

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

- 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.
- 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

- 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

- 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

- 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		

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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

Appendix 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

