

Rother District Council

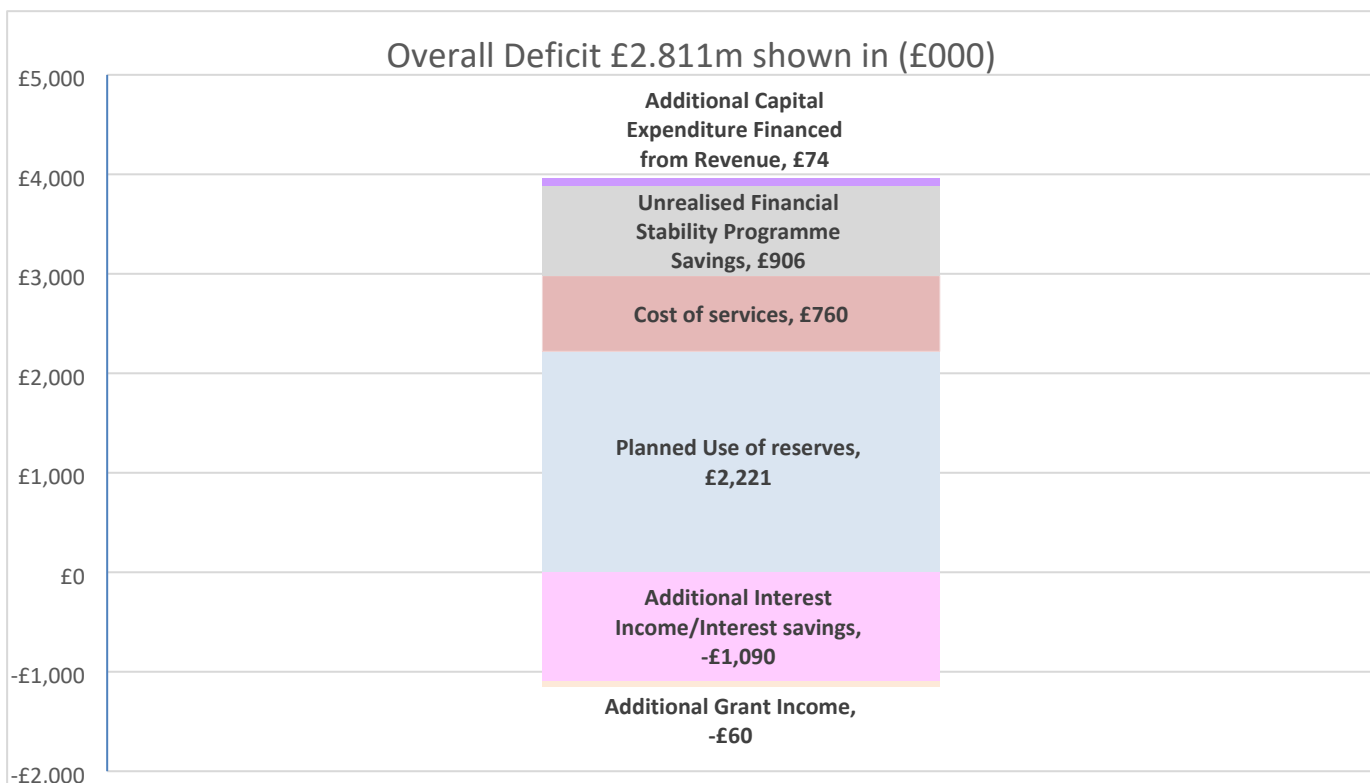
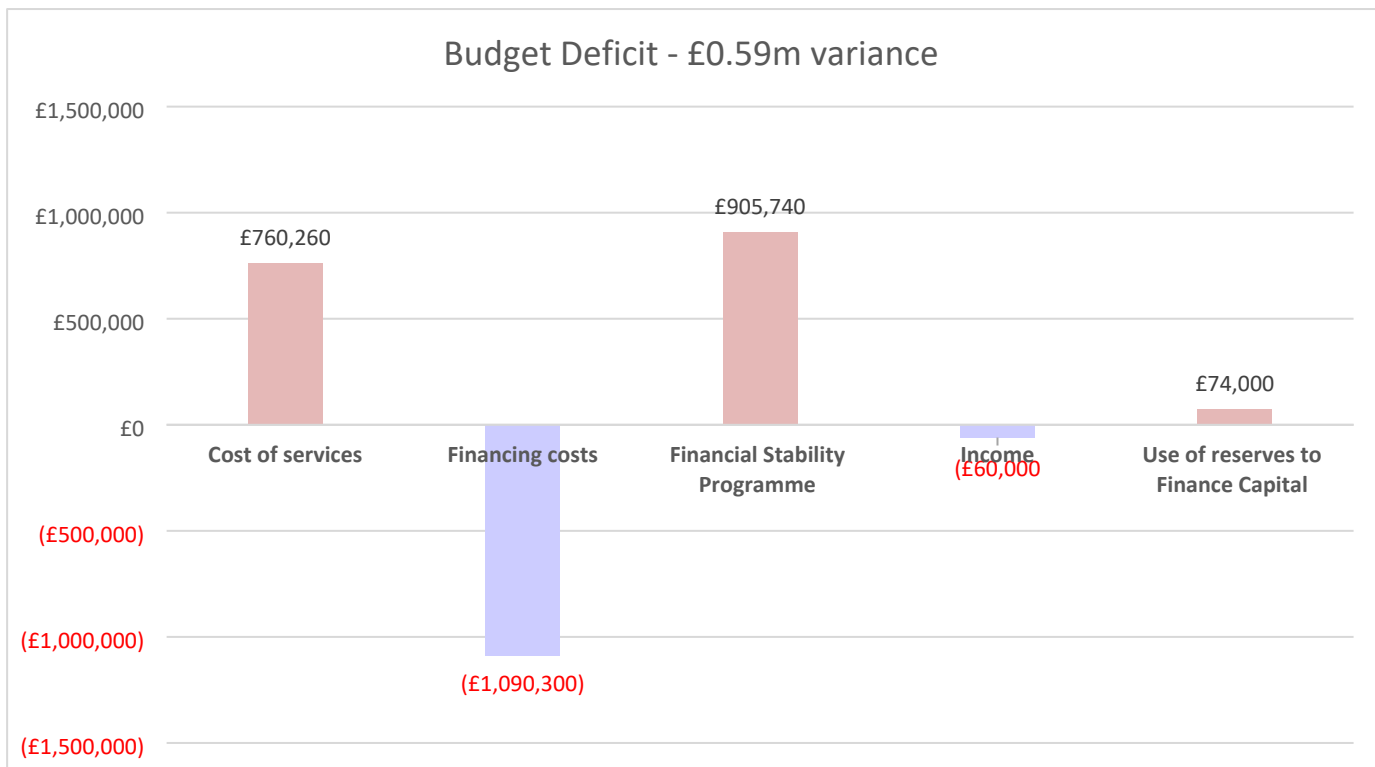
Report to:	Overview and Scrutiny Committee
Date:	11 September 2023
Title:	Revenue Budget and Capital Programme Monitoring as at Quarter 1 - 2023/24
Report of:	Duncan Ellis – Interim S151 Officer
Ward(s):	All
Purpose of Report:	To note the estimated financial outturn for 2023/24 based on expenditure and income to the end of Quarter 1, 30 June 2023.
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 June 2023 and projects a provisional outturn for 2023/24. 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. The presentation of the revenue budget reflects the revised management reporting structure.
3. Since the detailed budget was approved by Cabinet on the 6 February 2023 a virement has been applied to reflect the internal service restructure, which is reported upon in Appendix A.

