

Rother District Council

Report to: Cabinet

Date: 4 October 2021

Title: Revenue Budget and Capital Programme Monitoring Quarter 1 - 2021/22

Report of: Antony Baden – Finance Manager

Cabinet Member: Councillor Kevin Dixon

Ward(s): All

Purpose of Report: To consider the recommendations arising from the Overview and Scrutiny Committee meeting held on 13 September 2021, regarding the forecast for the financial year ending the 31 March 2022. The report and recommendations arising are reproduced below and the Minutes of that meeting (Appendix D) should be read in conjunction with this report.

Decision Type: Non-Key

Officer

Recommendation(s): It be **RESOLVED:** That the:

- 1) report be noted; and
 - 2) grant offer of £391,050 from the Ministry of Housing, Communities and Local Government to support the purchase of further accommodation units as part of the East Sussex Rough Sleeper Initiative, be approved.
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Introduction

1. This report updates Members on the Council's finances as at the 30 June 2021 and projects a provisional outturn for 2021/22. The Revenue Budget and Capital Programme positions are summarised in Appendices A and B, respectively. The impact of the forecast on the Council's reserves is summarised in Appendix C. The report also includes a brief update on the Collection Fund performance.
2. Since the detailed budget was approved by Cabinet on the 8 February 2021 there has been one reportable virement, which is reflected in Appendix A. Staff turnover of £288,000, which was originally budgeted centrally has now been consolidated into departmental salary budgets.

Revenue Budget

3. The Revenue Budget forecast as at 30 June 2021 indicates a deficit of £144,000 against the approved budget drawdown from Reserves of £2.7m. The position is summarised in Appendix A and the main variances are

explained in paragraphs 4 to 11. Other smaller overspends have also been identified, which Heads of Service will need to manage within their existing budgets.

Strategy and Planning – Deficit £570,000

4. The forecast includes a potential liability of £300,000 in relation to the cost of planning Appeals at Strand Meadow, Burwash and Pett Level Road.
5. The department continues to experience a backlog of work primarily caused by difficulties in recruiting to vacant posts. This has necessitated the procurement of temporary support from Capita Business Services at a cost of £270,000. However, this is the maximum expected cost and it is hoped that it may be partially offset by the generation of additional planning fee income against the budget of £700,000.

Acquisitions, Transformation & Regeneration – Deficit £50,000

6. The deficit is due to the delayed drawdown of the £50,000 grant by the Sussex Wildlife Trust in 2020 for the development of the community wildlife garden at Rye Harbour, which was originally scheduled to be paid in the last financial year.

Housing, Community & Neighbourhood Services – Deficit £55,000

7. The recent lockdown has resulted in a forecast shortfall of £70,000 in car parking income although additional income of £15,000 from concessions should reduce the impact.

Net Financing Costs – Surplus £688,000

8. As previously reported Members will be aware that the pace of the Council's capital investment programme has slowed dramatically due to the ongoing impact of the pandemic. It is expected that the programme will gather pace during the 2021/22 but in the short term a significant reduction of £688,000 is forecast in relation to external interest and the minimum revenue provision charge to repay loan debt.

Financial Stability Programme – Deficit £474,000

9. The pandemic has also had a negative impact on the Council's ability to deliver savings and efficiencies as part of its Financial Stability Programme, (FSP). A shortfall of £474,000 is forecast against the 2021/22 target.
10. Officers have made significant progress in working up proposals to meet the FSP targets and these will be discussed with Members at the FSP Board meeting in September 2021.

Income – Surplus £317,000

11. Since the budget was approved, the Council has received further additional grant funding from the Ministry of Housing, Communities and Local Government MHCLG. No further allocations are anticipated at this stage.

