

Rother District Council

Report to:	Cabinet
Date:	13 December 2021
Title:	Revenue Budget and Capital Programme Monitoring Quarter 2 – 2021/22
Report of:	Antony Baden – Chief Finance Officer
Cabinet Member:	Councillor Dixon
Ward(s):	All
Purpose of Report:	To consider the recommendations arising from the Overview and Scrutiny Committee meeting held on 22 November 2021, regarding the Council's finances as at 20 September 2021. 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 report be noted.

Introduction

1. This report updates Members on the Council's finances as at 30 September 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. There have been no reportable virements since the previous financial update to Members.

Revenue Budget

3. The Revenue Budget forecast as at 30 September 2021 indicates a deficit of £93,000 against the approved budget drawdown from Reserves of £2.7m. The position is summarised in Appendix A and variances over £50,000 that have come to light since the last forecast are explained in paragraphs 4 to 12.

Corporate Core – Deficit £24,000

4. No large changes have been identified since the last forecast.

Environmental Services – Surplus £87,000

5. An underspend of £96,000 on salary costs is expected due to vacancies and the Government funding of costs from the Contain Outbreak Management Fund (COMF) grant to help reduce the spread of COVID-19 and support local public health.

Strategy and Planning – Deficit £737,000

6. The forecast deficit has increased by £100,000 since the previous forecast mainly due to making provision for the costs of a potential judicial review (£75,000) of the Burwash Neighbourhood Plan. The Council could also be liable for the appellant's costs of £150,000; these would not be expected to fall in 2021/22 but have instead been provided for in the Medium-Term Financial Plan.

Acquisitions, Transformation & Regeneration – Surplus £49,000

7. The financial forecast shows a £99,000 improvement since the last report. This is mainly due to maintenance works (£54,000) no longer proceeding in 2021/22 and staff vacancies (£52,000).

Housing, Community & Neighbourhood Services – Surplus £7,000

8. The predicted shortfall in car parking income (£70,000) reported in the last forecast has improved dramatically since the relaxation of COVID-19 restrictions. However, the net cost of the Rough Sleeping Initiative has increased by £82,000, and therefore an overall surplus of £7,000 is predicted for the service area.

Resources – Deficit £217,000

9. The predicted deficit is mainly due to an overspend of £162,000 on staff costs to cover long term sickness and special projects plus a £60,000 reduction in the amount of housing benefit overpayments raised in year due to the ongoing improvement in claims processing times.

Net Financing Costs – Surplus £823,000

10. As previously reported the pace of the Council's capital investment programme slowed dramatically due to the ongoing impact of the pandemic. It is expected to accelerate but not as quickly as had been hoped, (see also paragraphs 13 to 15). Therefore, the financing costs forecast has reduced by a further £135,000.

Financial Stability Programme (FSP) – Deficit £474,000

11. No changes since the last forecast. Officers have developed a suite of high-level proposals, which were discussed and agreed by the FSP Board on 16 September 2021.

Income – Surplus £392,000

12. The Council is expecting to receive an additional £75,000 from the Department for Levelling Up, Housing & Communities (DLUHC) in relation to the sales, fees and charges compensation scheme for irrecoverable income losses suffered during the pandemic.

Capital Programme

13. The Capital Programme forecast spend as at 30 September 2021 is £9.223m, which is £53.519m lower than the approved revised budget. As previously reported, this is mainly due to the continued impact of the pandemic. The position is summarised in Appendix B.
14. The main changes are summarised below:
 - a. Housing Development schemes (£40.592m)
 - b. Property Investment Strategy (£4.946m)
 - c. Temporary Accommodation purchases (£4.314m)
15. Where schemes are forecast to underspend against the 21/22 budget, it is expected that they will be completed in future years. A revised programme to reflect up to date cashflow projections for the major projects will be finalised as part of the Medium Term Financial Plan forecast.

Impact of the revenue and capital forecasts on Reserves

16. The forecast impact on Reserves is a reduction of £3.395m against the planned use of £3.319m. This is a slight increase of £76,000 and is mainly due to the forecast revenue budget overspend explained in paragraphs 3 to 12 above.

