

## Statement of Accounts for 2018-19

Analysis of major variations

The outturn position on the General Fund for 2018-19 is a surplus of £483,478 against the original budget that is transferred to the General Fund Balance. In addition a further £203,300 was agreed to be drawn from the General Fund Reserve to finance Corporate Plan Projects resulting in a variance of £686,778.

The main variances between the General Fund latest approved budget and the outturn position in 2018-19 are as follows:

Ref	Overspends / Shortfall in Income	£'000
a	Housing Benefits	454
b	Car Parking income	321
c	Investment Properties	100
d	Car Parks payment processing charges	92
e	Planning income	81
f	Service restructuring costs	79
g	Estates properties rental income	71
h	Postage costs	60
i	Land Charges income	45
j	Revenues and Benefits bad debt provision	35
k	Building Control income	29
	Minor variations (net)	35
		<b>1,402</b>
	Underspends / Additional income	
l	BRRS (net of grant, MiRS/Reserves)	(707)
m	Chichester Contract Services	(332)
n	Staffing	(314)
o	Compensation received	(100)
p	Energy costs	(99)
q	Agreed items to be funded from the General Fund	(88)
r	Investment income	(73)
s	VAT on car park refunds at the leisure centre	(57)
t	Taxi Licence income	(47)
u	IT Support Agreements	(37)
v	NNDR and Council Tax credits	(31)
w	Estates rechargeable insurance income	(29)
x	Litter enforcement	(29)
y	Partnership funding	(28)
z	Revenues and Benefits Court Costs	(28)
aa	IT Infrastructure	(27)
bb	Business rates on council owned property	(21)
cc	East Pallant House service charge income	(21)
dd	CCTV running costs	(20)
		<b>(2,088)</b>
	(Surplus) / Deficit for the year	<b>(686)</b>

The following paragraphs provide an explanation by the budget manager for the main variances:

### **Overspends / Shortfalls in income**

a. Housing Benefits (HB) – net increase in costs of £454,000

This variation has three components; Rent allowances, identified Housing Benefit overpayments, and Rent Rebates:

- Rent allowance payments and subsidy for the year – increase in income of £113,000

It is extremely difficult to forecast housing benefit expenditure as this can be influenced by so many factors. In 2018-19 the budgeted expenditure included an assumed reduction based on the transfer of a percentage of working age claims to Universal Credit from 1 April 2018. For various reasons the live rollout of Universal Credit was delayed to 4 July 2018, and the Department for Work and Pensions (DWP) predictions for the rate in reduction of working age claims did not materialise as anticipated resulting in expenditure exceeding forecasted budgets by £1.870m. Subsidy payments increased in year to reflect the increase in expenditure which resulted in an additional £1.983m received, including a small credit adjustment for the 2017-18 claim. The net effect against base budgets was a net increase in income of £113k.

- A reduction in the level of Housing benefit overpayments £500,000  
The level of identified HB overpayments in previous financial years has been significantly higher than would be expected due to a number of DWP initiatives. The introduction of a new process during 2018-19 which now enables deductions from ongoing DWP benefit entitlement to be secured against an HB debt, has resulted in a reduction of identified overpayments against the base budget forecast by some £500k. The potential ongoing impact of this change will be monitored during the current 2019-20 financial year, and considered as part of the 2020-21 budget setting process.