Capital Programme

12. The Capital Programme forecast as at 30 June 2021 has increased by £1m against the approved budget. The position is summarised in Appendix B and the main changes are explained in paragraphs 13 to 15 below.
13. The biggest change since the capital programme was approved in February 2021 is the North East Bexhill Office Development scheme, which has been removed from the programme due to the high degree of uncertainty surrounding it. This has reduced the estimated outturn by £15.737m.
14. On the 29 March 2021, Cabinet approved a further funding (Minute CB20/119 refers) for the purchase of Temporary Accommodation to house homeless families on a temporary basis. This was in addition to the £3m approved in September 2019 and increased forecast expenditure in 2021/22 by £6m.
15. As reported throughout 2020/21, the Council's Capital Programme was severely impacted by the pandemic and this has resulted in several schemes slipping into 2021/22. The amount of slippage is approximately £9.151m, and the largest schemes affected are as follows:
 - a. Property Investment Strategy schemes - £1.193m
 - b. Housing Development schemes - £3.958m
 - c. Temporary Accommodation purchases (original allocation) - £1.300m)
 - d. Land Swap (former High School site) - £1.085m
16. The Council has been successful in securing additional grant funding from the MHCLG and Homes England to support its existing Housing First (HF) Project as part of the wider East Sussex Rough Sleeper Initiative (RSI). The grant award is for £391,050 and will support the purchase of a further four units of HF accommodation to add to the four existing units already in operation, further reducing the cost to the Council of temporary accommodation. The remainder of the capital funding (approximately £320,000) will be secured from the £6m approved for the purchase of temporary accommodation (Minute CB20/119 refers). The capital grant is supported by a total revenue grant allocation of £84,000, covering the period 2021/22 and 2023/24, to fund the RSI Housing First workers who will support the former rough sleepers living in the accommodation.

Impact on Reserves

17. The forecast impact on Reserves is a reduction of £4.282m against the planned use of £3.319m. This is an increase of £963,000.
18. The amount of Reserves required to balance the budget is forecast to increase by £144,000 and has been explained in paragraphs 3 to 12.
19. As referred to in paragraph 16 several capital schemes originally planned to be funded from revenue reserves in 2020/21 have slipped into 2021/22. The additional drawdown is £819,000 and is shown in Appendices B and C.

Collection Fund

20. The collection rate at the end of Quarter 1 for the Council Tax part of the Collection Fund was 29.92% of the collectable debit, which is 1.46% higher than the corresponding figures in 2020/21. Collection performance is shown below:

	2021/2022	Equivalent Period 2020/2021
Income Received	£82,203,282.90	£78,092,103.06
Income Received as a % of collectable debit	£24,598,855.38	£22,224,554.13
	29.92%	28.46%

21. The collection rate at the end of Quarter 1 for the Business Rates part of the Collection Fund was 33.61% of the collectable debit, which is 0.91% lower than the corresponding figure in 2019/20. Collection performance is shown below:

	2021/2022	Equivalent Period 2020/2021
Collectable debit	£9,931,205.66	£8,245,788.67
Income Received	£3,337,563.92	£2,695,997.69
Income Received as a % of collectable debit	33.61%	32.70%
Amount outstanding for year	£6,593,641.74	£5,549,790.98

Conclusion

22. The revenue forecast for Quarter 1 2021/22 is a deficit of £2.844m, which is £144,000 greater than the approved planned use of Reserves. The Assistant Director, Resources and Finance Manager will work closely with Heads of Services and Members to reduce the overspend and its impact on reserves.
23. The Council's Capital Programme is forecast to increase by £1m but this will be managed so that any impact on reserves and/or the Revenue Budget will be mitigated.

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

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Appendices:	Appendix A Revenue Budget Forecast Appendix B Capital Programme Forecast Appendix C Reserves
Relevant Previous Minutes:	CB20/119
Background Papers:	None.
Reference Documents:	None.

