

Rother District Council

Report to:	Cabinet
Date:	6 February 2023
Title:	Revenue Budget and Capital Programme Monitoring as at Quarter 3 - 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 3, 31 December 2022.
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 financial position as at the 31 December 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 31 December 2022 indicates a surplus of £0.133m against the approved budgeted drawdown from Reserves of £3.187m which would reduce the reserve drawdown to £3.054m at the year end. The position is summarised in Appendix A and the main variances are explained in paragraphs 3 to 13.

Corporate Core – Deficit £54,000

3. There has been a £40,000 forecast deficit increase from the 2nd Quarter. This is mainly due to the Facilities Management pay award for lower paid staff. There were also additional costs of £10,000 incurred from the overlap between the start of newly outsourced Emergency Planning function with the savings on gained on staff cost.

Environmental Services – Surplus £9,000

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

Strategy and Planning – Deficit £164,000

5. The forecast deficit has increased by £66,000 since Quarter 2. Costs have increased principally through the procurement of additional staffing resources for planning, development and enforcement of £138,000 as well as additional costs in relation to ecological works and business support. This is offset by increased forecast income from planning applications of £79,000. The potential cost of a recently submitted planning appeal for £124,000 has not been included in the forecast. This is because it may be unsuccessful and unlikely to be resolved until the new financial year.

Acquisitions, Transformation and Regeneration – Surplus £502,000

6. The forecast shows a reduced surplus of £60,000 since Quarter 2. This is mainly due to additional staffing costs in Economic Development and Environmental Strategy and additional costs of works for the refurbishment of the Amherst Road building due to the relocation of staff. This will be offset against savings made through the isolation and shutting down of the 'Villas' part of the Town Hall.

Housing and Community Services – Deficit £248,000

7. The forecast deficit has increased by £162,000 since Quarter 2. This is mainly due to a £100,000 increase in Temporary Accommodation (TA) costs and £20,000 extra cost for leased vehicles for beach services. There was also a reduction in forecast garden waste income and increase in water charges for public conveniences. The Chief Finance Officer (CFO) in conjunction with Strategic Leadership Team is working to look at ways to keep TA costs down.

Resources – Deficit £797,000

8. The deficit has increased by £214,000 since Quarter 2. This has been mainly due to additional capacity recruited into the finance department of £150,000 to cover vacant posts and provide technical advice with regards to major capital projects.

Net Financing Costs – Surplus £1,127,000

9. The surplus has decreased by £30,000 since the last forecast in Quarter 2 due to a minor adjustment to the financing costs forecast.

Financial Stability Programme (FSP) – Deficit £531,000

10. There has been little change since the Quarter 2 forecast with an increased deficit of £29,000. This is due to a review of existing agreed savings.
11. There has been a positive outcome from the discussions with Bexhill-on-Sea Town Council to devolve the running and maintenance of the 14 public conveniences in the town. This is an important milestone in the protection of discretionary services for Rother residents and it marks the first phase of the wider devolution programme. Savings from 1 April 2023 are expected to be in the region of £147,000 for running costs alone.

12. Engagement is also underway for phase two of devolution (implementation from 1 April 2024) to protect discretionary services across Rother including the devolvement of other assets/services in Bexhill. Initial meetings have also been held with Rye and Battle Town Councils and engagement will start with all other affected parishes concerning public conveniences, maintenance of open spaces, non-charged for car parks and bus shelters.