- Rent Rebates £67,000

There are two factors that influence predicting this expenditure. DWP forecasts are based on predicted national trends in rent rebate expenditure. Although Westward House claims are considered rent rebates they are used to fulfil homeless duty and not general needs. They are therefore excluded from Universal Credit and as a result the National forecasted reduction is not relevant. The second factor is the use of Bed and Breakfast accommodation. This expenditure has increased significantly in the last couple of years, and does not attract a 100% subsidy rebate from the DWP. The expenditure for this accommodation for 2018/19 exceeded the base budget forecast by £145.5k and attracted an increased subsidy payment of £79k. The net result is an overall increase in cost of £66.5k.

b. Car Parking income – Shortfall in income of £321,300

The reduction in parking income represents less income to the council than had been budgeted for. The budget was based on past usage behaviour which is not now a reflection of the current situation. We believe this to be related to a number of factors which includes the uncertainty around Brexit, increasing home working and changing shopping habits with a significant shift to online. A number of key retail outlets have closed during the past year which has impacted on the footfall in

the city. The use of car parks is also heavily influenced by the weather; with the general trend being that when the weather is particularly good the (lower priced) car parks in the rural areas are well used and the city centre sees a decline. The exceptional weather during the summer of 2018 will therefore have impacted on usage of the car parks in the city.

In April 2018 the tariff structure was amended to enable customers to get the amount of parking paid (i.e. if the tariff was 80p and the customer paid £1.00 then previously no change would be given and they would only receive 80p worth of parking. Under the new linear tariff structure the customer receives the extra proportion of the tariff to include the 20p). Parking transactions have reduced across the district although the duration of stay has increased.

Also in April 2018, significant changes were made to both pay and display and season ticket charges. Whilst assumptions can be made prior to introducing changes as to the resultant impact, it is not possible to predict exactly how user behaviour might change as a result of the increased charges.

The existing charges will be in place until 31st March 2020. The Parking Services team closely monitor income and car park transactions on a monthly basis and will continue to assess this in order to make proposals to Members for the tariffs which will come into effect from April 2020.

c. Investment Properties – shortfall in income and increase in cost of £100,000

Rental income – income loss of £73,000

- Crane Street £35,000 variance is due to voids.
- Woodruff Centre £25,000 variance due to voids for part of the year.
- 2-3 East Street £13,000 variance due to a change in invoicing dates at lease renewal means part of the 2018-19 income was received in 2017-18, so 2018-19 total appears down against budget.

Expenses - increase in cost of £27,000

- Crane Street £13,000 spend due in part to NNDR payable on empty premises and part due to costs of preparing the premises to let.
- Woodruff Centre £14,000 spend due in part to NNDR payable on empty premises and part due to costs of preparing premises to let.

d. Car Parking payment processing charges – additional cost of £92,300

Based on customer feedback and modern enhancements, the Council has been introducing a number of different forms of payment methods in car parks (payment by card / contactless and phone / app). The processing charges associated with this have increased as take-up of these types of payment methods has grown. As a result an additional £50,000 was provided in the 2019-20 budget. These payment methods and the associated transaction charges will continue to be monitored during 2019-20.

e. Planning Income – shortfall in income of £81,300

- Planning application income shortfall of £120,600
- Additional legal fee income of £39,300

This variance is a result primarily of a lower number of Major planning applications received this year compared to the previous two years. This is due to a number of factors including the uncertainty around Brexit, developer

decisions about the timing of the submission of applications and the reduction in speculative development proposals coming forward. A number of significant applications materialised at the end of the financial year and, coupled with additional fee income in respect of the completion of Section 106 Legal Agreements, the actual shortfall in fee income was lower (£81,300) than that previously forecast (£125,000). It is anticipated that income in 2019-20 will meet budget expectations due to a number of large development projects coming forward and therefore the forecast budget for 2019-20 remains the same as the previous year.

f. Service restructuring costs – additional costs of £78,600

- Service restructuring of the Member Services team and at Chichester Contract Services resulted in a one-off cost of £78,600.

g. Estates Properties rental income – shortfall in income of £71,100

- Enterprise Centre shortfall of rental income £53,100 - The original budget figure included an element for the profit share, which is not guaranteed income, thus the shortfall.
- Plot 21 Terminus Road shortfall of rental income £72,700 - The base budget figure presumed an earlier completion date for the development, which was delayed until Jan 2019, with the first letting then completed in March 2019.
- Miscellaneous Estates properties additional rental income £54,700 - The bulk of this income is from two backdated rent reviews at Quarry Lane, with other income stemming from new lettings that had not been budgeted for.