Revenue Budget 2021/22 Forecast as at the 30 June 2021

Line	Rother District Council General Fund Summary	Draft 2020/21 Actual £ (000)	Revised 2021/22 Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 1 Variance £ (000)
1	Corporate Core	2,117	1,998	1,998	0
2	Environmental Services	507	609	609	0
3	Strategy and Planning	1,030	1,043	1,613	570
4	Acquisitions, Transformation and Regeneration	(392)	(329)	(279)	50
5	Housing, Community & Neighbourhood Services	9,539	8,672	8,727	55
6	Resources	4,256	3,293	3,293	0
7	Total Cost of Services	17,057	15,286	15,961	675
8	Net Financing Costs	118	1,101	412	(688)
9	Salaries turnover	0	0	0	0
10	Financial Stability Programme - savings/cost reductions	0	(632)	(158)	474
11	Net Cost of Services	17,175	15,755	16,215	461
	Income				
12	Special Expenses	(687)	(692)	(692)	(0)
13	Net Business Rates & Section 31 Grants	(4,142)	(3,747)	(3,747)	0
14	Non-Specific Revenue Grants	(3,194)	(1,653)	(1,970)	(317)
15	Council Tax Requirement (Rother only)	(7,019)	(7,097)	(7,097)	(0)
	Other Financing				
16	Collection Fund (Surplus)/Deficit	(849)	134	134	(0)
17	Total Income	(15,891)	(13,054)	(13,371)	(317)
18	Contribution from Reserves/Funding Gap	1,284	2,700	2,844	144

Capital Programme 2021/22 Forecast as at the 30 June 2021

	Actual to 30th June 2021 £ (000)	2021/22 Original Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 1 Variance £ (000)
Acquisitions, Transformation and Regeneration				
Other Schemes				
Community Grants	22	130	130	0
Cemetery Entrance	63		172	(172)
Rother Transformation ICT Investment			384	(384)
Corporate Document Image Processing System			435	(435)
1066 Pathways			66	(66)
Ravenside Roundabout			200	(200)
Development of Town Hall Bexhill			460	(460)
Property Investment Strategy				
Office Development NE Bexhill		15,737		15,737
Mount View Street Development - Public/Commercial			964	(964)
PIS - Beeching Road/Wainwright Road		900	963	(63)
PIS - Barnhorn Road	78	3,345	3,402	(57)
PIS - Beeching Road 18-40	103	392	501	(109)
PIS - 35 Beeching Road			220	(220)
Housing Development Schemes				
Community Led Housing Schemes		303	600	(297)
Blackfriars Housing Development	941	10,350	11,128	(778)
Mount View Street Development - Housing		3,657	6,940	(3,283)
Alliance Homes (Rother) Ltd		25,000	25,000	0
Alliance Homes share capital			100	(100)
King Offa Residential Development	17			0
Former Bexhill High School site - Housing				0
Housing and Community Services				
De La Warr Pavilion - Capital Grant	28	54	54	0
Sidley Sports and Recreation	2	811	809	2
Land Swap re Former High School Site			1,085	(1,085)
Bexhill Leisure Centre - site development				0
Bexhill Leisure Centre - refurbishment		140	140	0
Disabled Facilities Grant	262	1,625	1,625	0
New bins		125	125	0
Bexhill Promenade - Outflow pipe			100	(100)
Bexhill Promenade - Protective Barriers	20		47	(47)
Fairlight Coastal Protection				0
Housing (purchases - temp accomodation)			7,708	(7,708)
Strategy & Planning				
Grants to Parishes - CIL	40		88	(88)
Executive Directors & Corporate Core				
Accommodation Strategy	0		0	0
Resources				
ICT Infrastructure – Ongoing Upgrade Programme	2		123	(123)
Development of Council Owned Sites	4			0
Total Capital Programme	1,583	62,569	63,569	(1,000)

	Actual to 30th June 2021 £ (000)	2021/22 Original Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 1 Variance £ (000)
Funded By:				
Capital Receipts		0	1,485	(1,485)
Grants and contributions		12,993	14,201	(1,208)
CIL		193	281	(88)
Borrowing		23,764	21,164	2,600
Capital Expenditure Charged to Revenue		619	1,438	(819)
Unfunded		25,000	25,000	0
Total Funding	0	62,569	63,569	(1,000)

