

Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	18 July 2022
Title:	Revenue Budget and Capital Programme Monitoring as at Quarter 1 - 2022/23
Report of:	Antony Baden – Chief Finance Officer
Ward(s):	All
Purpose of Report:	To note the estimated financial out turn for 2022/23 based on expenditure and income to the end of Quarter 1, 30 June 2022.
Officer	
Recommendation(s):	It be RESOLVED : That the report be noted.

Introduction

1. This report updates Members on the Council's financial position as at 30 June 2022 and projects a provisional outturn for 2022/23. The revenue budget and capital programme statements 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 7 February 2022, there has been the one reportable virement, which is reflected in Appendix A. The budget for the Bexhill Town Forum (£5,000) was transferred to the Acquisitions, Transformation and Regeneration to fund Christmas lights in Bexhill.

Revenue Budget

3. The revenue budget forecast as at 30 June 2022 indicates a surplus of £347,000 against the approved budgeted drawdown from reserves of £3.2m. The position is summarised in Appendix A and the main variances are explained in paragraphs 4 to 7.

Strategy and Planning – Deficit £122,000

4. The forecast includes an overspend of £242,000 on external staff resources employed to improve the delivery of the Planning function. However, much of this cost is offset by additional income from the processing of planning applications, (£120k). Furthermore, larger planning applications are managed through the Council's Planning Performance Agreement framework, which is a project management tool that essentially guides applicants through the entire process thus increasing efficiency.

Housing and Community Services – Deficit £304,000

5. The forecast deficit is mainly attributable to additional costs of £152,000 in relation to the increasing number of clients in temporary accommodation and an estimated overspend of £175k to fund Rough Sleeping initiatives. The Head of Service is seeking additional funding to offset some of these costs.
6. The overspend is partially offset by additional car parking income of £42,000, although this in turn is slightly reduced by several minor overspends.

Resources – Deficit £103,000

7. The forecast deficit is mainly due to the cost of external staff (£55,000) working on the accounting arrangements required to manage the Council's housing company. Other overspends are predicted on External Audit fees (£17,000) and essential financial system developments (£24,000).

Net Financing Costs – Surplus £786,000

8. The budget was calculated on the assumption that the pace of the Council's capital programme would accelerate significantly once lockdown had finished. However, expenditure has not increased as quickly as had been hoped. This has led to a significant reduction in financing costs (£591,000) although Members will note that these costs will increase once the capital programme gathers pace. Members should note that Financing costs will be subject to a detailed review as part of the Medium-Term Financial Planning process to be reported later this year. The review will be crucial in determining affordability, particularly in view of high inflation and recently increasing interest rates.
9. Interest income from investments is expected to yield an additional £190,000 due to the interest rate increases referred to in paragraph 8. At the time that the budget was calculated, the Council's call account investments attracted very low rates of between 0.05% and 0.27% but recent changes have seen the average rate reach 0.76%. Further expected increases will probably see these rates climb further during 2022/23.

Financial Stability Programme

10. No variance is reported at this point, but Members will receive a financial update in the early autumn committee reporting cycle.

Income – Surplus £89,000

11. Since the budget was approved, the Council have received several small grants totalling £89,000 from the Department of Levelling Up, Housing & Communities. The largest sum is a New Burdens grant in relation to the administration of the Council Tax rebate scheme announced by the Chancellor of the Exchequer in the March 2022 budget statement.

Capital Programme

12. The Capital Programme comprises a range of strategic projects that span more than one year and many operate for several years or have recurrent investments. Projects that have not spent all their allocation in the year of

inception have the remaining funding carried forward into the next financial year. This is known as 'slippage'. The Chief Finance Officer is working with Heads of Service to undertake a fundamental review of slipped capital schemes in 2021/22 and 2022/23. The outcome of this review will be reported to Members in the Quarter 2 monitoring report.

13. Appendix B shows the original budget approved by Cabinet on 22 February 2022 updated for two new projects (see paragraph 14) and the forecast outturn. The actuals figures represent expenditure incurred during the first three months of this financial year and the resulting variance against the revised budget. The budget figures will be updated in Quarter 2 once the slippage review referred to in paragraph 12 has been completed.
14. The programme includes two new schemes since it was approved. The first is the purchase of a property in Buckhurst Place for £10.5m as part of the £35m approved Property Investment Strategy. The second relates to the redevelopment of a Council-owned site at Beeching Road/Wainwright Road, Bexhill for £15m, (approved by Cabinet on 7 February 2022, Minute CB21/77 refers).
15. The forecast outturns have been derived from reviewing the project cashflows and assessing the expected position at this time. Up to £68m is forecast to be spent in this financial year.
16. As with the revenue budget, the affordability of the Council's capital programme will be reviewed as part of the Medium-Term Financial Planning process.

