)	41,700	(98,920)	(57,220)
Community Strategy	8,470	8,200	0	8,200
Cultural Development	23,340	23,350	0	23,350
Economic Development	251,250	326,340	(47,500)	278,840
Elva Business Centre, Bexhill	(163,250)	86,440	(235,100)	(148,660)
Environment Sustainability Strategy	42,500	42,500	0	42,500
Head of Service Acquisitions, Transformation and Regeneration	89,080	97,180	0	97,180
Housing Development Team	0	110,420	(62,080)	48,340
Housing Policy, Strategy and Development	31,300	6,795	0	6,795
Investment properties	(146,240)	17,580	(187,700)	(170,120)
Major Projects unit	61,540	169,970	(55,000)	114,970
Miscellaneous Land and Buildings	(12,020)	8,690	(16,970)	(8,280)
NLPG - E-Government	(18,000)	9,000	(20,000)	(11,000)
Peasmarsh Workshops	(11,520)	11,500	(22,120)	(10,620)
Performance Management	14,110	13,900	0	13,900
Programme and Policy Office	241,280	174,250	0	174,250
Property Investment Strategy	(847,300)	56,270	(953,810)	(897,540)
Property Management	62,900	8,750	0	8,750
Regeneration	54,440	57,240	(2,800)	54,440
Residual Housing Land	(240)	0	(125)	(125)
Tourism	127,850	125,750	0	125,750
Udimore Workshops	(3,660)	3,310	(7,090)	(3,780)
Watch Oak Estate	(39,500)	500	(40,000)	(39,500)
West Trading Estate	(318,260)	28,870	(320,730)	(291,860)
Total	(313,000)	1,771,015	(2,069,945)	(298,930)

Environmental Services, Licensing and Community Safety	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Alcohol Licencing	(19,580)	68,760	(89,000)	(20,240)
Animal Welfare	1,170	1,160	0	1,160
Caravan Licences and Travellers	18,100	18,100	0	18,100
Community Safety	17,260	17,330	0	17,330
Crime and Disorder Initiatives	8,300	31,750	(23,450)	8,300
Dog Control	35,530	35,560	0	35,560
Environmental Services-Admin	20,190	15,450	0	15,450
Food and Safety Team	(40,850)	0	0	0
Food Hyg/Idc/Water Purity	127,920	133,450	(900)	132,550
Health and Safety and IDs	91,680	91,030	0	91,030
Houses Multiple Occupation	(1,000)	0	(1,000)	(1,000)
Licences and Registration	34,540	69,770	(37,000)	32,770
Licensing Team	(34,340)	170	0	170
Pest Control	2,990	20,770	(18,000)	2,770
Pollution	269,370	378,110	(28,000)	350,110
Private Sector Housing	650	650	0	650
Sub Standard Housing	230	230	0	230
Taxi and Private Hire Licences	(27,970)	55,060	(83,000)	(27,940)
Watercourses, Ditches and Drains	1,200	500	0	500
Total	505,390	937,850	(280,350)	657,500

	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
Chief Executive and Corporate Core				
	£	£	£	£
Administrative Offices - Print Room	12,650	13,450	0	13,450
Administrative Offices - Rear Depot	2,330	2,380	0	2,380
Administrative Offices - T.H. Annex (NOT CHP)	(45,870)	44,000	(85,970)	(41,970)
Administrative Offices - Town Hall	195,390	195,920	0	195,920
Committee Service General Exp	173,870	175,180	0	175,180
Communications	50,810	51,490	0	51,490
Communications-Postages	67,510	62,200	0	62,200
Corporate Policy Making	4,330	4,550	0	4,550
District Council Elections	7,220	7,240	0	7,240
Electoral Registration	172,440	187,670	(8,500)	179,170
Emergency Planning	35,980	32,490	0	32,490
Chief Executive/Executive Directors	280,810	236,140	0	236,140
Facilities Management	126,740	132,450	0	132,450
Human Resources	271,970	324,050	(26,400)	297,650
Internal Audit	148,650	155,360	0	155,360
Joint Waste Contract Client Unit including contract procurement	(45,440)	0	0	0
Legal Services	265,600	265,600	0	265,600
Public Accountability C/Ex	700	980	0	980
Representing Local Interest	256,900	264,040	0	264,040
Sussex Training Partnership	(1,660)	0	0	0
Total	1,980,930	2,155,190	(120,870)	2,034,320