Reserves

	Draft 2020/21 Actual £ (000)	Revised 2021/22 Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 1 Variance £ (000)
Revenue Reserves and General Fund Balance - Opening Balance	(14,970)	(13,209)	(13,209)	0
Use of Reserves to Fund Capital Expenditure	477	619	1,438	819
Use of Reserves to Balance Budget incl deficit	1,284	2,700	2,844	144
Closing Balance	(13,209)	(9,890)	(8,927)	963

Minutes of the Overview and Scrutiny Meeting – 13 September 2021**OSC21/20. REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING
(6) QUARTER 1 – 2021/22**

Members received and considered the report of the Finance Manager on the Revenue Budget and Capital Programme Monitoring Quarter 1 2021/22. The report contained details of the significant variations of the Revenue Budget and updated Capital Programme.

Since the detailed budget had been approved by Cabinet in February 2021, there had been one reportable virement. Staff turnover of £288,000 was originally budgeted centrally but had since been consolidated into departmental salary budgets.

The revenue forecast showed a deficit of £144,000, against the approved budget drawdown from Reserves of £2.7m. The main reasons for the variations were detailed in the report, which included planning appeal costs, the procurement of support from Capita for the Planning department, the delayed drawdown of the £50,000 grant by the Sussex Wildlife Trust for the development of the community wildlife garden at Rye Harbour, a forecast shortfall in car parking income resulting from the recent lockdown and a shortfall of £474,000 in the Financial Stability Programme's savings target.

Since the budget was approved, the Council had received further additional grant funding of £317,000 from the Ministry of Housing, Communities and Local Government (MHCLG) to offset partially the over spends and the slowing of the Council's capital investment programme due to the ongoing impact of the pandemic is forecast to reduce financing costs by £688,000.

The Capital Programme forecast as at 30 June 2021 had increased by £1m against the approved budget; the position was summarised in Appendix B to the report. The biggest change since the Capital Programme had been approved in February 2021 was the North East Bexhill Office Development scheme, which had been removed from the programme due to the high degree of uncertainty surrounding it. This had reduced the estimated outturn by £15.737m. Other changes included an approved increase of £6 million to fund the purchase of further Temporary Accommodation units and scheme slippage from 2020/21 totalling about £9 million.

The Council had been successful in securing additional grant funding from the MHCLG and Homes England to support its existing Housing First (HF) Project as part of the wider East Sussex Rough Sleeper Initiative (RSI). The grant award was for £391,050 and would support the purchase of a further four units of HF accommodation to add to the four existing units already in operation, further reducing the cost to the Council of temporary accommodation. The remainder of the capital funding (approximately £320,000) would be secured from the £6m approved for the purchase of temporary accommodation. The capital

grant was supported by a total revenue grant allocation of £84,000, covering the period 2021/22 and 2023/24, to fund the RSI Housing First workers who would support the former rough sleepers living in the accommodation.

The forecast impact on Reserves was a reduction of £4.282m against the planned use of £3.319m, an increase of £963,000. The amount of Reserves required to balance the revenue budget was forecast to increase by £144,000. Several capital schemes originally planned to be funded from revenue reserves in 2020/21 had slipped into 2021/22; the additional drawdown was £819,000 and was shown in Appendices B and C to the report.

The collection rate at the end of Quarter 1 for the Council Tax part of the Collection Fund was 29.92% of the collectable debit, which was 1.46% higher than the corresponding figures in 2020/21.

The collection rate at the end of Quarter 1 for the Business Rates part of the Collection Fund was 33.61% of the collectable debit, which was 0.91% lower than the corresponding figure in 2019/20.

The Assistant Director, Resources and the Finance Manager would work closely with Heads of Services and Members to reduce the forecast overspend and its impact on reserves.

RESOLVED: That:

- 1) the report be noted; and
- 2) Cabinet be recommended to approve a grant offer of £391,050 from the Ministry of Housing, Communities and Local Government to support the purchase of further accommodation units as part of the East Sussex Rough Sleeper Initiative.

(Overview and Scrutiny Committee Agenda Item 6).