

1.0 General Fund

- 1.1 This quarterly monitoring report is prepared at a time where the Council's annual Service and Financial review process was also underway. The early outturn indication is a £129k of additional expenditure; however, further actions are taken to ensure the final outturn position is within the approved budget.

General Fund performance of the quarter is shown in the table below:

Department	Full Year Budget	Profiled Budget	Actual to 30th Sept 2018	Variance to date	Outturn
	£'000	£'000	£'000	£'000	£'000
SUMMARY					
Corporate Services	5,353	3,357	3,372	15	30
Service Delivery	5,180	27,704	27,706	2	(131)
Regeneration, Planning & Assets	(607)	606	619	13	66
Tourism & Enterprise Services	3,315	1,863	1,955	92	184
Contingencies, etc	(1,237)	(133)	-	133	267
Total Service Expenditure	12,004	33,397	33,652	255	416
Capital Financing and Interest	2,113	1,056	1,056	-	-
Contributions to/(from) Reserves	(620)	492	201	(291)	(287)
Net Expenditure	13,497	34,945	34,909	(36)	129

Service Details are shown at **Appendix 2**.

- 1.2 The position at the end of September shows a positive variance of £36k on net expenditure which is a movement of £48k compared to the position reported at the end of the first quarter in June.

Service expenditure has a variance of £416k mainly as a result of:

Development Control Fee additional income	(£30k)
Bandstand income	(£136k)
Building Control - reduced contract fee	(£33k)
Corporate Landlord income target shortfall and additional costs	£75k
Savings target for transitional posts to be delivered in 2019	£133k
One off items funded to be funded from reserves	£291k

- 1.3 The contingency currently stands at £148k which is available to fund one off areas of expenditure during the year. This is likely to be utilised to fund any overall outturn variance.
- 1.4 The projected outturn shows a variance of £129k. This variance is less than 1% of the net budget. Corporate Management Team (CMT) will be closely monitoring the expenditure and will be taking remedial action to ensure that expenditure is contained within the bottom line budget figure.

2.0 HRA

2.1 HRA performance of the quarter is as follows:

	Full Year Budget	Profiled Budget	Actual to 30 Sept 2018	Variance to date	Projected Outturn
	£'000	£'000	£'000	£'000	£'000
HRA					
Income	(15,301)	(7,844)	(7,824)	20	35
Expenditure	12,733	3,740	3,727	(13)	5
Capital Financing & Interest	1,924	-	-	-	-
Contribution to Reserves	500	-	-	-	-
Total HRA	(144)	(4,104)	(4,097)	7	40

There is a small negative variance of £7k for the quarter. A further breakdown is shown at **Appendix 3**.

3.0 Capital Expenditure

3.1 The detailed capital programme at **Appendix 4**, provides a summary of spend for quarter 2 compared to the revised allocation for 2018-19 and the total spend for each scheme as at end of September. The 2018-19 allocation has been revised to allow some re-profiling of schemes between 2018-19 and 2019-20. Brief comments are provided for each scheme and more detailed comments are provided below for larger schemes.

3.2 The Capital Programme for 2018-19 totals £54.1m compared to original Capital Programme approved in February 2018 of £50.4m. The changes to the Capital Programme are shown in the table below.

Summary of Capital Programme 2018/19 to 2021/22	2018-19 £'000	2019-20 £'000	2020-21 £'000	2021-22 £'000
Original Approved Budget at 7.2.18	50,394	36,073	14,775	
HRA - Fort Lane increase	102			
Re-profiled prior years	34,522			
EHIC Revolving Credit	65			
Devonshire Park	4,360			
Year end re-profiling	456			
DFG allocated to SHCC	(400)			
Bedfordwell Road - Pump House	3,000			
West Langney Gates & Signs	18			
Sovereign Centre		4,820		
EHIC - Loan Facility	2,500	2,500	2,500	2,500
Waste Fleet	1,600			
Crematorium Improvements (Main Chapel)	50			
JTP Allocation agreed Cabinet Oct 18	1,400			
Re-profiling mid -year	(43,235)	28,246	14,990	
RTB receipts applied 2017-18 for AH	(353)			
Devonshire Park Theatre – Toilet refurbishment	103			
Current Programme	54,582	71,639	32,265	2,500