	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
Housing and Community	£	£	£	£
Abandoned Vehicles	2,770	2,820	0	2,820
Allotments - Bexhill	1,350	2,980	(1,630)	1,350
Amenities Administration Account	550	0	0	0
Battle Community Help Point	5,270	5,270	0	5,270
Battle Sports Centre	6,000	6,000	0	6,000
Bexhill Leisure Centre	11,500	142,930	(1,520)	141,410
Bexhill Leisure Pool	12,450	41,520	(29,500)	12,020
Bexhill Parks and Open Spaces	814,790	874,950	(55,500)	819,450
Bexhill Promenade and Foreshore	21,600	107,060	(100,000)	7,060
Camber Beach and Foreshore	102,590	132,140	(25,660)	106,480
Car Parks	(1,180,530)	550,070	(1,624,450)	(1,074,380)
Care in the Community	5,100	5,100	0	5,100
Cemeteries	(14,880)	146,970	(160,800)	(13,830)
Churchyards	10,060	10,580	0	10,580
Coast Protection	38,860	42,190	(3,000)	39,190
Customer Services and Development	475,070	526,290	0	526,290
De La Warr Pavilion - Client	485,120	485,890	0	485,890
Head of Service Housing and Community Services	90,220	91,750	0	91,750
Housing Administration Account	560,130	615,580	(76,270)	539,310
Housing Loans Account	0	86,000	(86,000)	0
Housing Needs - Housing Benefit	792,800	1,550,800	(508,000)	1,042,800
Maintenance Services	35,330	37,510	0	37,510
Neighbourhood Services	786,990	806,090	0	806,090
Property Maintenance Team	213,840	215,930	0	215,930
Public Conveniences	417,270	424,950	(5,000)	419,950

	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
Housing and Community – cont'd				
	£	£	£	£
Recycling	(21,300)	1,700	(7,200)	(5,500)
Refuse Collection	3,120,840	3,927,090	(970,000)	2,957,090
Residual Highway Services	20,810	20,520	(3,000)	17,520
Rother Museum Services	26,680	32,790	(5,700)	27,090
Rother Tenant Finder (previously Rother Letting Service)	135,040	137,030	0	137,030
Rough Sleeping Initiative	0	69,290	(69,290)	0
Rural Open Spaces and Amenities	33,810	34,880	(95)	34,785
Rye Area Parks and Gardens	87,760	98,390	(7,620)	90,770
Rye Community Help Point	10,180	10,200	0	10,200
Rye Sports Centre and Pool	6,030	9,560	(3,240)	6,320
Sports Development	(3,400)	42,870	(45,490)	(2,620)
Street and Beach Cleansing	1,201,370	1,184,350	(24,000)	1,160,350
Syrian Refugees Support	0	137,230	(140,000)	(2,770)
Temporary Accommodation Properties	0	85,450	(34,500)	50,950
Total	8,312,070	12,702,720	(3,987,465)	8,715,255

Resources	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
	£	£	£	£
Accountancy	446,350	526,490	(9,060)	517,430
Benefit Investigation	(12,290)	0	(12,290)	(12,290)
Communications - Phones	80,000	65,530	0	65,530
Computer Services	763,370	790,840	0	790,840
Corporate Management	116,390	129,390	0	129,390
Cost of Collection	(156,660)	245,620	(402,280)	(156,660)
Internal Drainage Boards	130,000	130,000	0	130,000
Printing Services	62,580	141,260	(75,200)	66,060
Procurement	25,000	25,000	0	25,000
Public Accountability - Resources	6,000	6,000	0	6,000
Reliefs and Benefits - Council Tax Benefit	74,140	67,800	0	67,800
Reliefs and Benefits - Housing Benefit	(402,290)	18,938,120	(19,335,410)	(397,290)
Revenue and Benefits	1,043,520	1,164,130	0	1,164,130
Risk Management/Insurance	0	0	0	0
Service Manager Finance and Welfare	112,340	114,770	0	114,770
Stationery	0	44,000	(44,000)	0
Support to Elected Bodies/Grant	140,300	140,300	0	140,300
Treasury Management	8,500	8,500	0	8,500
Unapportion Central Overheads	740,000	740,000	0	740,000
Total	3,177,250	23,277,750	(19,878,240)	3,399,510

	Revised Budget 2020/21	Budget 2021/22		
		Gross Expenditure	Income	Net Expenditure
Strategy and Planning				
	£	£	£	£
Building Control	48,290	56,540	0	56,540
Complaints, Compliance, Enforcement	111,200	115,000	0	115,000
Conservation and Preservation	11,200	11,200	0	11,200
General Planning Expenses	0	9,330	0	9,330
Land Charges	(99,010)	81,610	(180,000)	(98,390)
Local Development Framework	150,000	150,000	0	150,000
Planning Appeals	4,500	4,500	0	4,500
Planning Applications	196,880	933,370	(710,000)	223,370
Planning Business Support	220,300	246,850	(10,000)	236,850
Planning Dept E-Government	4,000	4,000	0	4,000
Planning Enquiries	(42,000)	13,200	(50,000)	(36,800)
Planning Policy	267,370	362,920	(40,000)	322,920
Service Manager Strategy and Planning	97,880	91,590	0	91,590
Total	970,610	2,080,110	(990,000)	1,090,110