Impact on Reserves

17. The forecast impact on Reserves is a drawdown of £3.252m, which is £308,000 lower than the planned use of £3.560m.

Collection Fund

18. The collection rate at the 31 May 2022 for the Council Tax part of the Collection Fund was 20.86% of the collectable debit, which is 0.08% higher than the corresponding figure in 2021/22. The budgeted yield is 21.27%, which is 0.13% lower than the same period in 2021/22. Collection performance is shown below:

	Equivalent Period	
	2022/2023	2021/2022
Income Received	£86,191,273.81	£82,145,832.70
Income Received as a % of collectable debit	£17,979,374.99	£17,067,823.45
	20.86%	20.78%
Budgeted yield (at 98.3% collection)	£84,513,438.24	£79,751,694.56
Income Received as a % of budgeted yield	21.27%	21.40%

19. The collection rate at the 31 May 2022 for the Business Rates part of the Collection Fund was 21.88% of the collectable debit, which is 0.86% higher than the corresponding figure in 2021/22. Collection performance is shown below:

	2022/2023	Equivalent Period 2021/2022
Collectable debit	£17,690,228.25	£9,892,469.77
Income Received	£3,869,931.93	£2,079,195.11
Income Received as a % of collectable debit	21.88%	21.02%
Amount outstanding for year	£13,820,296.32	£7,813,274.66

20. Collection rates have held up well despite the pandemic, but the current economic situation may well lead to a decline in future collection rates, which will have an adverse impact on the income that the Council receives from Council Tax and Business Rates.

Conclusion

21. The revenue forecast for Quarter 1 2022/23 is a deficit of £2.839m, which is £347,000 lower than the approved planned use of reserves. The Chief Finance Officer will work closely with Heads of Services and Members to reduce areas of overspend and its impact on reserves.
22. The Council's capital programme is forecast to underspend by £42.4m against the revised budget. Slippage relating to schemes in both 2021/22 and 2022/23 will be reviewed by the Chief Finance Officer and Heads of Services and carried forward into the following financial years following if required.

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:	None
Background Papers:	None
Reference Documents:	None

Revenue Budget 2022/23 Forecast as at 30 June 2022

Line	Rother District Council General Fund Summary	Draft 2021/22 Actual £ (000)	Revised 2022/23 Budget £ (000)	2022/23 Estimated Outturn £ (000)	2022/23 Quarter 1 Variance £ (000)
1	Corporate Core	1,938	2,173	2,173	0
2	Environmental Services	451	629	629	0
3	Strategy and Planning	1,506	1,325	1,447	122
4	Acquisitions, Transformation and Regeneration	(384)	(11)	(11)	0
5	Housing & Community Services	8,116	8,211	8,515	304
6	Resources	3,580	3,302	3,405	103
7	Total Cost of Services	15,208	15,629	16,158	529
8	Net Financing Costs	281	1,542	757	(786)
9	Budget Contingency	0	200	200	0
10	Financial Stability Programme - savings/cost reductions	(196)	(635)	(635)	0
11	Net Cost of Services	15,292	16,736	16,480	(257)
	Income				
12	Special Expenses	(692)	(702)	(702)	0
13	Net Business Rates & Section 31 Grants	(3,745)	(3,747)	(3,747)	0
14	Non-Specific Revenue Grants	(2,436)	(1,650)	(1,739)	(89)
15	Council Tax Requirement (Rother only)	(7,097)	(7,392)	(7,392)	0
	Other Financing				
16	Collection Fund (Surplus)/Deficit	120	(59)	(59)	0
17	Contributions to/(from) Earmarked Reserves	0			
18	Total Income	(13,849)	(13,551)	(13,640)	(89)
19	Contribution from Reserves/Funding Gap	1,444	3,186	2,839	(347)