3.3 Detailed comments on larger schemes:

Line No. ref CP	Comment
7	New Build Phase 2 – Sumach Close is complete. The scheme for Fort Lane is planned to start late in quarter 3. Contractual negotiations are in progress.
16	<p>DFGs - It anticipated that the total spend on adaptations will be in the region of 700k. A further 125k will be spent on the Occupational Therapist (OT) integration project in 18/19 and again in 19/20 with the intention to extend to 20/21 in line with the Better Care Fund. This project will Integrate OT's into the Council, to focus on the prevention agenda that cuts across housing, social care and inclusion and community healthcare. It will aim to provide a less bureaucratic and more efficient offer to the local population in relation to DFG's, minor adaptations; provision of equipment and Telecare and assessments for Housing Options.</p> <p>Additionally a new discretionary policy is being written for 2018-2020 for DFG's to deliver a greater range of financial assistance, including fast track hospital discharge and adapted Temporary Accommodation.</p>
20	Coast Defences Beach Management - Works started 22 October. Despite difficulties due to the stormy weather work is anticipated to be completed before Christmas.
23	Works in Terminus Road (east and west), Cornfield Road and Gildredge Road are progressing well. £50k has been set aside to deliver a Wayfinding Strategy for the Town Centre. Sites for all signs have been agreed and signs for first section of Town Centre Improvement Scheme are being manufactured. The balance due to ESCC is likely to be paid in 2019-20.
24	Sovereign Harbour Community Centre. Construction work is complete. Outstanding internal and external works have been agreed with the Project Manager. A licence has been granted to allow installation of a kitchen.
62	IT – Block Allocation - Significant investment is taking place this year in storage systems, additional server capacity and replacement laptops and mobile devices to replace ageing equipment purchased during the agile working programme in 2010/11. The full allocation for 2018-19 has been committed and the allocations for 2019-20 & 2020-21 have been brought forward into 2018-19.
65	EHIC Loans (Properties purchased from EBC) - Agreed facility of £4,173k to provide loans to purchase EBC properties. Two loans totalling £980k have been agreed of which £955k has been drawn down. The remaining facility of £2,958k is available for other properties to be identified. A loan of £235k relating to Northbourne Road was drawn down and subsequently repaid.
68	EHIC loans (Properties purchased on the open market) - Agreed facility of £15m to provide loans to purchase private properties. 20 loans totalling £3,923k have been agreed of which £2,567k has been drawn down. The remaining facility of £11,077k is available for other properties. This facility is currently allocated to various years. One loan for £365k has now been repaid.

72	Aspiration Homes LLP Loan – Agreed a facility of £10m to provide loans to build and refurbish properties. Two facilities totalling £4,524k have been approved and £988k has been drawn down. There is a remaining facility of £5,476k
73	Bedfordwell Road – Clear Futures are progressing the site scheme and Pump House wind and water tight works. Remediation and well filling works are due to restart soon.
74	Hampden Retail Park Refurbishment – project is underway and the construction contractor has been appointed. The scheme has now had planning consent, but there are some last minute details to resolve prior to works commencing in Q4.
76	JTP Programme - This scheme is the subject of regular update reports to Cabinet. Additional allocation of £1.4m was agreed by Cabinet on 24.10.18; £700k relates to Eastbourne and £700k relates to Lewes.
79	Devonshire Park Development. The scheme is moving to completion with The Locker Room and bulk of the tennis court works complete. The Congress Theatre and associated landscaping will reopen in March 2019, followed soon after by the Welcome Building. The works to the Winter Garden will commence in 2019 and are currently anticipated to take some 9-12 months depending on the final scope.
91	Wish Tower Restaurant – design almost finalised; expecting stage 2 report from Clear Futures soon. Cost will exceed the current allocated budget and will be the subject of a separate Cabinet report.

4.0 Collection Fund

4.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities. The Collection fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
Balance B/fwd 1.4.18	(1,267)	3,522
(Deficit recovery)/Surplus distributed	1,378	(2,969)
Debit due for year	(65,741)	(35,449)
Payments to preceptors	64,919	36,314
Allowance for cost of collection		128
Transitional Relief		(50)
Allowance for appeals		343
Write offs and provision for bad debts	255	(199)
Estimated balance 31.3.19	(456)	1,640
Allocated to:		
CLG	-	820
East Sussex County Council	(336)	148
Eastbourne Borough Council	(58)	656
Sussex Police	(40)	-
East Sussex Fire & Rescue	(22)	16
	(456)	1,640