MAIN CHANGES IN NET COST OF SERVICES BETWEEN 2020/21 AND 2021/22

	£'000	£'000
Revised Revenue Budget 2020/21		15,602
Draft Revenue Budget 2021/22		16,206
Net Increase in Cost of Services		604

Analysis of Variations

Expenditure		Change Type
Staff restructuring	(110)	ongoing
Loss of Joint Waste Contract – contribution to corporate costs	46	ongoing
West Trading Estate roof repairs	10	one off
Budget adjustment for cyclical valuations undertaken every 5 years	(55)	ongoing
Landgate site clearance	20	one off
Rent voids	71	one off
Cessation of support for the Community Led Housing project	(19)	one off
Increase in Temporary Accommodation costs	299	one off
Extension of Leisure facilities contract	130	one off
New car parking machines	55	one off
Car parks maintenance	13	one off
Increased costs of car parking income collections	45	ongoing
Increase in volumes reducing price of Refuse and Street and Beach cleansing contracts	(141)	ongoing
Garden Waste Collection promotional material	30	one off
Reduced Recycling income	18	ongoing
Increase in business rates on car parks	14	ongoing
Additional post and temporary resource to provide technical support and advice to strategic projects	77	ongoing
Reduce use of external resource to manage the Council's ERP system	(10)	ongoing
Reduced Interest income from Investments	74	ongoing
Lower funding of capital expenditure from revenue	(1,035)	one off
Increase in MRP charge due to increased capital investment	281	ongoing
Increase in Interest Payments due to increased capital investment	397	ongoing
Property Investment Strategy rental income not achieved	544	ongoing
Lean and Demand	(90)	ongoing
Service Prioritisation/Devolution	(150)	ongoing
Inflation	401	ongoing
Other Minor Changes	67	ongoing

Income	£'000	£'000
Increase in staff costs charged to capital projects	(62)	
Increased rental income from properties	(61)	ongoing
Uplift in tenant recharges	(28)	ongoing
Housing and Community - additional Garden Waste collections	(100)	ongoing
Additional rental income - Bexhill promenade	(10)	ongoing
Housing and Community - additional car parking income	(24)	ongoing
Increase Income (net) - other	<u>(93)</u>	ongoing
		(378) ongoing
Total Increase in Cost of Services		604

EARMARKED RESERVES

Reserves	Quarter 2					
	2020/21 Forecast £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)
Earmarked Reserves and General Reserves	14,970	10,343	7,114	4,600	3,280	3,398
Use of Reserves	(4,627)	(3,229)	(2,514)	(1,320)	0	0
Contribution to Reserves	0	0	0	0	118	435
Total Reserves	10,343	7,114	4,600	3,280	3,398	3,833
<u>Use of/Contribution to Reserves</u>						
To fund Capital Expenditure	(1,359)	(324)	(185)	(186)	(187)	(130)
To balance the Revenue Budget	(3,268)	(2,905)	(2,329)	(1,134)	305	565
Total	(4,627)	(3,229)	(2,514)	(1,320)	118	435

Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	25 January 2021
Title:	Revenue Budget and Capital Programme Monitoring – Quarter 2 - 2020/21
Report of:	Antony Baden, Finance Manager
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To agree the forecast for the financial year ending 31 March 2021
Decision Type:	Non-Key
Officer	
Recommendation(s):	It be RESOLVED: That the report be noted

This report, considered by Cabinet on 14 December 2020, has been referred to this Committee for Members' information. The report has been reproduced as submitted to Cabinet.

Introduction

1. This report updates Members on the Council's finances as at the end of September 2020 and projects a provisional outturn for 2020/21.
2. Since the Quarter 1 Monitoring report to Cabinet on the 7 September 2020 there has been one reportable virement for the transfer of a Business Support Officer from Housing and Community Services to Resources.
3. At the end of Quarter 2, the Council is predicted to incur a deficit of £2.788m, of which £1.871m is unplanned. This represents an improvement of £97,000 on the previous forecast reported to Members. The cost of services at line 7 in the table overleaf shows a deficit of £3.595m and non-service budgets increase the forecast overspend to £4.692m as shown in line 18. This is reduced by £2.821m mainly due to additional grant income from the Ministry of Housing, Communities and Local Government (MHCLG) as detailed in lines 31 to 34 and line 37.
4. The financial position for the Council is summarised in the table overleaf and further analysis is explained in the subsequent paragraphs.

