

Rother District Council

Report to: Cabinet

Date: 27 July 2020

Title: Revenue Budget and Capital Programme Outturn 2019/20

Report of: Antony Baden – Finance Manager

Cabinet Member: Councillor Dixon

Ward(s): All

Purpose of Report: To agree the financial outturn for the financial year ending 31 March 2020

Decision Type: Non-Key

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

Introduction

1. This report updates Members on the Council's finances as at the end of March 2020 and includes a draft outturn for 2019/20. This may change as a result of the external audit of the Council's financial accounts due to take place in August. The financial position for the Council is shown in the table below and further analysis is shown in subsequent paragraphs:-

Line	Rother District Council General Fund Summary	Revised 2019/20 Budget £ (000)	2019/20 Draft Outturn £ (000)	2019/20 Variance £ (000)	2019/20 Variance %
1	Executive Directors & Corporate Core	2,084	2,217	133	6.4%
2	Environmental Services	750	321	(429)	-57.2%
3	Strategy and Planning	961	759	(202)	-21.0%
4	Acquisitions, Transformation and Regeneration	(591)	(223)	368	62.3%
5	Housing and Community Services	7,365	7,634	269	3.7%
6	Resources	3,264	3,873	609	18.7%
7	Total Cost of Services	13,833	14,581	748	5.4%
8	Interest from Investments	(512)	(508)	4	-0.8%
9	Capital Expenditure Charged to Revenue	658	416	(242)	-36.8%
10	Rother 2020 Savings				
11	(i) Increase income - investment in property	0	0	0	0.0%
12	(ii) MRP	91	29	(62)	-68.1%
13	(iii) Interest payments	227	286	59	26.0%
14	Net Cost of Services	14,297	14,804	507	3.5%

Line		Revised 2019/20 Budget £ (000)	2019/20 Draft Outturn £ (000)	2019/20 Variance £ (000)	2019/20 Variance %
15	Special Expenses	(674)	(674)	0	0.0%
	Business Rates				
16	Local Share of business rates	(8,020)	(7,609)	411	5.1%
17	s31 Grants	(1,297)	(2,080)	(783)	-60.4%
18	Tariff	5,715	5,715	0	0.0%
19	Levy	0	0	0	0.0%
	Revenue Support Grant	0	0	0	0.0%
	Non-Specific Revenue Grants				
20	New Homes Bonus Grant	(449)	(449)	0	0.0%
21	Rural Services Delivery Grant	0	0	0	0.0%
22	Local Council tax Support Grant	(100)	(96)	4	4.0%
23	Benefits Administration Grant	(233)	(214)	19	8.2%
24	New Burdens Grant & Other Non-Specific Grants	0	0	0	0.0%
25	Homelessness Grant - New Burdens	(43)	(237)	(194)	451.2%
26	Flexible Homeless Support Grant	(275)	(276)	(1)	-0.4%
27	Council Tax Requirement (Rother only)	(6,830)	(6,829)	1	0.0%
	Other Financing				
28	Collection Fund (Surplus)/Deficit	336	337	1	0.3%
29	Contribution from reserves to fund capital expenditure	(658)	(416)	242	36.8%
30	Contributions to/(from) Earmarked Reserves	(1,769)	(1,769)	0	0.0%
31	Total Income	(14,297)	(14,597)	(300)	2.1%
32	Net Deficit/(Surplus)	0	207	207	-

2. Since the last monitoring report to Cabinet there has been no reportable variations.

Review of significant variations

- The table above shows the Council incurred a deficit of £207,000 in 2019/20, which is £491,000 lower than the Quarter 3 forecast. The Cost of Services at line 7 in the table at paragraph 1 shows a deficit of £748,000, which is £105,000 higher than the Quarter 3 forecast. This was partially offset by under spends on Non-Service budgets and Income, which reduced the Net Deficit at line 32 to £207,000.
- Many of the risks highlighted in previous forecasts materialised during the financial year but the Assistant Director, Resources worked closely with Heads of Services to reduce the overspend and its impact on reserves.
- As part of the 2020/21 revenue budget considerations Members will recall that seeking voluntary redundancies was one of the measures taken to balance the budget. The cost of redundancies was £316,851 and was paid in 2019/20. These are included in the table above. The gross ongoing saving is expected to be £490,000 per annum.
- The main reasons for the variations are detailed in paragraphs 7 to 26 below.