h. Postage – increase in costs of £59,800

This variance has occurred for the following reasons:

- The cost of sending out the council tax demand notices in March 2018 (£26,000) has been charged to the 2018-19 financial year. This charge should have been accounted for in the 2017-18 financial year.
- An £18,500 adjustment to the value of franking machine credit held at the end of the financial year. This was higher than expected as the adjustment required for previous financial year had not been actioned.
- The demand on postage costs has exceeded the budget for several years. For 2018-19 the overspend is £15,300. As a result of this continued trend, an additional £16,000 has been provided in the 2019-20 budget.

i. Land Charges – shortfall in income of £45,400

The total number of local authority searches has been virtually identical over the last two years (2017-18 – 1,766 & 2018-19 – 1,767). Where the reduction in income has come from, is from the type of searches carried out. In 2018-19 there were less full searches and more basic searches. We also received a higher number of optional enquires in 2017-18 thus generating more income in the previous financial year than experienced during 2018-19.

j. Revenues and Benefits bad debts – increase in costs of £35,500

The Council has provided for the risk of non-payment of debt relating to the award of council tax and business rates court costs. At 31 March 2019 the total debt outstanding is £315k, and the provision held amounts to £182k. The level of the provision required will be monitored during the current 2019-20 financial year, and considered as part of the 2020-21 budget setting process.

k. Building Control– shortfall in income of £28,600

Income for the last three years averaged £412,000, however the uncertainty from Brexit has impacted the economic climate and in particular created a slowdown in housing and building works. The budget in 2018-19 was adjusted to £415,000 to reflect the previous three year average, however application numbers received compared to previous years were 6% lower and resulted in actual income being some £28,600 below the budgeted level. The income shortfalls are under investigation and measures have been taken to avoid a deficit in 2019-20 while the economic situation remains volatile. All income tied up in the system is being chased as a priority and opportunities for marketing the service are currently being explored.

**Underspends / Additional income**

l. BRRS (net of grant, MiRS/Reserves) – additional income of £707,300

We budgeted to distribute £48.4m from the NDR collection fund in late 2017. The NDR 1 figure (prepared early 2018) came in at £47.9m, which led to reduced income due to the Council of £0.2m (being 40%, the Council's proportionate share). During the year, net rates payable by businesses fell further, reflecting a very significant rise in awards and reliefs granted (mostly mandatory and unoccupied property relief) which in-turn led to a large increase in the compensatory s.31 grants received by the Council, up from £1.2m at budget to £1.9m at outturn. These sums are a direct credit to the Council's general fund/Comprehensive Income and Expenditure Statement.

Normally a reduction in net rates payable of this scale would create a deficit in the collection fund. This year however the Council had reassessed the level of accounting adjustments charged to the NDR Collection Fund for provisions, particularly in respect of the provision for appeal losses. As data emerges on appeals using the new 'check, challenge and appeal' process, it was felt appropriate to adjust the balance on the Collection Fund appeals provision and this reduced the charge against the NDR collection fund for write offs and appeals by £1.1m. This positive variance offset the in-year impact of reliefs awarded and meant the NDR collection fund showed a small surplus at year end.

Overall the principal impact on Councils 2018-19 budget was being able to retain the increased s.31 grants paid to the Council in 2018-19 as a result of updating our estimations over future appeal and write off losses. Officers are closely monitoring the appeals position and have already put in place updated procedures to monitor and track the potential year end impact of any accounting adjustments necessary.

m. Chichester Contract Services (CCS) – additional income and decrease in costs of £331,600

Decrease in Costs totalling £96,500

- Cemeteries Building works underspend (£10,300) - Planned works to a partially collapsed wall at St Mary Magdalene churchyard in Midhurst were delayed. The work requires Diocese approval, which has proved challenging to obtain. However this approval is imminent and the work is expected to be completed this autumn. The budget is required on an ongoing basis for ad hoc repairs in closed churchyards across the district.
- Waste Advertising (£15,900) - Funding for waste initiatives achieved from separate budgets. Although budget not utilised in 2018-19, it will be required

moving forward as recycling credits reduce from 2019-20 onwards and CCS looks to develop its commercial service offering.