Line	Rother District Council General Fund Summary	Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Estimated Outturn £ (000)	2020/21 Quarter 2 Variance £ (000)
1	Executive Directors & Corporate Core	2,217	1,981	2,102	121
1a	Executive Directors & Corporate Core - Coronavirus related	0	0	34	34
2	Environmental Services	321	505	639	134
2a	Environmental Services - Coronavirus related	0	0	41	41
3	Strategy and Planning	759	971	1,014	43
3a	Strategy and Planning - Coronavirus related	0	0	184	184
4	Acquisitions, Transformation and Regeneration	(223)	(313)	(145)	168
4a	Acquisitions, Transformation and Regeneration - Coronavirus related	0	0	200	200
5	Housing and Community Services	7,634	8,312	8,445	133
5a	Housing and Community Services - Coronavirus related	0	0	1,354	1,354
6	Resources	3,873	3,178	3,539	361
6a	Resources - Coronavirus related	0	0	822	822
7	Total Cost of Services	14,581	14,634	18,229	3,595
8	Interest from Investments	(508)	(400)	(302)	98
9	Capital Expenditure Charged to Revenue	416	1,359	1,839	480
10	MRP	29	242	160	(82)
11	Interest payments	286	610	368	(242)
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	(95)	0	95
18	Net Cost of Services	14,804	15,602	20,294	4,692

Line		Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Estimated Outturn £ (000)	2020/21 Quarter 2 Variance £ (000)
19	Special Expenses	(674)	(687)	(687)	0
	Business Rates				
20	Local Share of business rates	(7,609)	(7,157)	(2,868)	4,289
21	s31 Grants including additional MHCLG funding (pandemic response)	(2,080)	(1,892)	(6,161)	(4,269)
22	Tariff	5,715	5,121	5,121	0
23	Levy	0	195	195	0
	Non-Specific Revenue Grants				
24	New Homes Bonus Grant	(449)	(247)	(247)	0
25	Rural Services Delivery Grant	0	(50)	(31)	19
26	Local Council tax Support Grant	(96)	(102)	(102)	0
27	Benefits Administration Grant	(214)	(238)	(215)	23
28	New Burdens Grant & Other Non-Specific Grants	0	0	(30)	(30)
29	Homelessness Grant - New Burdens	(237)	(126)	(126)	0
30	Flexible Homeless Support Grant	(276)	(275)	(276)	(1)
31	Coronavirus Grant - 2nd tranche	0	0	(961)	(961)
32	Coronavirus Grant - 3rd tranche	0	0	(166)	(166)
33	Coronavirus Grant - 4th tranche	0	0	(355)	(355)
34	Coronavirus Grant - Partial reimbursement of sales, fees & charges	0	0	(239)	(239)
35	Council Tax Requirement (Rother only)	(6,829)	(7,019)	(7,019)	0
	Other Financing				
36	Collection Fund (Surplus)/Deficit	337	(849)	(849)	0
37	s31 Grants including Hardship Fund grant (pandemic response)	0	0	(651)	(651)
38	Contribution from reserves to fund capital expenditure	(416)	(1,359)	(1,839)	(480)
39	Contributions to/(from) Earmarked Reserves	(1,769)	0	0	0
40	Total Income	(14,597)	(14,685)	(17,506)	(2,821)
41	Net Deficit/(Surplus)	207	917	2,788	1,871

Review of significant unplanned variations

5. All forecasts include inherent risks and the level of uncertainty surrounding the pandemic means that significant fluctuations between forecasts have, and will continue, to occur. Since Quarter 1, the country has been put back into national lockdown and the Government has again warned that further lockdowns may be required in the future. If this is to be the case it is likely that costs will increase further especially during the winter months. The Assistant Director Resources will work closely with the Heads of Service and Members to reduce the overspend and its impact on reserves.
6. The Quarter 1 report highlighted the initial estimated cost of the Council's pandemic response to be in the region of £1.767m after the additional funding from the MHCLG. The Quarter 2 forecast now shows a net reduction of £658,000 to £1,109m. The changes are summarised in the table below.

