

Rother District Council

Report to:	Overview and Scrutiny Committee
Date:	21 November 2022
Title:	Revenue Budget and Capital Programme Monitoring as at Quarter 2 - 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 2, 30 September 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 the 30 September 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.

Revenue Budget

2. The revenue budget forecast as at the 30 September 2022 indicates a surplus of £527,000 against the approved budgeted drawdown from Reserves of £3.2 million. The position is summarised in Appendix A and the main variances are explained in paragraphs 3 to 15.

Corporate Core – Deficit £14,000

3. There have been no material changes since the last forecast.

Environmental Services – Surplus £1,000

4. There have been no material changes since the last forecast.

Strategy and Planning – Deficit £98,000

5. The forecast deficit has decreased by £24,000 since Quarter 1. Planning Appeal costs have reduced by £150,000 due to the Planning Inspectorate not awarding costs to the appellant in respect of the Strand Meadow appeal. Also, income from planning applications has continued to improve (£15,000).
6. However, these have been partially offset by additional staffing costs (£41,000) and expenditure on the Local Development Framework (£100,000).

Acquisitions, Transformation and Regeneration– Surplus £563,000

7. The forecast shows a surplus improvement of £563,000 mainly due to rental income of £583,000 from the purchase of Buckhurst Place in April 2022. This figure is reduced by £20,000 due to other rent write offs and repairs.

Housing and Community Services – Deficit £87,000

8. The forecast deficit has reduced by £217,000, which is due to higher than anticipated Car Parking income.
9. There have been other changes since the last forecast, which have a net zero impact. Administration costs in respect of the Refuse Collection contract have decreased by £95,000, salary savings have also increased by £46,000 and other smaller savings have contributed a further £39,000. However, these have been offset the rising costs of Temporary Accommodation costs of £180,000.

Resources – Deficit £583,000

10. The deficit has increased by £480,000 mainly due to less than anticipated recovery of Housing Benefit overpayments (£435,000) arising from the improved performance of claims processing. Whilst this is a significant figure, Members should note that this figure represents just 2% of the overall expenditure on Housing Benefit claims. The Chief Finance Officer will continue to work with Revenues and Benefits to improve the accuracy of this forecast.
11. Additional computer licence of £25,000 have also contributed to the increase and smaller variances totalling £20,000 make up the remainder.

Net Financing Costs – Surplus £1,157,000

12. The surplus has increased by £371,000 since the last forecast because no new borrowing has been taken out since the last forecast and the pace of the capital programme has not increased significantly.
13. Members will note that this budget is subject to a detailed review as part of the Medium-Term Financial Planning process to be reported later this year.

Financial Stability Programme (FSP) – Deficit £502,000

14. Whilst significant progress has been made in some areas of the FSP, such as the devolution of services, these will not begin to be delivered until 2023/24. Some modest savings have been realised mainly from additional rent income from Amherst Road (£55,000) and the reduction of a post in the Environmental Health department (£25,000), which will partially offset the shortfall.

Income – Surplus £89,000

15. There have been no material changes since the last forecast.

Capital Programme

16. 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 continues to work with Heads of Service to undertake a fundamental review of the capital schemes in 2022/23 and beyond. The inflation and interest rate rises are having a significant impact on the affordability of some capital programmes, especially since the cost of capital is met by revenue expenditure.
17. Appendix B shows the original budget approved by Cabinet on the 22 February 2022, totalling £85.4m. Slippage from prior years accounts for a further £54.7m, including the items detailed in paragraph 14, giving a revised in year capital budget of £140.2m. The actual figures represent the expenditure to September 2022 of £14.9m.
18. The programme includes two new schemes since the budget was approved. The first is the purchase of a property in Buckhurst Place for £10.5 million as part of the £35 million approved Property Investment Strategy. The second relates to the redevelopment of a council-owned site at Beeching Road/Wainwright Road, Bexhill for £15 million, (approved by Cabinet on the 7 February 2022, Minute CB21/77 refers).
19. The forecast outturns have been derived from reviewing the progress of the schemes, project cashflows and assessing the expected position at the year end. Several projects are under review or have encountered delays, including the housing company scheme and PIS developments, this has reduced the forecast spend this year to £13m.
20. Other schemes – Corporate document and ICT schemes are expected to be spent in future years. The Community Grant scheme has an anticipated overspend of £34k this year, due to a higher take up of grants from previous years than previously anticipated. The UK Shared Prosperity Fund is a 3-year revenue/capital programme and its allocation is recorded in the capital programme for future allocation and monitoring.
21. Property Investment Strategy – All schemes will continue to be reviewed for affordability and reported to the Property Investment Panel. The previously delayed Beeching Park Estate is now an active project and the initiation development at Wainwright Road is progressing.
22. Housing Development Schemes – The Community Led Housing is a rolling grant and will be allocated at a suitable time. The Blackfriars Housing site is progressing, and the HIF grant is all allocated. King Offa and Camber sites are in the process of securing central government grants and the business cases are being reviewed to be presented to Cabinet later in the year.
23. Community – The Leisure centre projects are currently on hold. The Disabled Facilities Grant is being spent and the balance will be allocated in due course. The Temporary Accommodation purchase budget will be allocated when