- Grounds Maintenance Contractor (£20,300) - The council is responsible for managing trees in its operating cemeteries and ten closed churchyards across the district. The trees are independently surveyed every two years and the resultant work completed in accordance with the surveyor's recommendations. The surveys completed last year were returned with less work than anticipated resulting in an underspend. However this budget is required on an annual basis due to the unpredictability of tree health and required work.
- Trade waste disposal costs (£50,000).  
New disposal contract for trade waste agreed by Cabinet in July 2018 and commenced in October 2018. £50,000 reflects the reduction in disposal cost per tonne from October 2018 to March 2019 as a result of the new contract which will continue into the next financial year. This budget has been reduced by £102,000 in 2019-20.

Additional Income totalling £235,100

- Street Cleaning income (dog bin emptying, hazardous waste, market waste) (£12,200) - This was due to an increase in fly tips containing hazardous waste where transport costs were covered by CDC and disposal costs recharged to WSCC. There was also an increase in bin supply and maintenance charged to Parish Councils.
- Recycling Credits (£33,300) - Additional income received in 2018-19 from the sale of recyclable material. Income is not guaranteed at the start of the year and is dependent on market value. It is expected that recycling credit income will reduce substantially over the coming years.
- Trade Waste income (£41,500) - Trade waste fees and charges were reviewed in 2018-19 driven by the need to offset increasing disposal costs. The majority of prices for 2019-20 have been frozen to ensure the service remains competitive.
- Domestic waste bin sales (£48,300) - Bin sales have exceeded budget owing to higher than expected development orders being placed as new housing sites are completed. In addition, a one off payment was received from the West Sussex Waste Partnership to cover the cost of bulk site bins to support the delivery of a Houses of Multiple Occupation recycling project completed in 2018-19. It should be noted that sale of domestic bins covers the costs associated with the bin purchase and delivery.
- Green Waste income (£99,800).- CCS has continued to focus on meeting the saving targets set out in the council's 5 year financial model for the Garden Recycling Service. Target has been exceeded owing to the additional promotional activity that took place in summer 2018-19 and continued ongoing promotion as part of the council's recycling action plan. Budget predictions for 2018-19 were cautious to account for any drop off in customer base where residents who had joined the service in the previous year using a promotional offer would subsequently cancel. However, this

has not happened and customer numbers have continued to rise this year.