Executive Directors – Deficit £133,000

7. The deficit is £91,000 lower than was forecasted at Quarter 3. Overspends identified in previous forecasts such as extra legal and consultancy costs were successfully offset by savings of £116,000 across those budget areas, however they were partially offset by £25,000 of costs incurred in response to the Coronavirus pandemic, e.g. the purchase of IT equipment, Telephony costs etc.

Environmental Services – Surplus £429,000

8. Environmental Services' surplus increased by £351,000 since the last reported forecast. This was mainly due to an underspend of £353,000 against the Disabled Facilities Grant of £1,625,000 received from Government. The under utilised government grant which supports the provision of DFGs has been transferred to an earmarked reserve to be used to fund further expenditure in 2020/21.
9. As referred to in paragraph 5 the unbudgeted cost of redundancies reduced the underspend by £51,000 but this in turn was offset by other under spends across the department, mainly on the Pollution (£19,000) and Food Hygiene (£16,000) functions. Several other minor variances totalling £18,000 made up the balance.

Strategy and Planning – Surplus £202,000

10. The Strategy and Planning department surplus increased by £106,000 from the previous forecast. The budget for the Local Development Framework had a balance of £93,000 at year end, which is transferred to the LDF earmarked reserve. There were also difficulties in the recruitment to Planning posts, which added £39,000 to the surplus as they remained vacant. These were offset by a further downturn of £37,000 in the previously reported Planning fee income. Other minor positive variances of £11,000 account for the remaining changes.

Acquisitions, Transformation and Regeneration – Deficit £368,000

11. The deficit for the Acquisitions, Transformation and Regeneration Department has increased by £109,000 since Quarter 3 mainly due to redundancy payments of £63,000 and net rental income shortfalls of £64,000. With regards to the latter the rental shortfalls occurred across several parts of the Council's property portfolio and were exacerbated by the requirement to undertake repairs and pay business rates on empty properties.
12. Planned expenditure of £12,000 was spent on producing a marketing plan for Battle and for events in Rye, and was funded from earmarked reserves.
13. Net savings of £30,000 were achieved from vacant posts, which helped to offset partially the variances explained in paragraphs 10 and 11.

Housing and Community Services – Deficit £269,000

14. The Housing and Community Services department has reduced its deficit by £112,000 since the previous forecast and is due to several changes.
15. The Council receives ring-fenced government grants to fund the resettlement of Syrian refugees and initiatives to reduce Rough Sleeping across the district. At the end of the year there was an unspent balance of £130,000, which must be set aside within earmarked reserves for use in the following financial year.
16. The delay in the start of the Rother Tenant Finder programme was reported in the previous forecast and the final underspend has increased by £34,000 to £78,000.
17. The Cemeteries budget has under spent by £17,000, which is an improvement of £43,000 since the last forecast. The expected shortfall in income did not materialise and savings were also achieved against the repairs budget.
18. Cost reductions of £46,000 were also achieved on Bus Shelter installations (£16,000), Battle Community Hub point running costs (£15,000) and Premises Insurances across the Department, (£15,000). Other much smaller variances increased the reduction by a further £9,000.
19. Car Parks experienced an adverse change of £61,000 since the last forecast mainly due to a shortfall in income arising from the closure of car parks due to the pandemic, the cost of resurfacing the Camber Western car park and other factors inhibiting the ability to charge.
20. The overspend on housing benefit payments to people in Temporary Accommodation increased by a further £38,000 since the last forecast.
21. The Salaries budget underspend decreased by £29,000 as some vacancies were filled more quickly than originally anticipated and unbudgeted redundancy costs of £22,000 were paid in March.

Resources - Deficit £609,000

22. The Resources Department overspent by £609,000, which is an adverse change of £656,000 since the Quarter 3 forecast. The main reason for this is that the recovery of housing benefit overpayments was £549,000 less than budgeted, which reflects the improved performance in the administration and payment of housing benefit claims. The Cost of Collection partially offset this by £88,000 as these were lower than anticipated.
23. In order to comply with external audit requirements and accounting standards the Council is required to review its bad debt provision each year. Therefore, the provision has been increased by £96,000 mainly to allow for an increase in the

recovery of housing benefit bad debts. Redundancy costs of £138,000 paid in March increased the overspend.

