

Rother District Council

Report to:	Cabinet
Date:	7 September 2020
Title:	Revenue Budget and Capital Programme Monitoring – Quarter 1 - 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.
Reasons for Recommendations:	n/a

Introduction

1. This report updates Members on the Council's finances as at the end of June 2020 and projects a provisional outturn for 2020/21. The financial position for the Council is shown in the table overleaf and further analysis is shown in subsequent paragraphs.
2. Since the detailed budget was approved by Cabinet on the 10 February 2020 there have been the two reportable virements, which have been reflected in the table above. Firstly, savings of £422,000 have been achieved by reducing the staffing structure and incorporating them into departmental budgets, leaving a balance of £78,000 as shown in line 17(v) of the table in paragraph 1. Secondly staff turnover of £282,000 was originally budgeted centrally in line 12 of the table in paragraph 1 but has now been consolidated into departmental salary budgets.

Line	Rother District Council General Fund Summary	Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Estimated Outturn £ (000)	2020/21 Variance £ (000)
1	Executive Directors & Corporate Core	2,217	1,999	1,999	0
1a	Executive Directors & Corporate Core - Coronavirus related	0	0	23	23
2	Environmental Services	321	575	537	(38)
2a	Environmental Services - Coronavirus related	0	0	43	43
3	Strategy and Planning	759	950	978	28
3a	Strategy and Planning - Coronavirus related	0	0	186	186
4	Acquisitions, Transformation and Regeneration	(223)	(321)	(318)	3
4a	Acquisitions, Transformation and Regeneration - Coronavirus related	0	0	200	200
5	Housing and Community Services	7,634	8,262	8,361	99
5a	Housing and Community Services - Coronavirus related	0	0	1,806	1,806
6	Resources	3,873	3,152	3,152	0
6a	Resources - Coronavirus related	0	0	732	732
7	Total Cost of Services	14,581	14,617	17,699	3,082
8	Interest from Investments	(508)	(400)	(252)	148
9	Capital Expenditure Charged to Revenue	416	1,359	1,839	480
10	MRP	29	242	242	0
11	Interest payments	286	610	610	0
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	(78)	0	78
18	Net Cost of Services	14,804	15,602	20,138	4,536

Line		Final 2019/20 Actual £ (000)	Revised 2020/21 Budget £ (000)	2020/21 Estimated Outturn £ (000)	2020/21 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)	(1,872)	20
22	Tariff	5,715	5,121	5,121	0
23	Lewy	0	195	195	0
	Non-Specific Revenue Grants				
24	New Homes Bonus Grant	(449)	(247)	(247)	0
25	Rural Services Delivery Grant	0	(50)	0	50
26	Local Council tax Support Grant	(96)	(102)	(102)	0
27	Benefits Administration Grant	(214)	(238)	(206)	32
28	New Burdens Grant & Other Non-Specific Grants	0	0	(61)	(61)
29	Homelessness Grant - New Burdens	(237)	(126)	(126)	0
30	Flexible Homeless Support Grant	(276)	(275)	(276)	(1)
31	Coronavirus Grant - 1st tranche	0	0	(42)	(42)
32	Coronavirus Grant - 2nd tranche	0	0	(961)	(961)
33	Coronavirus Grant - 3rd tranche	0	0	(166)	(166)
35	Coronavirus Grant - Homelessness/Rough Sleeping	0	0	(6)	(6)
36	Coronavirus Grant - Partial reimbursement of sales, fees & charges	0	0	(341)	(341)
37	Council Tax Requirement (Rother only)	(6,829)	(7,019)	(7,019)	0
	Other Financing				
38	Collection Fund (Surplus)/Deficit	337	(849)	(849)	0
39	s31 Grants including Hardship Fund grant (pandemic response)	0	0	(651)	(651)
40	Contribution from reserves to fund capital expenditure	(416)	(1,359)	(1,839)	(480)
41	Contributions to/(from) Earmarked Reserves	(1,769)	0	0	0
42	Total Income	(14,597)	(14,685)	(17,292)	(2,607)
43	Net Deficit/(Surplus)	207	917	2,846	1,929