Collection Fund

17. The Council Tax collection rate at the end of Quarter 2 was 57.17% of the collectable debit and 58.98% of the budgeted yield. Both figures are higher than the corresponding figures for 2020/21 by 1.41% and 3.11% respectively. Collection performance is shown below:

	2021/2022	Equivalent Period 2020/2021
Income Received	£82,275,069.21	£77,779,160.96
Income Received as a % of collectable debit	57.17%	55.76%
Budgeted yield (at 98.5% collection)	£79,751,694.59	£77,625,639.38
Income Received as a % of budgeted yield	58.98%	55.87%

18. The Business Rates collection rate at the end of Quarter 2 was 46.68% of the collectable debit, which is 6.3% lower than the corresponding figure in 2020/21. This is considerably lower and is possibly influenced by the extension of the business rate relief period to 30 June 2021. Collection performance is shown below.

	2021/2022	Equivalent Period 2020/2021
Collectable debit	£14,762,361.38	£8,306,922.03
Income Received	£6,891,431.29	£4,400,952.18
Income Received as a % of collectable debit	46.68%	52.98%
Amount outstanding for year	£7,870,930.09	£3,905,969.85

Conclusion

19. The revenue forecast for Quarter 2 shows a deficit of £2.793m, which is £93,000 greater than the approved planned use of Reserves. The Chief Finance Officer will continue to work closely with Heads of Services and Members to reduce the overspend and its impact on reserves.
20. The Council's Capital Programme is forecast to underspend by £53.519m in 2021/22, but this is due to timing differences and the approved five-year programme is still on target to be delivered.

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 Impact on Reserves Appendix D OSC Minutes 22.11.21
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.

Revenue Budget 2021/22 Forecast as at 30 September 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 2 Variance £ (000)	Change in Previous Month Variance £ (000)
1	Corporate Core	2,117	1,998	2,022	24	(17)
2	Environmental Services	507	609	522	(87)	(4)
3	Strategy and Planning	1,030	1,043	1,780	737	100
4	Acquisitions, Transformation and Regeneration	(392)	(329)	(378)	(49)	(99)
5	Housing, Community & Neighbourhood Services	9,539	8,672	8,665	(7)	(99)
6	Resources	4,256	3,293	3,509	216	79
7	Total Cost of Services	17,057	15,286	16,120	834	(40)
8	Net Financing Costs	118	1,101	278	(823)	(37)
9	Salaries turnover	0	0	0	0	0
10	Financial Stability Programme - savings/cost reductions	0	(632)	(158)	474	0
11	Net Cost of Services	17,175	15,755	16,240	485	(77)
	Income					
12	Special Expenses	(687)	(692)	(692)	(0)	0
13	Net Business Rates & Section 31 Grants	(4,142)	(3,747)	(3,747)	0	0
14	Non-Specific Revenue Grants	(3,194)	(1,653)	(2,045)	(392)	(75)
15	Council Tax Requirement (Rother only)	(7,019)	(7,097)	(7,097)	(0)	0
	Other Financing					
16	Collection Fund (Surplus)/Deficit	(849)	134	134	(0)	0
17	Total Income	(15,891)	(13,054)	(13,447)	(393)	(75)
18	Contribution from Reserves/Funding Gap	1,284	2,700	2,793	93	(152)