Area	Change £'000s
Housing & Community – net reduction in Temporary Accommodation costs, including an underspend on the Rother Tenant Finder service	220
Housing & Community – De La Warr Pavilion financial support split over two years	35
Housing & Community – lower than expected drop in Car Parking Income	95
Housing & Community – reduction in Waste contract cost and loss of Garden Waste income	95
Resources – Purchase of additional ICT equipment	(65)
Resources – Reduced external income from printing	(25)
Interest Income from Investments	50
MHCLG Funding – 4 th tranche	355
MHCLG reduced reimbursement – Sales, Fees & Charges	(102)
Net Change between Quarters	658

7. Since the last report, the forecast has increased by £561,000 for costs other than those relating to the pandemic response. The main reasons for all variations are detailed in paragraphs 8 to 27 below.

Executive Directors – Deficit £155,000

8. The forecast overspend has increased by £132,000 mainly as a result of staff restructuring costs, (£97,000). The remainder of the increase relates to systems implementation costs (£17,000), the pandemic response (£11,000) and the setting up of Bexhill Town Council (£10,000). Minor variances of £3,000 help reduce the forecast.

Environmental Services – Deficit £175,000

9. The forecast overspend has increased by £170,000 mainly due to an adverse change of £148,000 against the salaries budget, which includes a provision for staff turnover that is now unlikely to materialise because the department has successfully recruited to most of its vacant posts. The salaries budget also includes £15,000 funding from the Food Standards Agency for the secondment of a department postholder who has now left the Council.

10. The remaining overspend changes consist of minor variances (£9,000) offset by a small reduction of £2,000 in the under achievement of income arising from the postponement of courses due to the pandemic.

Strategy and Planning – Deficit £227,000

11. The Strategy and Planning forecast overspend has increased slightly by £13,000. The department's recruitment difficulties have remained during the last quarter and have increased the forecast overspend by £15,000 on temporary support however, Members should note that a recent successful recruitment process should see these costs reduce over time.
12. The predicted shortfall due to the pandemic in planning fees and land charges income has increased slightly by £2,000 to £184,000.
13. Members should be aware that the risk of further overspends arising if potential appeals on applications are upheld remains.

Acquisitions, Transformation and Regeneration – Deficit £368,000

14. The forecast has increased by £165,000 none of which is due to the pandemic. It includes £93,000 for two initiatives that have previously been reported to, and approved by, Members. They relate to consultancy advice regarding the development of Council owned sites (£43,000) and the award of a grant to the Sussex Wildlife Trust for the development of a Community Wildlife Garden at Rye Harbour (£50,000).
15. The salaries budget is forecast to overspend by £44,000 mainly due to the creation of a Surveyor's post to work on the Temporary Accommodation project, which is in the approved Capital Programme.
16. The remaining £28,000 overspend is made up of several small variances. No rents have been written off to date as a result of the pandemic, but this situation could change if lockdown restrictions remain in place. The current provision is unchanged at £200,000.

Housing and Community – Deficit £1,487,000

17. The Housing and Community forecast has decreased by £418,000 since the last report. The overspend arising due to the pandemic response has reduced by £452,000 and the main variances (£445,000) have been outlined in the table in paragraph 6. Other smaller decreases make up the other £7,000.
18. Non-COVID related overspends have increased by £34,000, including £62,000 being spent on new car parking equipment and signage, which was approved by Cabinet on the 7 September 2020 (Minute CB20/46 refers). This is offset by other underspends totalling £28,000.
19. Members will recall from the previous monitoring report that the forecast included £415,000 for financial support to the Council's leisure services operator, Freedom Leisure. The Department for Digital, Culture, Media & Sport recently announced that funding would be made available for local authority leisure services. Details have yet to be announced but this is likely to involve a bidding process and the Council may be able to apply for funding.

Resources – Deficit £1,183,000

20. The Resources forecast has increased by £451,000 mainly because the amount of housing benefit overpayments is predicted to be £250,000 lower than the budget. This reflects the sustained performance improvement in the claims administration process that was first reported to Cabinet on the 27 July 2020 in the 2019/20 outturn report. The Council processes almost £20m in benefit claims per annum and it is a particularly difficult cost to forecast. In cost terms it is sensitive to small changes and these are hard to establish until the half year housing benefit subsidy claim has been reconciled. Officers are reviewing the current spend and recovery of overpayments and will report further in the Quarter 3 monitoring report.
21. Accountancy services are forecast to overspend by £46,000 due to additional staff costs required to provide technical advice and support to the Council's Capital Programme, especially the Property Investment Strategy. Technology related works in Revenues and Benefits and ICT have enhanced off-site resilience, system updates and back-up solutions, and have increased the forecast overspend by £65,000.
22. The overspend arising due to the pandemic response has increased by £90,000 and these variances have been outlined in the table in paragraph 6.