Review of significant variations

3. The above table shows that at the end of Quarter 1 the Council is predicted to incur a deficit of £1.929 million. The Cost of Services at line 7 in the table shows a deficit of £3.082 million and non-service budgets increase the forecast overspend to £4.536 million as shown in line 18. This is reduced by £2.607 million mainly due to additional grant income from the Ministry of Housing, Communities & Local Government (MHCLG) as detailed in lines 21 to 39 of the table.
4. The Council's response to the COVID-19 pandemic has inevitably put the budget under enormous pressure despite some costs being partially offset by non-ringfenced grants from the MHCLG. The net impact of the virus is forecast to be £1.719 million and is summarised in the table below.

	£ million
Expenditure/Income shortfalls arising from COVID-19	£3.886
MHCLG Grant Funding	(£2.167)
Net Impact on Reserves	£1.719

5. All forecasts include inherent risks and the level of uncertainty surrounding the pandemic means it is highly likely that subsequent forecasts will fluctuate significantly during the financial year. The Government has warned of further outbreaks with local lockdowns, and these could further increase costs, especially during the winter months. The Assistant Director, Resources will work closely with Heads of Services and Members to reduce the overspend and its impact on reserves.
6. The main reasons for the variations are detailed in the paragraphs 7 to 29 below. The variances specifically relating to Departments have been split between those arising as a result of the pandemic and those arising as part of normal operational activities.

Executive Directors – Deficit £23,000

7. The forecast overspend relates to costs incurred in response to the pandemic, e.g. hand sanitiser, officer overtime, personal protective equipment. The department also spent £11,000 on the provision of a Community Hub Point, which has been a focal point for the co-ordination and delivery of essential services such as food parcels to elderly and vulnerable residents during lockdown

Environmental Services – Deficit £5,000

8. As a result of the pandemic, Environmental Services is forecast to under achieve its income budgets by £43,000 in the areas of Food Safety training (£15,000), Licensing (£18,000) and Pest Control (£10,000). However, this is mainly offset by vacant posts (£31,000) in the Pollution and Food Safety teams, which are expected to be recruited to in Quarter 2. Other minor variances of £7,000 make up the remaining difference.

9. The MHCLG have indicated that the Council can claim funding of up to £86,000 for costs incurred in the 'Reopening the High Street' initiative. This is being managed by the Environmental Services department and is expected to be a nil cost.

Strategy and Planning – Deficit £214,000

10. Strategy and Planning department is forecast to overspend by £214,000 with the largest element of this being a predicted shortfall of £186,000 against Planning fees (£150,000) and Land Charges income (£36,000), both of which are expected to suffer a downturn due to the pandemic.
11. The department continues to experience recruitment difficulties and is forecast to under spend its salary budget by £75,000 so it has engaged consultants at a predicted cost £112,000 to cover the vacancies. This has resulted in a net overspend of £37,000. Other minor variances of £9,000 are forecast to reduce the overspend but Members should be aware that there is a risk of further overspends arising if potential appeals on applications are upheld.

Acquisitions, Transformation & Regeneration – Deficit £203,000

12. The pandemic is expected to have a major impact on the Acquisitions, Transformation & Regeneration department's property rental income. No rents have been written off yet, but it is prudent to assume that this situation may change in the current financial year so a shortfall of £200,000 has been included in the forecast. Other minor budget variances are predicted to increase the forecast overspend by £3,000.

Housing & Community Services – Deficit £1,905,000

13. The Housing & Community Services department has incurred additional expenditure of £1.806 million to support the pandemic response.
14. The Council owns three leisure facilities in Bexhill and Rye, which are operated by Freedom Leisure under a management agreement at nil cost to the Council. These facilities were closed due to lockdown, which meant that Freedom Leisure were unable to generate income and had to incur some costs. Following a request from Freedom Leisure, Cabinet at its meeting of the 27 July 2020 agreed to provide financial support until the 31 March 2021. The estimated cost is a maximum of £415,000 and has been included in the forecast.
15. The Council also received a request for financial support up to £350,000 from the De La Warr Pavilion Charitable Trust, which was also forced to close during lockdown. Cabinet approved the package at its meeting on the 8 June.
16. Lockdown has increased the department's forecast by £648,000 in respect of managing clients in Temporary Accommodation (TA) and providing accommodation for Rough Sleepers. TA occupations have been much longer than would normally be expected because suitable alternative accommodation has not been available and Housing Benefit payments to clients have also increased. Furthermore, at the beginning of lockdown, the Government instructed Councils to provide accommodation to all rough sleepers, which has further increased the cost. Officers are currently preparing bids for additional