Income – Surplus £89,000

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

Capital Programme

14. The CFO 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 may have a significant impact on the affordability of some capital schemes because borrowing costs are charged to the Revenue Budget.
15. Appendix B shows the original budget approved by Cabinet on the 22 February 2022, totalling £85.0m. Slippage from prior years accounts and in-year adjustments add a further £51.7m. This gives a revised in-year capital budget of £136.7m. The actual figures represent the expenditure to December 2022 of £17.2m.
16. Other schemes – there have been no significant change from the Quarter 2 report.
17. There is a requirement for capital works to prevent further water ingress at the Colonnade and there is also the need to address the non-functioning Bexhill Seafront Fountains. Neither of these projects are currently in the Capital Programme but will be reviewed as part of the wider intervention at the De La Warr Pavilion, to be discussed at a later agenda item.
18. Property Investment Strategy (PIS) – To improve clarity, some projects' titles within this section have been updated to better reflect their activity. The changes are noted in Appendix B. All projects will continue to be reviewed for affordability and reported to the Property Investment Panel. The Beeching Road Hotel and Food store Development is in the initial stages with the commercial parties and is likely to progress further in the next financial year subject to the affordability review. The Barnhorn Green GP Surgery and Industrial development is progressing well, planning permission was submitted in December and an updated scheme viability will be evaluated in this quarter. The major projects continue to be reviewed for financial viability for the Council.
19. Housing Development Schemes – The Blackfriars Housing Development road scheme is progressing to a revised plan. This ensures that all statutory environmental aspects are fully delivered in the appropriate seasonal windows and the challenging infrastructure designs meet all statutory requirements for flood prevention, utilities and highway adoption. King Offa site has secured Brownfield Land Release Funding and capital funding which will be spent in due course.

20. Housing and Community Services – The Disabled Facilities Grant is being spent and the forecast is underspent by £1.074m. The Temporary Accommodation Purchase budget is being spent as suitable properties become available.

Impact on Reserves

21. The forecast impact on Reserves is a drawdown of £3.172m, which is lower than the planned use of £3.561m by £0.389m. This is shown in Appendix C.

Collection Fund

22. The collection rate at the 30 November 2022 for the Council Tax part of the Collection Fund was 75.55% of the collectable debit, which is 0.16% lower than the corresponding figure in 2021/22. The budgeted yield is 77.32%, which is 0.73% lower than the same period in 2021/22. Collection performance is shown below:

	2022/2023	Equivalent Period 2021/2022
Income Received	£86,485,076.18	£82,208,044.47
Income Received as a % of collectable debit	£65,342,064.88	£62,242,255.11
	75.55%	75.71%
Budgeted yield (at 98.3% collection)	£84,513,438.24	£79,751,694.59
Income Received as a % of budgeted yield	77.32%	78.05%

23. The collection rate at the 30 November 2022 for the Business Rates part of the Collection Fund was 77.69 of the collectable debit, which is 12.413 higher than the corresponding figure in 2021/22. Collection performance is shown below:

	2022/2023	Equivalent Period 2021/2022
Collectable debit	£17,546,731.31	£14,723,049.10
Income Received	£13,631,796.05	£9,651,781.54
Income Received as a % of collectable debit	77.69%	65.56%
Amount outstanding for year	£3,914,935.26	£5,071,267.56

24. Collection rates continue to hold up well but of the slightly lower collection rate on council tax may be a sign that the cost of living crisis is starting to bite. However, Members will note that the target collection rate is 98.3% and last year the actual collection rate was 100.98%, although this included the recovery of arrears accrued during the pandemic. The Business Rates collection rate comparison to 2021/22 continues to be skewed by the level of reliefs given to ratepayers in order to offset the economic impact of lockdown but remain close to pre-lockdown levels. The forthcoming months will continue to provide a clearer picture of the impact that the current economic crisis may have on Council Tax and Business Rates income.

Conclusion

25. The revenue forecast for Quarter 3 2022/23 is a deficit of £3.054m, which is £133,000 lower than the approved planned use of Reserves. The CFO will

continue to work closely with Heads of Services and Members to reduce areas of overspend and its impact on reserves.

26. The Council's Capital Programme is forecast to underspend (slippage) by £114.7m against the revised budget. Slippage relating to schemes in 2022/23 will be reviewed by the CFO 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.		

Appendix A

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 3 Variance £ (000)	Change from Previous Quarter £ (000)
1	Executive Directors & Corporate Core	1,938	2,173	2,227	54	40
2	Environmental Services	451	629	620	(9)	(8)
3	Strategy and Planning	1,506	1,325	1,489	164	66
4	Acquisitions, Transformation and Regeneration	(384)	(12)	(514)	(502)	60
5	Housing and Community Services	8,116	8,212	8,460	248	162
6	Resources	3,580	3,302	4,099	797	214
7	Total Cost of Services	15,207	15,629	16,381	752	534
8	Net Financing Costs	281	1,543	416	(1,127)	0
9	Budget Contingency	0	200	0	(200)	0
10	Financial Stability Programme	(196)	(635)	(104)	531	29
11	Net Cost of Services	15,292	16,737	16,693	(44)	563
	Income					
12	Special Expenses	(692)	(702)	(702)	0	0
13	Net Business Rates and S31 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	0	0	0	0
18	Total Income	(13,850)	(13,550)	(13,639)	(89)	0
19	Contribution from Reserves/Funding Gap	1,442	3,187	3,054	(133)	563