Overall position

4. The forecast for the 2023/24 financial year is based on the position as at 30 June 2023 and indicates a deficit position of £2.811m at 31 March 2024, against a budgeted deficit of £2.21m which is a variance of £0.59m. In comparison, we drew down c£1.7m less from reserves in 2022/23. The opportunity remains for action to be taken to address this position to reduce the planned contribution from reserves and realise planned Financial Stability Programme (FSP) savings, both in year and ongoing, to address the financial position of the Council. The graph below shows the breakdown of the forecast variance to budget and the second graph shows the breakdown of the overall deficit.



Revenue Budget

- The revenue budget forecast as at the 30 June 2023 indicates a deficit of £0.516m against the approved budgeted drawdown from Reserves of £2.035m resulting in a forecast reserve drawdown of £2.55m. The position is detailed in Appendix A and the main variances are summarised in paragraphs 6 to 12.

Cost of Services - £760,000 forecast deficit

Chief Executive – forecast Deficit £334,000

6. **Chief Executive** - £43k forecast deficit. The forecast includes an overspend in respect of staffing costs due to severance costs and agency cover for statutory officer posts.
- a. **Chief Finance Officer** – £43k surplus due to capitalisation of staff costs
 - b. **Democratic Services and Elections** - £313k forecast deficit. £243k of the deficit relates to unbudgeted costs of the Council's district elections and a further £60k relates to additional member related costs. The remaining deficit relates to systems and unbudgeted software inflation costs.
 - c. **Human Resources** - £20k forecast deficit. £8k of the deficit is in respect of staffing costs and £10k relates to unrealised anticipated savings on NNDR for the Town Hall with the remaining deficit made up of small amounts on materials etc.

Deputy Chief Executive – forecast Surplus (£62,000)

7. **Deputy Chief Executive** – (£4k) forecast surplus. This is made up of small surpluses on supplies and services.
- a. **Environmental Services, Licencing and Community Safety** – (£15k) forecast surplus. The surplus is due to additional income from fixed penalty notices (£33k) offset by additional salary costs.
 - b. **Revenues and Benefits** – (£73k) forecast surplus. The surplus is due to a large housing benefits overpayment (£40k) and salary savings (£75k) offset by increased systems and data costs of £47k.
 - c. **Internal Audit** – no forecast surplus/deficit.
 - d. **Digital and Customer Services** - £14k forecast deficit. The deficit is due to £9k of additional staffing costs and unbudgeted systems inflation costs of £5k.
 - e. **Corporate Programme and Improvement** - £21 k forecast deficit. This is due to additional staffing costs.
 - f. **Corporate Policy and Projects** – (£5k) forecast surplus. The surplus is due to additional unbudgeted income relating to the community lottery.

Director – Place and Climate Change – forecast Deficit £489,000

8. **Director - Place and Climate Change** - £2k forecast deficit. The deficit relates to additional costs of attendance at conferences.
- a. **Planning Development Management** - £79k forecast deficit. The deficit is due to £159k of additional staffing costs and £53k of additional systems costs offset by unbudgeted surplus income (£134k).
 - b. **Planning Policy** - £63k forecast deficit. The deficit is due to additional staffing costs.
 - c. **Neighbourhood Services** – (£102k) forecast surplus. The surplus is made up of savings on the grounds maintenance contract (£150k) and additional unbudgeted car park income (£200k) offset by additional costs of car park resurfacing works of £45k, unrealised anticipated savings from devolvement of public conveniences to parishes of £140k, outstanding shortfalls on recycling property numbers of £50k and £14k of costs relating to new air pumps at Bexhill Leisure Centre.
 - d. **Climate Change Strategy** - £8k forecast deficit. The deficit is due to additional training costs.
 - e. **Housing** - £400k forecast deficit. The deficit is primarily due to estimated costs of temporary accommodation amounting to £540k reduced by £85k through proposed mitigating measures (see note below). Further costs relating to staffing costs of £85k and council tax on owned empty properties of £14k

offset by unbudgeted income (£122k) relating to recovered DFG administration costs and underspends relating to the UK resettlement programme (£32k).

f. Regeneration - £39k forecast deficit. The deficit is due to £20k of additional staffing costs, £13k of additional maintenance salary costs, £5k of additional repairs costs, £19k of increased costs relating to properties offset by savings (£18k) related to business rates and void properties.

- **Housing – Temporary Accommodation (TA) – deficit £540k**

The forecast deficit in respect of TA of £540k is a significant concern and officers have been reviewing options to address this. The issue is being exacerbated by the amount of rent that the authority can offer private sector landlords – currently between Local Housing Allowance (LHA) levels and 10% below these.

With increasing costs it is not currently viable for landlords to accept our rental offers and it is proposed that payments increase. The table below demonstrates the cost savings to the TA budget should market rent be paid to landlords. The market rent in the below table is the average across Rother. Knowledge of the Private Rented Sector Team and localised market rents for each area would inform the offer to landlords without exceeding the market rent for Rother. The average monthly saving per household would be £1,025. Checks would be carried out to ensure landlords had not evicted previous tenants to access to this scheme and property checks under Housing Health and Safety Rating System would be carried out.