Non-Service Budgets

23. Interest income from investments is expected to be £98,000 below budget but this is a £50,000 improvement on the previous forecast. Further lockdowns may mean that returns fall again and result in a further reduction in income.
24. Appendices A and B include details of the Council's Capital Programme. Members will note that Appendix A shows an increased level of planned spend in 2020/21 from the original budget, but the pandemic has slowed down progress on several schemes. The current MRP (repayment of debt principal) and interest payment forecasts have therefore been reduced by £324,000 to reflect this.

Income

25. Last month an updated forecast was submitted to the MHCLG, which showed that income from business rates was expected to be below the previous forecast submitted at the start of the pandemic. As a result, the MHCLG has provided additional funding to match the shortfall so there is no adverse impact on the Council's financial position. Lines 20 and 21 of the table in paragraph 4 show each total.
26. The MHCLG has given the Council further funding of £355,000 to help meet the costs of the pandemic, bringing the total to date to £2,372,000, (not including grants earmarked for particular purposes e.g. business support, discretionary, reopening the High Street, Test & Trace).
27. The first data return has been submitted to the MHCLG in respect of reimbursement for the loss of income from sales, fees and charges. The forecast has reduced by £102,000 because the Council's original estimate of

income shortfalls has also reduced, especially on car parking income – see paragraph 6.

Impact on Reserves

28. The net impact on Reserves is forecast to be a reduction of £4.627m against the planned figure of £2.276m. The table below summarises the position as at Quarter 2.

	Revised 2020/21 Budget £'000	2020/21 Estimated Outturn £'000	2020/21 Quarter 2 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	1,839	480
Use of Reserves to Balance Budget incl deficit	917	2,788	1,871
Balance 31/3/20	(12,694)	(10,343)	2,351

Collection Fund

29. The Council Tax part of the Collection Fund is currently 2.28% below the annual estimated yield when compared to the collection rate at the same time last year. The collection performance to the end of September is shown below:

	Equivalent Period	
	2020/2021	2019/2020
Collectable Annual debit (at 100% collection)	£77,779,160.96	£75,668,605.17
Income Received	£43,370,605.00	£43,349,286.58
Income Received as a % of collectable debit	55.76%	57.29%
Budgeted yield (at 98.5% collection)	£77,625,639.38	£74,549,856.52
Income Received as a % of budgeted yield	55.87%	58.15%

30. The Business Rates Tax part of the Collection Fund is currently 4.59% below the annual estimated collectable debit when compared to the collection rate at the same time last year. This is a marked reduction from the previous forecast when the collection rate was broadly in line with the estimate. The collection performance to the end of September is shown below:

	Equivalent Period	
	2020/2021	2019/2020
Collectable debit	£8,306,922.03	£18,532,723.77
Income Received	£4,400,952.18	£10,669,016.93
Income Received as a % of collectable debit	52.98%	57.57%
Amount outstanding for year	£3,905,969.85	£7,863,706.84

31. Based on the current collection rates it is expected that the Collection Fund will be in deficit by the end of the financial year. The Government is allowing councils to spread any deficits over a three-year period so there will be no adverse impact on the Council's financial position in 2020/21. In addition, information is awaited on whether additional grant funding will be received to meet some of the unrecoverable amounts. Any future impact will be included in the Medium-Term Financial Plan (MTFP).

Capital Programme

32. A summary of spend by project for 2020/21 and financing sources is shown at Appendix A and Appendix B and shows the overall five-year Capital Programme which was updated in the MTFP presented to Cabinet on the 2 November 2020.

Update on preparation of the Draft Revenue Budget 2021/22

33. Following the approval of the Council's five-year MTFP by Cabinet in November (Minute CB20/63 refers), officers have been working on drafting the detailed Revenue Budget for 2021/22. This work is progressing well, but it is sensible to delay presenting the draft Revenue Budget to the January meeting of Cabinet for two main reasons. Firstly, it is likely that the local government finance settlement for 2021/22 will not be received until mid/late December. This will be a one-year settlement and whilst it is not anticipated there will be any radical change over the 2020/21 settlement, it is prudent to wait until this information is received before any significant financial decisions are made. Secondly, as part of the budget preparation, work continues on assessing the longer-term financial impacts of the COVID-19 pandemic on the Council's income and expenditure. The later the budget is produced, the more up-to-date assessment can be used in its preparation.

Conclusion

34. The Quarter 2 forecast out turn for 2020/21 is an unplanned deficit of £1.871m and includes the impact of the COVID-19 pandemic. Officers continue to submit financial assessments of the impact of the pandemic and hopefully further grant funding will be forthcoming.