24. Favourable variances on previously reported overspends reduced the deficit by £39,000. These were mainly in accountancy, printing, software licenses and mobile telephones.

Non-Service Budgets

25. Interest Income from investments out turned at £4,000 less than the budget. The amount of capital expenditure funded from revenue was £242,000 less than budget due to slippage on several projects, including the ICT infrastructure upgrade (£140,000), the Accommodation strategy (£71,000) and the provision of new bins for the Joint Waste Contract (£58,000). This is reflected in the Capital outturn shown below.

Impact on Reserves

26. The net impact on Reserves of the 2019/20 outturn is a reduction of £2,392,000, which is £35,000 lower than the revised budget. The movement in Reserves is summarised in the following table:

	2019/20 Revised Budget £'000	2019/20 Draft Outturn £'000	Variation to Revised Budget £'000
Revenue Reserves and General Fund Balance at 1/4/	(17,362)	(17,362)	0
Use of Reserves to Fund Capital Expenditure	658	416	(242)
Use of Reserves to Balance Budget incl deficit	1,769	1,976	207
Balance 31/3/20	(14,935)	(14,970)	(35)

Collection Fund

27. The Council Tax part of the Collection Fund collection performance was broadly in line with the 98.5% target set at the beginning of the year. The collection performance to the end of March is shown below:

	Equivalent Period		
	2019/20	2018/19	2017/18
Collectable Annual debit (at 100% collection)	£75,493,263.72	£72,343,360.13	£67,805,819.98
Income Received	£74,161,068.73	£71,217,969.62	£66,756,142.20
Income Received as a % of collectable debit	98.24%	98.44%	98.45%
Budgeted yield (at 98.5% collection)	£74,549,856.52	£71,114,683.69	£66,599,906.61
Income Received as a % of budgeted yield	99.48%	100.15%	100.23%

28. The final position for the Council Tax part of the Collection Fund was a surplus of £956,000 which included adjustments to the bad debt provision. The majority of this will be distributed to the County Council, with Rother's share being approximately £95,000.
29. For business rates the the following table shows an in-year collection performance of 98.85% to the end of March which was above the target 98.5% collection rate:

	2019/2020	Equivalent Period 2018/2019
Collectable debit	£17,970,401.16	£18,552,509.20
Income Received	£17,764,589.85	£18,231,262.63
Income Received as a % of collectable debit	98.85%	98.27%
Amount outstanding for year	£205,811.31	£321,246.57

30. Overall for the year, the business rate part of the Collection Fund was in surplus by £462,000 after taking account of actual collection against the original estimate and adjustments to the bad debt provision and provision for rating appeals. Rother's share will be around £200,000.

Capital Programme

31. The final Capital outturn for 2019/20 was £14,173,000 million, which is £3,072,000 lower than the revised budget. The main variances are explained below.
32. The largest project underspend was £1,000,000 on the purchase of Temporary Accommodation, which was delayed by a combination of the pandemic and availability of suitable properties. Works at the Beeching Road site (part of the Property Investment Strategy) were delayed, which resulted in an underspend of £484,000. The Bexhill Leisure Centre development is currently on hold whilst Members consider its future, and this has resulted in an under spend of £381,000. Finally, there was a lower than anticipated uptake in Disabled Facilities Grants, which under spent by £273,000.
33. A summary of spend by project and financing sources is shown at Appendix A.

Conclusion

34. The final Council outturn for 2019/20 was a deficit of £207,000, including redundancy costs of £317,000. Excluding redundancy costs, the surplus is £110,000, which represents just 0.8% of the total Net Cost of Services budget.

Implications

Financial Implications

35. None.

Legal Implications

36. None.

Human Resources Implications

37. None.

Other Implications

39.	None.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		

Executive Director:	Malcom Johnston and Tony Leonard
Proper Officer:	Malcolm Johnston, Head of Paid Service
Report Contact Officer:	Anthony Baden, Finance Manager
e-mail address:	Anthony.baden@rother.gov.uk
Appendices:	A - summary of spend by project and financing sources.
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.