Capital Programme 2021/22 Forecast as at 30 September 2021

	Actual to 30th Sept 2021 £ (000)	2021/22 Revised Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 2 Variance £ (000)
Acquisitions, Transformation and Regeneration				
Other Schemes				
Community Grants	60	130	60	70
Cemetery Entrance	64	172	88	84
Rother Transformation ICT Investment	155	384	155	229
Corporate Document Image Processing System		435	36	399
1066 Pathways	20	66	20	46
Ravenside Roundabout		200	0	200
Development of Town Hall Bexhill	39	460	374	86
Installation of AV equipment in the Town Hall	0	70	82	(12)
Property Investment Strategy				
Office Development NE Bexhill		0	0	0
Mount View Street Development - Public/Commercial		964	0	964
PIS - Beeching Road/Wainwright Road	4	963	373	590
PIS - Barnhorn Road	156	3,402	343	3,059
PIS - Beeching Road 18-40	249	501	249	252
PIS - 35 Beeching Road		0	0	0
PIS - 64 Ninfield Road	19	100	100	0
Housing Development Schemes				
Community Led Housing Schemes		600	559	41
Blackfriars Housing Development	2,076	10,728	2,076	8,652
Mount View Street Development - Housing		6,940	0	6,940
Alliance Homes (Rother) Ltd		25,000	0	25,000
Alliance Homes share capital		100	100	0
King Offa Residential Development	21	21	21	0
Former Bexhill High School site - Housing		0		0
Housing and Community Services				
De La Warr Pavilion - Capital Grant	42	54	56	(2)
Sidley Sports and Recreation	28	811	341	470
Land Swap re Former High School Site		1,085	185	900
Bexhill Leisure Centre - site development		0		0
Bexhill Leisure Centre - refurbishment		140	0	140
Disabled Facilities Grant	584	1,625	584	1,041
New bins	152	125	157	(32)
Bexhill Promenade - Outflow pipe		100	100	0
Bexhill Promenade - Protective Barriers	45	47	50	(3)
Bexhill Promenade - Shelter 1		0	60	(60)
Fairlight Coastal Protection		0	18	(18)
Housing (purchases - temp accomodation)	301	7,300	2,986	4,314
Strategy & Planning				
Grants to Parishes - CIL	40	88	40	48
Executive Directors & Corporate Core				
Accommodation Strategy		0	0	0
Resources				
ICT Infrastructure – Ongoing Upgrade Programme	2	123	2	121
Development of Council Owned Sites	8	8	8	0
Total Capital Programme	4,065	62,742	9,223	53,519

Reserves

	Draft 2020/21 Actual £ (000)	Revised 2021/22 Budget £ (000)	2021/22 Estimated Outturn £ (000)	2021/22 Quarter 2 Variance £ (000)
Revenue Reserves and General Fund - Opening Balance	(14,970)	(13,209)	(13,209)	0
Use of Reserves to Fund Capital Expenditure	477	619	602	(17)
Use of Reserves to Balance Budget incl deficit	1,284	2,700	2,793	93
Balance 31/3/20	(13,209)	(9,890)	(9,814)	76

Minutes of the Overview and Scrutiny Meeting – 22 November 2021

**OSC21/36. REVENUE BUDGET AND CAPITAL PROGRAMME MONITORING
QUARTER 2 – 2021/22**

Members received and considered the report of the Chief Finance Officer on the Revenue Budget and Capital Programme Monitoring Quarter 2 2021/22. The report contained details of the significant variations of the Revenue Budget, updated Capital Programme and a brief update on the Collection Fund performance.

There had been no reportable virements since the previous financial update to Members.

The revenue forecast showed a deficit of £93,000, against the approved budget drawdown from Reserves of £2.7m. The main reasons for the variations since the previous monitoring report were detailed in the report, which included planning appeal and potential judicial review costs, staff costs to cover long term sickness and special projects, increased net cost of the Rough Sleeping Initiative and a shortfall of £474,000 in the Financial Stability Programme's savings target.

The Council was expecting to receive an additional £75,000 from the Department for Levelling Up, Housing & Communities (DLUHC) in relation to the sales, fees and charges compensation scheme for irrecoverable income losses suffered during the pandemic. No other additional income was anticipated. Added to the surplus of £317k detailed at the end of Quarter 1, the Council now reported an Income Surplus of £392k.

The Capital Programme forecast as at 30 September 2021 was £9.223m, which was £53.519m lower than the approved revised budget. This was due to timing differences and the approved five-year programme was still on target to be delivered. The position was summarised in Appendix B to the report, the main changes were concerned with Housing Development schemes, the Property Investment Strategy and Temporary Accommodation purchases.

The forecast impact on Reserves was a reduction of £3.395m against the planned use of £3.319m, a slight increase of £76,000 mainly due to the forecast revenue budget overspend explained in paragraphs 3 to 12 of the report.

The collection rate at the end of Quarter 2 for the Council Tax part of the Collection Fund was 57.17% of the collectable debit, which was 1.41% higher than the corresponding figures in 2020/21.

The collection rate at the end of Quarter 2 for the Business Rates part of the Collection Fund was 46.68% of the collectable debit, which was 6.3% lower than the corresponding figure in 2020/21. This was considerably lower and was possibly influenced by the extension of the business rate relief period to 30 June 2021.

The revenue forecast for Quarter 2 showed a deficit of £2.793m, which was £93,000 greater than the approved planned use of Reserves. The Chief Finance Officer would continue to work closely with Heads of Services and Members to reduce the overspend and its impact on reserves.

RESOLVED: That the report be noted.

(Overview and Scrutiny Committee Agenda Item 8).