funding in respect of rough sleepers and their needs, which may potentially reduce the overspend.

17. Car Parks were closed at the beginning of lockdown and despite opening a few weeks later indications are that there will be a shortfall of £235,000 on income. Most car parks have experienced a downturn in income with the notable exception being those at Camber where the exceptional weather has resulted in a large increase in the number of visitors once the car parks reopened. This also meant that security was required during the spells of warm weather at a cost of up to £9,000. The forecast also includes a £31,000 shortfall in concession income/rents in parks, promenades and beaches.
18. Some Waste Collection services were suspended during lockdown such as bulky waste and bring banks, however contractor payments continued in line with the procurement notice issued by the MHCLG. This has had no additional financial impact and officers are currently in negotiations with Biffa to obtain some sensible level of recompense for missed collections. It is not possible to quantify at this stage, but any payment would reduce the departmental overspend. The Council suspended the increase in Garden Waste collection charges for existing customers, which have increased the overspend by £93,000. Recycling income is expected to be under budget by £22,000.
19. The department forecast also includes costs of £3,000 for road closure notices.
20. Improvements to the reception area in the Town Hall are predicted to cost £43,000. These works were undertaken early to take advantage of the closure of the reception area during the pandemic. In addition there are minor underspends of £4,000. Neither of these variances are related to the pandemic crisis although the works to the Town Hall reception have enabled social distancing to be implemented more effectively.

Resources - Deficit £732,000

21. The Resources Department's forecast overspend is due entirely to the pandemic. The main cost is a forecast spend of £651,000 on Hardship funding to help residents who are experiencing financial difficulties as a result of the pandemic. This is offset by a Government grant referred to below.
22. Income generated by the Printing team is expected to be £25,000 below target. Technical changes were required to the Academy system in the Revenue & Benefits team, at a cost of £13,000. Additional IT equipment was required to enable most office-based staff to work from home and this has added £43,000 to the overspend.

Non-Service Budgets

23. Interest Income from Investments is expected to be £148,000 below budget as per line 8 of the table in paragraph 1. This is in line with expectations as the pandemic has had a major impact on global financial markets and the forecast will continue to be subject to fluctuations due to the level of uncertainty. The Council has invested £8 million in two property funds and most of its interest income is returned by these. However, their current market values have fallen by about £0.5 million and could fall further still as the crisis continues but

Members should bear in mind that these are long term investments (one of our investment products has been in existence for nearly 50 years) and it is hoped that their values will rise in the future as the general economic picture improves. At this point it is not expected that the Council will need to withdraw these funds and there is no expectation that the loss of capital value will be realised. Furthermore, Property Fund Managers actively manage their portfolios so whilst capital values might reduce it is hoped that actual income will not suffer significantly.

24. The cost of capital schemes funded from the revenue budget is forecast to be £480,000 more than the original budget. This is due to slippage in the programme from 2019/20 and therefore does not represent a further call on reserves than that previously planned for.
25. Members may recall that the revenue budget reported to Cabinet on the 10 February 2020 included several financial issues that would need to be addressed during the financial year. These are summarised in lines 13 to 17 in the table in paragraph 1 and include: -
 - a. Income generation (mainly from property investments);
 - b. The delivery of efficiencies identified through the lean and demand project;
 - c. Savings achieved by reducing staffing structures through voluntary redundancies.
26. Unfortunately, the pandemic has hampered progress on items (a) and (b) and is predicted to increase the overall deficit by £748,000. The cost of voluntary redundancies was £317,000 and was funded from reserves in 2019/20 but they have reduced staffing costs by £422,000, which is £78,000 below the budgeted target.