Bedrooms	Market Rent (pcm)	Current cost to RDC of 3 rd party TA (cost minus HB recovery, pcm)	Cost to council if market rent paid to owner (pcm)	Saving in TA costs (pcm, per placement)
1	£690	£1,411.28	£372.54	(£1,038.74)
2	£875	£1,515.25	£432.89	(£1,082.36)
3	£1150	£1,523.27	£584.39	(£938.88)
4	£1650	£2,043.50	£1,001.90	(£1,041.60)

If 15 properties were secured this would create a net annual saving of £169,125 (allowing one month void period for each property over a year). Given the position in the year it is anticipated that 50% of the net annual saving could be realised in 2023/24 reducing the deficit of £540k to £455k.

Should this proposal be agreed the impact on the forecast deficit position will be a reduction of (£85k) – this saving has been assumed in the overall forecast position (see appendix A).

Net Financing Costs – forecast Surplus (£1,090,000)

9. The budget was calculated on the assumption that the pace of the Council's capital programme would accelerate significantly once lockdown had finished. The interest due to be paid is lower than expected by (£470k) and the MRP is expected to be £291k higher than anticipated. Members should note that Financing costs will be subject to a detailed review of the capital programme for affordability. The review will be crucial in determining future programme

deliverability, particularly in view of high inflation and recently increasing interest rates.

10. Interest income from investments is expected to yield an additional (£710,000) due to the interest rate increases since the budget was calculated. Further increases in the Bank of England base rate are likely to see these rates climb slightly further during 2023/24.
11. The budgeted contingency is shown as a surplus for the purposes of the report.

Financial Stability Programme – forecast Deficit £906,000

12. A number of small savings are being forecast by the end of the financial year, currently driven mainly by Neighbourhood Services and IT, but more are being sought to be delivered on the planned savings budget and need to be confirmed by budget holders in Quarter 2. Members will receive a financial update in the early autumn committee reporting cycle with a plan to address Financial Stability Programme forecasts for 2023/24 and for the following years of the Medium Term Financial Strategy.

Income – forecast Surplus (£60,000)

13. Since the budget was approved the Council have received several small grants totalling £60,000 from the Department of Levelling Up, Housing & Communities. The largest sum is a New Burdens grant of £34,000.

Capital Programme

14. 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 future financial years, profiled based on the anticipated expenditure for the project. The Interim S151 Officer is working with Heads of Service and elected Members to undertake a fundamental review of capital schemes which currently amount to more than £155m as reported in the 2022/23 outturn report. The table below shows the profiling of the capital programme as forecast as at 30 June 2023:

	23/24	24/25	25/26	26/27	27/28	Total
	£000	£000	£000	£000	£000	£000
Capital Expenditure	27,696	68,045	23,503	8,694	28,183	156,121
Funded by:						
Capital Receipts	2,974	117	0	0	0	3,091
Grants & contributions	9,752	6,615	14,927	7,589	1,625	40,508
CIL	513	1,484	1,321	850	0	4,168
Borrowing	8,998	20,699	125	125	125	30,072
Capital Expenditure Charged to Revenue	260	130	130	130	130	780
Borrowing & Loan for RDC Housing Company Ltd	5,000	39,000	7,000	0	26,303	77,302
Section 106	200	0	0	0	0	200
Total	27,697	68,045	23,503	8,694	28,183	156,121

15. Appendix B shows the original budget approved by Cabinet on the 6 February 2023 updated for the outturn position as at 31 March 2023, new projects during Q1, scheme budget additions and reductions and re-profiling of anticipated expenditure over the MTF period. The actuals figures represent expenditure (£2.4m – 8% of revised 2023/24 budget) incurred during the first 3 months of this financial year and the resulting variance is shown against the revised budget. At the time of writing a further £0.66m has been spent on capital projects
16. The revised 2023/24 budgets have been derived from reviewing the project cashflows and assessing the expected position at this time. Up to £27.7m is forecast to be spent in this financial year. During quarter 1 the following budget increases/decreases were applied to the capital programme:

Scheme	Increase £(000)	(Decrease) £(000)	Revised overall budget £(000)	Reason for change
De La Warr Pavilion Project	885		24,098	Inflation and cost increases
Heart of Sidley Programme	406		3,099	Inflation and cost increases
Bexhill Leisure Centre refurbishment	60		200	Capital investment in site
PIS - Beeching Park Estate		(22)	428	Project complete – no further spend
PIS - Buckhurst Place		(318)	10,182	Project complete – no further spend
Bexhill Promenade - Protective Barriers		(2)	48	Project complete – no further spend
Housing - Temporary Accommodation Purchase		(550)	17,644	Borrowing revised
Housing - Temporary Accommodation Purchase	195			Additional grant monies
Bexhill Promenade - Shelter 1		(12)	59	Project complete – no further spend
Total Scheme increases/(decreases)	1,546	(904)		
Funding				
Grants and contributions	1,486			
Borrowing		(904)		
Capital Receipts	60			
Total Funding increases/(decreases)	1,546	(904)		

The De La Warr Pavilion and Heart of Sidley scheme increases proposed are to take account of inflation and general cost increases since the original scheme values were calculated. It is anticipated that that these additional costs will be grant funded, albeit unsecured at this point, rather than an additional pressure on the Council's funding.

Impact on Reserves

17. The forecast impact on Reserves is a drawdown of £2.551m for revenue, which is £0.516m higher than the planned use of £2.035m and £0.260m for capital which is £74k higher than the planned use of reserves. Whilst the overall level of reserves is higher than budgeted this is due to lower use of reserves in 2022/23, resulting in higher than anticipated levels being brought forward into 2023/24. The additional forecast use of reserves will deplete these to £10m, although it should be noted that £3.7m of this relates to the Grants Reserve (see Appendix C).

Collection Fund

18. The collection rate as at the 30 June 2023 for the Council Tax part of the Collection Fund was 30.02% of the collectable debit, which is 0.21% higher than the corresponding figure in 2022/23. The budgeted yield is 30.65%, which is 0.3% lower than the same period in 2022/23. Collection performance is shown below:

	2023/2024	Equivalent Period 2022/2023
Income Received	£91,520,847.15	£86,307,494.22
Income Received as a % of collectable debit	30.02%	29.81%
Budgeted yield (at 98.3% collection)	£89,626,816.94	£84,513,438.24
Income Received as a % of budgeted yield	30.65%	30.45%

19. The collection rate as at the 30 June 2023 for the Business Rates part of the Collection Fund was 29.38% of the collectable debit, which is 0.11% higher than the corresponding figure in 2022/23. Collection performance is shown below:

	2023/2024	Equivalent Period 2022/2023
Collectable debit	£17,010,648.28	£17,721,864.63
Income Received	£4,997,899.91	£5,186,524.73
Income Received as a % of collectable debit	29.38%	29.27%
Amount outstanding for year	£12,012,748.37	£12,535,339.90

20. Collection rates have held up well despite the squeeze on finances following the pandemic and the cost of living crisis. 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 forecast outturn at Quarter 1 2023/24 is a deficit of £2.811 million, which is £0.59m higher than the approved planned use of Reserves. The Interim S151 Officer will work closely with Heads of Services and Members to reduce areas of overspend and the impact on reserves.
22. The Council's capital programme is forecast to outturn at £27.7m with £8.2m being re-profiled into future years of the MTFs based on the anticipated timing of the expenditure.

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 2023/24 Forecast as at the 30 June 2023