- n. Staffing – a decrease in cost of £313,600  
Staff vacancy savings of £613,600 accrued across council services during the year. The largest vacancy savings were in Planning Policy (£88,500), Building Services (£96,500), Estates (£76,700), Economic Development (£58,900). This underspend was £313,600 more than the £300,000 vacancy saving built in the base budget.
- o. Compensation received – additional income of £100,000  
A compensation payment received in settlement of an overage clause relating to the disposal of a development site.
- p. Energy Costs– a decrease in cost of £99,500  
Across the whole authority energy costs are generally underspent. The largest underspends were at East Pallant House £8,800, The Novium £12,700, Contract Services Depot £11,200 and Plot 12 Terminus Road £14,000. Throughout 2019-20 energy costs will be monitored, and if this trend continues the budget will be reduced in 2020-21.
- q. Agreed items to be funded from the General Fund – an underspend of £88,000  
Cabinet approved the release of monies from the General Fund to finance Corporate Plan and other projects. These projects include Social Prescribing, Litter Fly Tipping Action Plan, member induction training, Midhurst and Selsey Visions, Old Bakery, Bracklesham Bay Land/Asset Opportunities, Shop Front Improvement Grant Scheme, and Air Quality monitoring. The unspent budget of some £88,000 across these projects will be rolled forward and made available in 2019-20 in order for these projects to be completed.
- r. Investment income – additional income of £72,600  
The original budget assumed an average return of 4% - this estimated return was exceeded for three of the four quarters in 2018-19 generating additional income of £72,600. Further details on investments are provided in the 2018-19 Treasury Outturn report.
- s. VAT on car park refunds at the leisure centre – additional income of £57,400  
It was identified during 2018-19 that the VAT element of car park refunds at the Westgate car park was being treated incorrectly. The variance relates to the correction for 2018-19 and for the previous two financial years.
- t. Taxi Licence income – additional income of £46,600  
The Licensing Team continues to experience a high demand for its services particularly in relation to the work of private hire driver licensing applications and delivery of associated in-house Knowledge tests. This has resulted in an increase of taxi related income. Resources associated with delivering the current quality of service are being considered and it is sustainable with the limited resource available.
- u. IT support agreements – a decrease in cost of £37,400  
This is not expected to be a recurring underspend and the amount offsets the unexpected overspend in the previous year.

- v. Write off of NNDR and Council Tax credits – a decrease in costs of £31,200  
Council tax and business rate accounts that are overpaid are monitored to ensure that all steps are taken to refund the account holder. If after a period of six years attempts to make a refund have failed these sums are transferred to the Council's general fund. An estimate of £30,000 is provided in the base budget for these transactions, but in 2018-19 the actual sum transferred was £61,220 (£12,771 business rates and £48,449 council tax).
- w. Estates Rechargeable Insurance income – additional income of £29,300  
In 2018-19 there was no income budget provided in the base budget for the reimbursement of insurance costs from tenants. This error will be corrected in the 2019-20 budget.
- x. Litter enforcement- additional income and budget underspend of £29,000  
This variance has occurred for the following reasons:
- the issuing of fixed penalty notices has generated a surplus of £14,500. This eighteen month trial period project has resulted in a greater number of fixed penalty notices being issued than was expected when the budget was estimated.
  - an accrual made in the 2017-18 accounts to allow for the payment of the March 2018 enforcement charge was over-estimated by some £8,000
  - an accrual of £6,500 to provide for the March 2019 enforcement charge in the 2018-19 accounts was omitted in error.
- y. Partnership funding not budgeted for – additional income of 27,500  
A budget to reflect the income due from partners to help fund the social prescribing project was omitted in error from the 2018-19 base budget.
- z. Revenues and Benefits court costs – additional income of £27,500  
The value of court costs awarded to the council as a result of legal action to recover council tax and business rates arrears exceeded the estimated budget. The actual sum awarded was £312,271 (£307,104 for council tax and £5,167 for business rates).
- aa. IT Infrastructure – a decrease in cost of £26,800  
A full review of operating models and costs for services and infrastructure is to be undertaken this year and budgets will be reduced where appropriate to meet the outstanding £97,000 efficiency savings target that is part of the deficit reduction programme.
- bb. Business rates on council owned property – a decrease in cost of £20,600  
The Council received a refund of £14,300 relating to business rates it had overpaid in previous financial years relating to the use of parking space at Rother College, Midhurst. In addition, a budget of £6,300 was not required for a property that has now been rented to an external organisation that is now responsible for paying the business rate charge.
- cc. East Pallant House service charge – additional income of £21,200  
Service Charge income received from external organisations renting areas of the Council headquarters that was not budgeted for in 2018-19. This recurring additional income was included in the 2019-20 budget.



dd. CCTV running costs— a decrease in costs of £20,300

Monitoring contractors (£6,100), Telecommunications (£6,200), Professional services (£8,000). These reductions in operational costs will be monitored in 2019-20 budget and if recurring will be reflected when the 2020-21 budget is prepared.