suitable properties become available, this is a fund expected to operate over several years.

24. The capital programme is funded by numerous sources, the majority being borrowing, although grants account for 7% of the revised budget. Borrowing attracts a revenue cost to the Council and at the time of writing, Public Works Loan Board rates across the board are in excess of 5%. Therefore, it is essential that the affordability of the Council's capital programme is reviewed as part of the Medium-Term Financial Planning process.

Impact on Reserves

25. The forecast impact on Reserves is a drawdown of £3.072m, which is £488,000 lower than the planned use of £3.560m.

Collection Fund

26. The collection rate at the 31 August 2022 for the Council Tax part of the Collection Fund was 47.97% of the collectable debit, which is 0.04% lower than the corresponding figure in 2021/22. The budgeted yield is 49.09%, which is 0.43% lower than the same period in 2021/22. Collection performance is shown below:

	2022/2023	Equivalent Period 2021/2022
Income Received	£86,484,070.68	£82,264,280.12
Income Received as a % of collectable debit	47.97%	48.01%
Budgeted yield (at 98.3% collection)	£84,513,438.24	£79,751,694.59
Income Received as a % of budgeted yield	49.09%	49.52%

27. The collection rate at the 31 August 2022 for the Business Rates part of the Collection Fund was 51.17% of the collectable debit, which is 14.47% higher than the corresponding figure in 2021/22. Collection performance is shown below:

	2022/2023	Equivalent Period 2021/2022
Collectable debit	£17,595,402.81	£14,814,736.60
Income Received	£9,003,290.39	£5,437,112.31
Income Received as a % of collectable debit	51.17%	36.70%
Amount outstanding for year	£8,592,112.42	£9,377,624.29

28. There are two reasons for the large difference. Firstly, the 2021/22 quarter 1 collectable debit was reduced due to retail businesses receiving 100% relief, which was then reduced to 66% in quarter 2 thus increasing the collectable debit by about £5.1m. Secondly, Schools now pay Business Rates in a single payment whereas last year they paid over several instalments. The 2022/23 collection rates are now in line with pre-Covid 2019/20 rates.

29. Collection rates continue to hold up well but there are some early signs of lower collection rates on council tax, albeit very marginal at this stage. The next few

months should provide a much clearer picture of the impact that the current economic crisis may have on Council Tax and Business Rates income.

Conclusion

30. The revenue forecast for Quarter 2 2022/23 is a deficit of £2.659 million, which is £527,000 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.
31. The Council's capital programme is forecast to underspend by £112.2 million against the revised budget. Slippage relating to schemes in 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 the September 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 2 Variance £ (000)	Change in Previous Month £ (000)
1	Corporate Core	1,938	2,173	2,187	14	14
2	Environmental Services	451	629	628	(1)	(1)
3	Strategy and Planning	1,506	1,325	1,423	98	(24)
4	Acquisitions, Transformation and Regeneration	(384)	(11)	(574)	(563)	(563)
5	Housing & Community Services	8,116	8,211	8,298	87	(217)
6	Resources	3,580	3,302	3,885	583	480
7	Total Cost of Services	15,208	15,629	15,847	218	(311)
8	Net Financing Costs	281	1,542	386	(1,157)	(371)
9	Budget Contingency	0	200	200	0	0
10	Financial Stability Programme - savings/cost reductions	(196)	(635)	(133)	502	502
11	Net Cost of Services	15,292	16,736	16,299	(437)	(180)
	Income					
12	Special Expenses	(692)	(702)	(702)	0	0
13	Net Business Rates & Section 31 Grants	(3,745)	(3,747)	(3,747)	0	0
14	Non-Specific Revenue Grants	(2,436)	(1,650)	(1,739)	(89)	0
15	Council Tax Requirement (Rother only)	(7,097)	(7,392)	(7,392)	0	0
	Other Financing					
16	Collection Fund (Surplus)/Deficit	120	(59)	(59)	0	0
17	Contributions to/(from) Earmarked Reserves	0				
18	Total Income	(13,849)	(13,551)	(13,640)	(89)	0
19	Contribution from Reserves/Funding Gap	1,444	3,186	2,659	(527)	(180)