Capital Programme 2022/23 Forecast as at 30 June 2022

Line		2022/23 Original Budget £ (000)	2022/23 Actuals to Month 3 £ (000)	2022/23 Forecast Outturn £ (000)	2022/23 Forecast Variance £ (000)
	Acquisitions, Transformation and Regeneration				
	Other Schemes				
1	Community Grants	130	30	130	0
2	Cemetery Entrance	83	1	191	(108)
3	Rother Transformation ICT Investment	153	(6)	304	(151)
4	Corporate Document Image Processing System	399	0	399	0
5	1066 Pathways	0	0	0	0
6	Ravenside Roundabout	200	0	200	0
7	Development of Town Hall Bexhill	15	105	359	(344)
	Property Investment Strategy				
8	Office Development NE Bexhill	0	0	0	0
9	Mount View Street Development - Public commercial	0	0	0	0
10	PIS - Beeching Road/Wainwright Road	2,590	0	50	2,540
11	PIS - Barnhorn Road	6,099	53	5,167	932
12	PIS - Beeching Road 18-40 (Creative Workspace)	29	6	55	(26)
13	PIS - 35 Beeching Road	0	0	0	0
14	PIS - 64 Ninfield Road	0	0	0	0
15	PIS - Buckhurst Place	10,500	10,122	10,122	378
16	PIS - Beeching Road/Wainwright Road development	15,000	0	0	15,000
	Housing Development Schemes				
17	Community Led Housing Schemes	166	0	0	166
18	Mount View Street Development - Housing	0	0	0	0
19	Blackfriars Housing Development - infrastructure only	7,450	210	4,364	3,086
20	Rother DC Housing Company Ltd	60,492	4	35,962	24,530
21	RDC Housing Investment	0	0	101	(101)
	Housing and Community Services				
22	De La Warr Pavilion - Capital Grant	55	14	53	2
23	Sidley Sports and Recreation	101	119	297	(196)
24	Land Swap re Former High School Site	900	0	1,085	(185)
25	Bexhill Leisure Centre - site development	189	0	115	74
26	Bexhill Leisure Centre - refurbishment	90	2	230	(140)
27	Disabled Facilities Grant	1,625	278	1,500	125
28	New bins	125	(0)	140	(15)
29	Bexhill Promenade - Outflow pipe	80	0	170	(90)
30	Bexhill Promenade - Protective Barriers	0	0	1	(1)
31	Bexhill Promenade - Shelter 1	55	3	39	16
30	Bexhill Promenade Water feature	0	0	0	0
31	Fairlight Coastal Protection	0	0	0	0
32	Housing (purchases - temp accommodation)	4,000	1,459	6,343	(2,343)
	Strategy & Planning				
33	Payments to Parishes - CIL	48	0	96	(48)
	Executive Directors & Corporate Core				
34	Accommodation Strategy	0	0	0	0
	Resources				
35	ICT Infrastructure – Ongoing Upgrade Programme	14	0	12	2
36	ICT Infrastructure Replacement Programme	0	0	12	(12)
37	Invest To Save initiatives (Financial Stability Programme)	350	0	1,071	(721)
	Total Capital Programme	110,938	12,398	68,568	42,370

		2022/23 Original Budget £ (000)	2022/23 Actuals to Month 3 £ (000)	2022/23 Forecast Outturn £ (000)	2022/23 Forecast Variance £ (000)
	Funded By:				
A	Capital Receipts	900	0	1,085	(185)
B	Grants and contributions	9,371	612	6,216	3,155
C	CIL	48	0	96	(48)
D	Borrowing	39,852	11,736	24,796	15,056
E	Capital Expenditure Charged to Revenue	275	46	413	(138)
F	Borrowing and Loan for Rother DC Housing Company Ltd	60,492	4	35,962	24,530
	Total Funding	110,938	12,398	68,568	42,370

Reserves

	Draft 2021/22 Actual £ (000)	Revised 2022/23 Budget £ (000)	2022/23 Estimated Outturn £ (000)	2022/23 Quarter 1 Variance £ (000)	Change in Previous Month £ (000)
Revenue Reserves and General Fund - Opening Balance	(13,209)	(11,088)	(11,088)	0	0
Use of Reserves to Fund Capital Expenditure	678	374	413	39	0
Use of Reserves to Balance Budget incl deficit	1,444	3,186	2,839	(347)	0
Balance 31st March	(11,088)	(7,528)	(7,836)	(308)	0