Income

27. The above paragraphs have detailed the far-reaching impact the COVID-19 pandemic has had on service delivery and budgets. The table in paragraph 4 indicates the cost is currently forecast to be £3.886 million in 2020/21. Some of this has been offset by additional grants of £2.167 million from the MHCLG, leaving a predicted net shortfall of £1.719 million.
28. Non-ringfenced grants have been received at different stages during the crisis and these amount to £1.169 million as shown in lines 31 to 33 of the table in paragraph 1. In addition, specific grants have been received for Hardship Funding (£651,000 in line 38 of the table) and Homelessness (£6,000 in line 34 of the table).
29. The MHCLG have also indicated that they will partially reimburse councils for the loss of income from sales, fees and charges. The details of this process have yet to be released but based on communications to date from the MHCLG it is estimated that a grant of about £341,000 (line 35 of the table) may be forthcoming.

Impact on Reserves

30. The net impact on Reserves is forecast to be a reduction of £4.685 million against the budgeted figure of £2.276 million. This represents an increase of £2.409 million against the original planned use of reserves with £1.719 million being due to the pandemic, £480,000 due to slippage from 2019/20 in the amount of capital expenditure being funded from revenue and £210,000 due to the other reasons explained in the above paragraphs. The movement in Reserves is summarised in the following table:

	Revised 2020/21 Budget £'000	2020/21 Estimated Outturn £'000	2020/21 Variance £'000
Revenue Reserves and General Fund Balance at 1/4/20	(17,362)	(17,362)	0
Use of Reserves to Fund Capital Expenditure	1,359	1,839	480
Use of Reserves to Balance Budget incl deficit	917	2,846	1,929
Balance 31/3/20	(15,086)	(12,677)	2,409

Collection Fund

31. The Council Tax part of the Collection Fund is currently 1.58% below the annual estimate. The collection performance to the end of June is shown below:

	2020/2021	Equivalent Period 2019/2020
Collectable Annual debit (at 100% collection)	£78,092,103.06	£75,646,433.54
Income Received	£22,224,554.13	£22,519,449.04
Income Received as a % of collectable debit	28.46%	29.77%
Budgeted yield (at 98.5% collection)	£77,625,639.38	£74,549,856.52
Income Received as a % of budgeted yield	28.63%	30.21%

32. The Business Rates Tax part of the Collection Fund is broadly in line with the annual estimate and last year's performance. The collectible debit and income received are much lower this year due to the additional reliefs announced by the Chancellor in the March budget statement. They have been replaced with additional section 31 grant payments. The collection performance to the end of June is shown below:

	2020/2021	Equivalent Period 2019/2020
Collectable debit	£8,245,788.67	£18,729,443.43
Income Received	£2,695,997.69	£6,075,515.16
Income Received as a % of collectable debit	32.70%	32.44%
Amount outstanding for year	£5,549,790.98	£12,653,928.27

33. The MHCLG have recently announced that any Collection Fund deficits incurred this year can be spread over a three year period. There will be no

impact in the current financial year and any future impact will be included in the Medium Term Financial Plan to be reported to Cabinet later this year.

Capital Programme

34. A summary of spend by project for 2020/21 and financing sources is shown at Appendix A. In addition, Appendix B shows the overall five year capital programme which has been updated for Member decisions and slippage from the 2019/20 outturn. The capital programme totals just under £60m and Members will be aware of additional projects coming forward that will further increase the level of spend and the amount of borrowing required to support this expenditure.

Conclusion

35. The Quarter 1 forecast out turn for 2020/21 is a deficit of £1.3 million and includes the impact of the Coronavirus pandemic.

Implications

Financial Implications

36. In addition to the planned use of reserves, this forecast deficit would reduce the Councils reserves to £13.778 million.

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		

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Appendices:	A	Capital Programme – Spend to 30/6/20	
	B	Capital Programme 2020/21 to 2024/25	
Relevant Previous Minutes:	None		
Background Papers:	None		
Reference Documents:	None		