Capital Programme 2022/23 Forecast as at the December 2022

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Actual to Month 12	2022/23 Total Forecast Spend in Quarter 4	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	92	32	19
Cemetery Entrance	83	1	4	0	(3)
Development of Town Hall Bexhill	15	172	427	40	(295)
Ravenside Roundabout	200	200	0	0	200
CIL Scheme 1 Village Hall Energy Project	0	500	0	0	500
UK Shared Prosperity Fund	0	108	0	9	99
Property Investment (PI)					
Beeching Road Hotel and Food store Development	2,590	15,000	0	250	14,750
PIS - Beeching Park Estate	0	450	0	450	0
PIS - Beeching Road 18-40 (Creative Workspace)	29	187	170	17	(0)
Barnhorn Green GP Surgery and Industrial Development	6,099	6,099	296	50	5,754
Mount View - NHS Mental Health Hospital	0	14	0	0	14
PIS - Buckhurst Place	0	10,500	10,182	0	318
Housing Development Schemes					
Community Led Housing Scheme - CHF	0	1,348	297	0	1,051
Blackfriars Housing Development - infrastructure only	7,450	5,143	2,565	600	1,978
RDC Housing Company Limited funding	0	79,923	0	2,420	77,503
RDC Housing Company share investment	60,492	300	0	300	0
Development of council owned sites	0	213	21	0	192
King Offa Residential scheme	0	703	31	157	515
Mount View Street Development - Housing	0	3,400	0	0	3,400
Camber, Old Lydd Road	0	0	0	0	0
Housing and Community Services					
De La Warr Pavilion - Capital Grant	55	58	43	14	0
Land Swap re Former High School Site	900	1,085	0	0	1,085
Bexhill Leisure Centre - site development	189	189	0	0	189
Fairlight Coastal Protection	0	229	10	10	209
Disabled Facilities Grant	1,625	1,903	818	11	1,074
Sidley Sports and Recreation	101	297	194	2	101
New bins	125	149	77	77	(5)
Improvements to Northiam Recreation Ground s106	0	0	0	6	(6)
Bexhill Promenade - Protective Barriers	0	2	0	1	1
Housing - Temporary Accommodation Purchase	4,000	6,743	1,726	321	4,696
Bexhill Promenade - Shelter 1	55	55	33	22	0
Bexhill Promenade - Outflow pipe	80	191	0	19	172
Bexhill Leisure Centre - refurbishment	90	140	69	72	(1)
Capital - Northiam Cemetery Extension – S106	0	0	50	0	(50)
Strategy & Planning					
Payments to Parishes - CIL	48	96	0	0	96
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)	0	721	16	0	705
Total Capital Programme	85,088	136,695	17,159	4,880	114,656

	2022/23 Original Budget	2022/23 Revised Budget	2022/23 Actual to Month 12	2022/23 Total Forecast	2022/23 Variance (Slippage)
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)
Funded By:					
Capital Receipts	900	1,085	50	0	1,035
Grants and contributions	9,371	10,736	4,901	806	5,028
CIL	48	596	0	0	596
Borrowing	13,603	43,611	12,003	1,236	30,371
Capital Expenditure Charged to Revenue	674	445	204	118	123
Borrowing and Loan for Rother DC Housing Company Ltd	60,492	80,223	0	2,720	77,503
Total Funding	85,088	136,695	17,159	4,880	114,656

Reserves

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 3 Variance £ (000)	Change in Previous Months £ (000)
1	Revenue Reserves and General Fund - Opening Balance	(13,209)	(11,088)	(11,088)	0	0
1a	Use of Reserves to Fund Capital Expenditure	678	374	118	(256)	
2	Use of Reserves to Balance Budget Deficit	1,444	3,187	3,054	(133)	
2a	Balance 31st March	(11,087)	(7,527)	(7,916)	(389)	0