Financial Implications

35. In addition to the planned use of reserves, this forecast deficit would reduce the Council's reserves to £10.343m.

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

Chief Executive	Malcolm Johnston
Report Contact Officer:	Antony Baden
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Appendices:	A Capital Programme – Spend to 30/6/20 B Capital Programme 2020/21 to 2024/25
Relevant Previous Minutes:	CB20/46 CB20/63
Background Papers:	N/A
Reference Documents:	N/A

Capital Programme 2020/21 Spend to 30 September 2020

Line	Original 2020/21 Budget £ (000)	Slippage from 2019/20 £ (000)	Other changes £ (000)	Revised 2020/21 Budget £ (000)	Spend to 30th September 2020 £ (000)
1 Acquisitions, Transformation and Regeneration					
2 Other Schemes					
3 Community Grants	130			130	50
4 Cemetery Entrance		233		233	8
5 Rother Transformation ICT Investment	345	39		384	17
6 Corporate Document Image Processing System	435			435	
7 1066 Pathways		93		93	
8 Ravenside Roundabout			200	200	
9					
10 Property Investment Strategy					
11 Property Investment Strategy - uncommitted	6,820		(6,820)	0	
12 Office Development NE Bexhill			10,611	10,611	
13 Mount View Street Development - Public/Commercial			964	964	
14 PIS - Beeching Road/Wainwright Road	3,000			3,000	29
15 PIS - Barnhorn Road	1,000	(5)		995	2
16 PIS - Beeching Road 18-40	460	484		944	1
17 PIS - 35 Beeching Road			675	675	
18					
19 Housing Development Schemes					
20 Community Led Housing Schemes	450			450	
21 Blackfriars Housing Development	3,052	(175)	8,448	11,325	300
22 Mount View Street Development - Housing			3,286	3,286	
23 Former Bexhill High School site - Housing				0	
24 Alliance Homes (Rother) Ltd				0	
25					
26 Housing and Community Services					
27 De La Warr Pavilion - Capital Grant	53		1	54	41
28 Sidley Sports and Recreation	300			300	5
29 Land Swap re Former High School Site	1,085			1,085	
30 Bexhill Leisure Centre - site development	155	381		536	8
31 Disabled Facilities Grant			1,625	1,625	250
32 New bins	125	58		183	132
33 Bexhill Promenade - Outflow pipe	100			100	
34 Bexhill Promenade - Protective Barriers		50		50	
35 Housing (purchases - temp accomodation)	2,000	1,000		3,000	1,161
36					
37 Strategy & Planning					
38 Highways Work - London Road - Bexhill		300		300	
39 Grants to Parishes - CIL		200	(37)	163	
40					
41 Executive Directors & Corporate Core					
42 Accommodation Strategy		75		75	
43 Lift for Amherst Road Offices		100		100	
44					
45 Resources					
46 ICT Infrastructure – Ongoing Upgrade Programme		140		140	
47					
48 Total Capital Programme	19,510	2,973	18,953	41,436	2,005

Line	Original 2020/21 Budget £ (000)	Slippage from 2019/20 £ (000)	Other changes £ (000)	Revised 2020/21 Budget £ (000)	Spend to 30th September 2020 £ (000)
49 Funded By:					
50 Capital Receipts	1,240			1,085	0
51 Grants and contributions	4,262			14,487	551
52 CIL				613	0
53 Borrowing	12,820			23,412	1,332
54 Capital Expenditure Charged to Revenue	721			1,839	122
55 Unfunded	467			0	0
56 Total Funding	19,510			41,436	2,005