Line	Rother District Council General Fund Summary	Original 2023/24 Budget £ (000)	Revised Budget 23/24 Q1 £ (000)	23/24 Q1 Actual £ (000)	2023/24 Q1 Forecast £ (000)	2023/24 Q1 Variance £ (000)
1	Deputy Chief Executive	331	331	11	327	(4)
1a	Environmental Services, Licensing & Community Safety	676	676	252	661	(15)
1b	Revenues & Benefits	1,308	1,308	1,868	1,235	(73)
1c	Internal Audit	165	165	43	165	(0)
1d	Digital & Customer Services	1,899	1,899	297	1,913	14
1e	Corporate Programme & Improvement	94	94	25	115	21
1f	Corporate Policy & Projects	402	402	149	397	(5)
2	Chief Executive	354	354	121	397	43
2a	Chief Finance Officer	1,483	1,483	392	1,440	(43)
2b	Democratic Services	652	652	461	965	313
2c	Human Resources Services	512	512	198	532	20
3	Director Place and Climate Change	115	115	32	117	2
3a	Planning Development Management	658	658	30	737	79
3b	Planning Policy	471	471	285	534	63
3c	Neighbourhood Services	5,942	5,942	616	5,840	(102)
3d	Climate Change Strategy	71	71	9	79	8
3e	Housing	2,607	2,607	483	3,007	400
3f	Regeneration	(873)	(873)	(694)	(834)	39
4	Total Cost of Services	16,867	16,867	4,580	17,627	760
5	Interest from Investments	(586)	(586)	(228)	(1,296)	(710)
6	MRP	224	224	0	515	291
7	Interest payments	1,106	1,106	228	635	(471)
8	Budget Contingency	200	200	0	0	(200)
9	Salaries turnover	0	0	0	0	0
10	(i) Increase income - Property Investment Strategy					
11	(ii) Increase income (net) - other	(69)	(69)	0	0	69
12	(iii) Lean and Demand	(180)	(180)	0	0	180
13	(iv) Service Prioritisation	(762)	(762)	0	(200)	562
14	(v) Reduced Staffing Structure	(95)	(95)	0	0	95
15	Net Cost of Services	16,705	16,705	4,580	17,281	576
	Income					
16	Special Expenses	(751)	(751)	0	(751)	0
17	Net Business Rates and Section 31 Grants	(4,699)	(4,699)	0	(4,699)	0
18	Non-specific Revenue Grants	(1,570)	(1,570)	0	(1,630)	(60)
19	Council Tax Requirement (Rother only)	(7,650)	(7,650)	0	(7,650)	0
20	Other Financing Contributions to/(from) Earmarked Reserves	186	186	0	260	74
21	Total Income	(14,484)	(14,484)	0	(14,470)	14
22	Contributions from Reserves/Funding Gap	(2,221)	(2,221)	0	2,811	590