- 4.2 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different bases under regulations. The distributions for the estimated balance calculated at quarter 3 will be made in 2018/20. Any changes in quarter 4 will be made in 2020/21.
- 4.3 Council Tax performance is predicted to be a £0.5m surplus for the year. As the aim of the collection fund is to break even the surplus represents an overachievement of £0.6m for the year. This is due to the result of a combination of factors including better performance against the collection allowance forecast within the Council Tax base. The estimated balance as at 31.3.19 represents 0.7% of the gross debit.
- 4.4 The predicted Business Rate deficit of £1.6m for the year represents an in year underachievement from business rate income of £1m. There continues to be a significant risk associated with business rate income, with more than 117 appeals still outstanding against the 2010 rating list remaining to be settled with a total rateable value of £13.1m.
- 4.5 There is also a continued uncertainty over the number of appeals against the 2017 rating list received by the Valuation Office. Limited information is available on these appeals, therefore until more detail is known and evaluated an estimate has been calculated based on the previous appeals experience.
- 4.6 The estimated deficit balance as at 31.3.19 represents 4.63% of the total debit for the year.

5.0 Treasury Management

- 5.1 The Annual Treasury Management and Prudential Indicators were approved by Cabinet and Council in February.

5.2 Economic Background

- 5.3 The Chancellor presented his Autumn budget on Monday 29 October; he announced that public finance has reached a turning point and that since 2009-2010 the deficit has fallen by four-fifths, from 9.9% to 1.9%. Public debt peaked in 2016-17 and is now falling. Next year the deficit is expected to be below 1.4% of GDP and there is a buoyant outlook for employment which in turn, will have a positive effect on the underlying fiscal position. Amongst various funding announcements for local authorities it is the lifting of the debt cap for the Housing Revenue Account which potentially will have an impact for Treasury Management activities.
- 5.4 UK quarter 3 GDP seems set to maintain quarterly growth of 0.4%, however there are possibilities for greater strength as official data indicates that the rolling three month GDP growth to July was 0.6% which was 17 month high. The CBI suggests that retail sales did indeed remain healthy in September, but this has not been reflected in the high street, where many retailers are now struggling.

5.4 Interest Rate Forecast

On 2nd August the MPC increased Bank Rate by 0.25% to 0.75%.

Link Asset Services forecasts Base Rate increase to 1.00% during Q3 2019, followed by a further 0.25% increase during Q2 2020.

5.5 Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2018/19 which includes the Annual Investment strategy, was approved by Council on 7 February 2018. It sets out the Council's investment priorities as being :

- Security of Capital;
- Liquidity;
- Yield.

A full list of short term investments held as at 30 September 2018 is shown in the table below:

Counterparty	Amount £	Interest Rate %	Maturity
Santander	5,000,000	0.50	Call

In addition, a sum of £1m is invested with Lloyds Bank at a rate of 3.03% maturing on 23.1.19. This investment is held as part of the LAMS scheme.

Approved limits within the Annual Investment Strategy were not breached during the quarter ending 30 September 2018, except for the balance held with Lloyds Bank, which exceeded the £10m limit for 1 day during the quarter.

Investment rates available in the market have continued at historically low levels. Investment funds are available on a temporary basis and arise mainly from the timing of the precept payments, receipts of grants and the progress of the capital programme.

5.6 Investment performance for the quarter ending 30 June 2018 is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7 day LIBID	0.43%	0.48%	£17,757

The Council outperformed the benchmark by 0.05%. The budgeted investment returns for 2018/19 is £50k. Due to cash flow requirements and current low interest rates, investments held are at minimum and it is unlikely that this budget will be achieved.

The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest payable on loans and investment income.

5.7 Borrowing

The following loans were taken during the quarter:

New Short Term Borrowing				
Start Date	Counterparty	Amount	Interest Rate %	End Date
15-Aug-18	Derbyshire CC Pension Fund	£5,000,000	0.80	15-Nov-18
20-Aug-18	Barnsley Metropolitan Council	£3,000,000	0.75	20-Nov-18
Total		£8,000,000		
Less Short Term Borrowing Repaid				
Repayment Date	Counterparty	Amount	Interest Rate	No of Days
15-Aug-18	London Bor Brent Pension Fund	- £5,000,000	0.55	92
20-Aug-18	Vale of Glamorgan CC	- £3,000,000	0.70	182
Net New Short Term Borrowing during quarter		£0		

Cash flow predictions indicate that further borrowing will be required in the next quarter, depending on the timing of capital expenditure. The exact timing and nature of this borrowing will be considered at that time in light of prevailing interest rates.

5.8 Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the quarter to 30 September 2018 the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices, except for a temporary balance exceeding limits with Lloyds Bank.