Capital Programme – 2020/21 to 2025/26

Line	Revised 2020/21 £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	Total £ (000)
1 Acquisitions, Transformation and Regeneration							
2 Other Schemes							
3 Community Grants	130	130	130	130	130	130	780
4 Cemetery Entrance	233						233
5 Rother Transformation ICT Investment	384						384
6 Corporate Document Image Processing System	435						435
7 1066 Pathways	93						93
8 Ravenside Roundabout	200						200
9							
10 Property Investment Strategy							
11 Property Investment Strategy - uncommitted	0						0
12 Office Development NE Bexhill	10,611	15,737	19,496				45,844
13 Mount View Street Development - Public/Comm	964						964
14 PIS - Beeching Road/Wainwright Road	3,000						3,000
15 PIS - Barnhorn Road	995	8,495	500				9,990
16 PIS - Beeching Road 18-40	944						944
17 PIS - 35 Beeching Road	675						675
18							
19 Housing Development Schemes							
20 Community Led Housing Schemes	450	150					600
21 Blackfriars Housing Development	11,325						11,325
22 Mount View Street Development - Housing	3,286	3,657	3,657	3,482			14,082
23 Former Bexhill High School site - Housing	0						
24 Alliance Homes (Rother) Ltd	0	25,000	37,000	18,000			80,000
25							
26 Housing and Community Services							
27 De La Warr Pavilion - Capital Grant	54	54	55	56	57		276
28 Sidley Sports and Recreation	300						300
29 Land Swap re Former High School Site	1,085						1,085
30 Bexhill Leisure Centre - site development	536						536
31 Disabled Facilities Grant	1,625	1,625	1,625	1,625	1,625	1,625	9,750
32 New bins	183	125	125	125	125	125	808
33 Bexhill Promenade - Outflow pipe	100						100
34 Bexhill Promenade - Protective Barriers	50						50
35 Housing (purchases - temp accomodation)	3,000						3,000
36							
37 Strategy & Planning							
38 Highways Work - London Road - Bexhill	300						300
39 Grants to Parishes - CIL	163						163
40							
41 Executive Directors & Corporate Core							
42 Accommodation Strategy	75						75
43 Lift for Amherst Road Offices	100						100
44							
45 Resources							
46 ICT Infrastructure – Ongoing Upgrade Programme	140						140
47							
48 Total Capital Programme	41,436	54,973	62,588	23,418	1,937	1,880	186,232
Line	Revised 2020/21 for CoVID Impact £ (000)	2021/22 Budget £ (000)	2022/23 Budget £ (000)	2023/24 Budget £ (000)	2024/25 Budget £ (000)	2025/26 Budget £ (000)	Total £ (000)
49 Funded By:							
50 Capital Receipts	1,085	0	0	0	0	0	1,085
51 Grants and contributions	14,487	1,775	1,625	1,625	1,625	1,625	22,762
52 CIL	613	0	0	0	0	0	613
53 Borrowing	23,412	28,014	23,778	3,607	125	125	79,061
54 Capital Expenditure Charged to Revenue	1,839	184	185	186	187	130	2,711
55 Unfunded	0	25,000	37,000	18,000	0	0	80,000
56 Total Funding	41,436	54,973	62,588	23,418	1,937	1,880	186,232

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OVERVIEW AND SCRUTINY COMMITTEE

WORK PROGRAMME 2020 – 2021		
DATE OF MEETING	SUBJECT – MAIN ITEM IN BOLD	Cabinet Portfolio Holder
25.01.21	<ul style="list-style-type: none"> • Draft Revenue Budget 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 2 2020/21 	Dixon
15.03.21	<ul style="list-style-type: none"> • Progress on the Environment Strategy • Crime and Disorder Committee: to receive a report from the Community Safety Partnership • Performance Progress Report: Third Quarter 2020/21 • Revenue Budget and Capital Programme Monitoring – Quarter 3 2020/21 • Review of the Disabled Facilities Grant Policy 	Field Dixon
26.04.21	<ul style="list-style-type: none"> • Report of the Off-Street Car Park Task and Finish Group • Report of the Anti-Poverty Task and Finish Group • Call-in and Urgency Procedures • Draft Annual Report to Council 	Field Byrne
WORK PROGRAMME 2021 - 2022		
07.06.21	<ul style="list-style-type: none"> • Performance Progress Report: Fourth Quarter 2020/21 • Annual Work Programme 	
19.07.21	<ul style="list-style-type: none"> • Revenue Budget and Capital Programme Monitoring Quarter 4 2020/21 	
13.09.21	<ul style="list-style-type: none"> • Performance Progress Report: First Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 1 2021/22 	
18.10.21	<ul style="list-style-type: none"> • Medium Term Financial Plan 2022/23 to 2026/27 	
22.11.21	<ul style="list-style-type: none"> • Performance Progress Report: Second Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 2 2021/22 	
24.01.22	<ul style="list-style-type: none"> • Draft Revenue Budget Proposals 2022/23 	
14.03.22	<ul style="list-style-type: none"> • Crime and Disorder Committee: to receive a report from the Community Safety Partnership • Performance Progress Report: Third Quarter 2021/22 • Revenue Budget and Capital Programme Monitoring – Quarter 3 2021/22 	
25.04.22	<ul style="list-style-type: none"> • Call-in and Urgency Procedures • Draft Annual Report to Council 	
ITEMS FOR CONSIDERATION		
<ul style="list-style-type: none"> • Regeneration incl Leisure Centre, Fountains, Skate Park and Accessibility of Green Spaces across the district • Corporate Plan review – referred back by Cabinet • Review of the Tourism Strategy • Review of the Economic Regeneration Strategy • Peer Review 		

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