Capital Programme 2023/24 Forecast as at the 30 June 2023

	Total scheme budget At 22/23 Outturn	Prior year spend	Total scheme budget increases/ (decreases) in Q1 23/24	Remaining scheme budget	2023/24 Q1 Budget Re-profiles	Budgets profiled into 24/25- 27/28	2023/24 Budget Updated	2023/24 Q1 Actual	2023/24 Q1 Variance	
	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	£ (000)	
Acquisitions, Transformation and Regeneration										
Other Schemes										
Corporate Document Image Processing System	120	33	0	87	0	0	87	0	(87)	
Rother Transformation ICT Investment	386	269	0	117	0	0	117	0	(117)	
Community Grants	1,416	636	0	780	0	520	260	18	(242)	
Development of Town Hall Bexhill	856	856	0	0	0	0	0	1	1	
Ravenside Roundabout	200	0	0	200	(200)	200	0	0	0	
UK Shared Prosperity Fund	131	0	0	131	0	0	131	0	(131)	
CIL Scheme 1 Village Hall Energy Project	500	17	0	483	(116)	141	342	0	(342)	Re-profile into 24/25
Property Investment Strategy										
Beeching Road Hotel and Foodstore Development	15,000	396	0	14,604	(2,500)	14,500	104	6	(98)	Minimal spend in 23/24 - re-profiled into 24/25
PIS - Beeching Park Estate	450	0	(22)	428	0	0	428	428	(0)	Scheme spend complete
PIS - Beeching Road 18-40 (Creative Workspace)	1,235	1,235	0	0	0	0	0	0	(0)	
Barnhorn Green GP Surgery and Industrial Development	9,741	1,486	0	8,255	0	4,942	3,313	107	(3,206)	
PIS - Buckhurst Place	10,500	10,182	(318)	0	0	0	0	0	0	Scheme spend complete
Housing Development Schemes										
Community Led Housing Scheme - CHF	327	327	0	0	0	0	0	1	1	
Blackfriars Housing Development - infrastructure only	11,500	6,416	0	5,084	0	0	5,084	671	(4,413)	
RDC Housing Company Ltd Investment	79,923	2,620	0	77,303	(2,000)	72,303	5,000	0	(5,000)	Re-profile into 24/25
Development of council owned sites	270	57	0	213	0	0	213	0	(213)	
King Ofa Residential scheme	805	146	0	659	-300	300	359	19	(340)	Re-profile into 24/25
Mount View Street Development - Housing	4,493	4,493	0	0	0	0	0	0	(0)	
Community Led Housing Schemes - Cemetery Lodge	200	0	0	200	0	0	200	0	(200)	
Camber, Old Lydd Road	369	27	0	342	-202	202	140	3	(138)	Re-profile into 24/25
Housing and Community Services										
De La Warr Pavilion - Capital Grant	388	275	0	113	0	57	56	15	(41)	
Bexhill Leisure Centre - site development	396	318	0	78	0	0	78	0	(78)	
Fairlight Coastal Protection	291	74	0	217	0	150	67	0	(67)	
Disabled Facilities Grant	14,223	6,098	0	8,125	0	6,500	1,625	381	(1,244)	
Sidley Sports and Recreation	857	857	0	0	0	0	0	(12)	(13)	
New bins	1,153	518	0	635	0	500	135	0	(135)	
Bexhill Promenade - Protective Barriers	50	48	(2)	0	0	0	0	0	(0)	No further spend anticipated
Housing - Temporary Accommodation Purchase	12,830	5,364	(355)	7,112	0	750	6,362	657	(5,705)	Borrowing element overstated - adjusted to re-align
Bexhill Promenade - Shelter 1	71	59	(12)	0	0	0	0	0	(0)	No further spend anticipated
Bexhill Promenade - Outfall pipe	200	9	0	191	0	0	191	0	(191)	
Bexhill Leisure Centre - refurbishment	140	110	60	90	0	60	30	0	(30)	Additional capital investment
Capital - Sidley House Open Space Improvements - Parks LUF	75	4	0	71	0	0	71	1	(70)	
Pebsham Toilets	54	0	0	54	0	0	54	0	(54)	
Camber Conveniences	1,012	0	0	1,012	(943)	943	69	0	(69)	CIL element re-profiled into 24/25
Strategy & Planning										
Payments to Parishes - CIL	211	40	0	171	0	0	171	0	(171)	
Resources										
ICT Infrastructure Replacement Programme	137	137	0	0	0	0	0	0	(0)	
New website development	31	23	0	8	0	0	8	0	(8)	
Invest To Save initiatives (Financial Stability Prog)	750	45	0	705	0	0	705	0	(705)	
LUF De La Warr Pavilion Project LUF Grant	23,203	9	885	24,079	(539)	22,058	2,021	12	(2,009)	Revised cost predictions and spend re-profiled
Capital - LUF Programme	0	0	0	0	0	0	0	25	25	
LUF Heart of Sidley Programme	2,692	2	406	3,096	83	2,825	271	6	(265)	Revised cost predictions and spend re-profiled
Battle Train Station	1,000	0	0	1,000	(1,000)	1,000	0	0	0	Re-profiled into 25/26
Seddlescombe Traffic Calming Measured	74	0	0	74	(74)	74	0	0	0	Re-profiled into 25/26
Battle Sports Pavilion	400	0	0	400	(400)	400	0	0	0	Re-profiled into 24/25
Total Capital Programme	205,697	50,218	642	156,121	(8,191)	128,425	27,696	2,338	(25,359)	
								8%		
Funded By:										
Capital Receipts	3,192	1,092		2,100	0	117	2,974			
Grants and contributions	55,280	16,011	1,486	40,755	374	30,756	9,752			
CIL	3,978	57		3,921	(3,683)	3,655	513			
Borrowing	60,360	29,384	(904)	30,072	(2,882)	21,074	8,998			
Capital Expenditure Charged to Revenue	2,764	1,054	60	1,770	0	520	260			
Borrowing and Loan for Rother DC Housing Company Ltd	79,923	2,620		77,303	(2,000)	72,303	5,000			
Section 106	200	0		200	0	0	200			
Total Funding	205,697	50,218	642	156,121	(8,191)	128,425	27,696			

Reserves

Reserves forecast	2023/24 Budget	Q1 Forecast	Variance
	£000	£000	£000
Opening Balance	7,528	12,828	5,300
Use of reserves to balance the budget (including forecast deficit)	(2,035)	(2,551)	(516)
Use of reserves to Fund Capital Expenditure	(186)	(260)	(74)
Forecast balance	5,307	10,017	4,710

*As per draft 2022/23 Outturn (of which £3.7m relates to the Grants Reserve)