Capital Programme 2022/23 Forecast as at the September 2022

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Actual to Month 6	2022/23 Forecast	2022/23 Variance (Slippage)
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Acquisitions, Transformation and Regeneration					
Other Schemes					
Corporate Document Image Processing System	399	105	0	0	105
Rother Transformation ICT Investment	153	304	36	0	268
Community Grants	130	143	82	96	(34)
Cemetery Entrance	83	1	1	0	(0)
Development of Town Hall Bexhill	15	172	309	54	(191)
Ravenside Roundabout	200	200	0	0	200
UK Shared Prosperity Fund	0	334	0	0	334
Property Investment Strategy					
PIS - Beeching Road/Wainwright Road	2,590	3,549	0	0	3,549
PIS - Beeching Park Estate	0	450	0	0	450
PIS - Beeching Road 18-40 (Creative Workspace)	29	29	152	35	(158)
PIS - Barnhorn Road	6,099	6,099	148	1,671	4,280
Mount View Street Development - Public commercial	0	964	0	0	964
PIS - Buckhurst Place	0	10,500	10,182	0	318
PIS - Redevelopment at Beeching Rd - Wainwright Rd	0	15,000	0	2,050	12,950
Housing Development Schemes					
Community Led Housing Scheme - CHF	0	600	297	0	303
Blackfriars Housing Development - infrastructure only	7,450	5,143	1,322	3,822	(1)
RDC Housing Company Limited funding	60,492	79,923	0	4,000	75,923
RDC Housing Company share investment	0	301	0	0	301
Development of council owned sites	0	213	6	25	182
King Offa Residential scheme	0	398	16	645	(263)
Mount View Street Development - Housing	0	2,450	0	0	2,450
Camber, Old Lydd Road	0	0	0	4	(4)
Housing and Community Services					
Community					
De La Warr Pavilion - Capital Grant	55	58	29	29	(0)
Land Swap re Former High School Site	900	1,985	0	0	1,985
Bexhill Leisure Centre - site development	189	189	0	0	189
Fairlight Coastal Protection	0	229	0	14	215
Disabled Facilities Grant	1,625	1,903	490	11	1,402
Sidley Sports and Recreation	101	297	194	6	98
New bins	125	149	38	114	(4)
Improvements to Northiam Recreation Ground s106	0	0	0	7	(7)
Bexhill Promenade - Protective Barriers	0	2	0	1	1
Housing (purchases - temp accommodation)	4,000	6,743	1,509	321	4,913
Bexhill Promenade - Shelter 1	55	55	24	32	(1)
Bexhill Promenade - Outflow pipe	80	191	0	19	172
Bexhill Leisure Centre - refurbishment	90	140	24	85	31
Capital - Northiam Cemetery Extension – S106	0	0	50	0	(50)
Strategy & Planning					
Payments to Parishes - CIL	48	96	0	0	96
CIL Scheme 1 Village Hall Energy Project	0	500	0	0	500
Resources					
ICT Infrastructure Replacement Programme	0	12	0	0	12
New website development	14	12	3	0	9
Invest To Save initiatives (Financial Stability Prog)	350	721	0	0	721
Total Capital Programme	85,438	140,160	14,911	13,041	112,208

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Actual to Month 6	2022/23 Forecast	2022/23 Variance (Slippage)
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Funded By:					
Capital Receipts	900	1,985	50	0	1,935
Grants and contributions	9,371	9,750	2,471	4,537	2,742
CIL	48	596	0	0	596
Borrowing	13,953	47,160	12,255	4,294	30,610
Capital Expenditure Charged to Revenue	674	445	135	210	101
Borrowing and Loan for Rother DC Housing Company Ltd	60,492	80,224	0	4,000	76,224
Total Funding	85,438	140,160	14,911	13,041	112,208

Reserves

	Draft 2021/22 Actual £ (000)	Revised 2022/23 Budget £ (000)	2022/23 Estimated Outturn £ (000)	2022/23 Quarter 2 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	2,659	(527)	0
Balance 31st March	(11,088)	(7,528)	(8,016)	(488)	0