

Part B

Financial Performance Outturn 2018/19

1.0 General Fund

- 1.1 The General Fund is the main revenue fund of the Council and covers day to day expenditure and related income on all services. The Council set its Budget Requirement at £13.05m (amount to be funded by Government Grant, Council Tax and Business Rates). The Council set a Band D Council Tax for 2018/19 of £239.67, being a 2.9% percent increase over 2017/18.

A summary of the General Fund position is shown below in the format used for management accounting and reported to Members throughout the year:

General Fund	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Corporate Services	5,330	3,398	2,518	(880)
Service Delivery	5,621	4,828	5,074	246
Regeneration and Planning	(622)	412	946	534
Tourism and Enterprise	3,597	3,627	3,752	125
Other Operating Income and Expenditure	(1,342)	(336)	-	336
Service Total	12,584	11,929	12,290	361
Capital Financing Costs	2,025	2,063	1,692	(371)
Total Expenditure	14,609	13,992	13,982	(10)
Transfer from General Fund Balance	(1,562)	(883)	(1,226)	(343)
Budget Requirement	13,047	13,109	12,756	(353)
Council Tax	(8,413)	(8,413)	(8,413)	-
Business Rates	(3,654)	(3,654)	(3,321)	333
Government Grants	(980)	(1,042)	(1,022)	20
Total Funding	(13,047)	(13,109)	(12,756)	353

The General Fund Revenue outturn is a surplus of £353,000 against the revised budget. When the budget was originally set in February 2018 the Council estimated it would need to make a contribution of £1,562,000 from the General Fund Reserve in order to balance the budget. The actual contribution was £1,226,000.

As a result of this movement the General Fund Balance as at 31 March 2019 was £3.132m.

- 1.2 The table at **Appendix 3** shows the Council's financial outturn compared to the agreed budget at service level.
- 1.3 The main variances between the revised budget and actual net expenditure are detailed below:

Analysis of Major Variances	£000
Increase in homelessness demand costs	663
Corporate landlord expenditure on necessary works to properties	359
Re-profiling of the in-year savings and some transitional costs	336
Business Rates section 31 grant income lower than estimated	333
Pensions costs for Leisure staff transferred to Serco	163
Contribution from Reserves	300
Contribution received from grant reallocation	(1,100)
Interest payments lower than budget due to continued low interest rates, together with additional interest earnings on advances made	(371)
Recovery of associated costs with WEL	(250)
Additional income from Solarbourne	(81)

- 1.4 Any future financial implications arising from the variances will be taken into account as part of the Service and Financial Planning process.
- 1.5 The General Fund summary figures include the transfers to and from reserves as shown in **Appendix 4**. These transfers reflect items previously agreed, or where the principle of a transfer from reserves had been established as part of the overall budget strategy.
- 1.6 The balances as at 31st March 2019 for usable General Fund revenue reserves are as follows:

Reserve	31.3.19 £'000
General Fund	3,132
Repairs and Maintenance (Capital Programme) Reserve	846
Regeneration Reserve	523
Devonshire Park Reserve	1,488
Earmarked Reserves	506
Strategic Change Reserve	198
Revenue Grants Reserve	952

2.0 Housing Revenue Account (HRA)

- 2.1 For 2018/19 the HRA net position shows an overall surplus of £251,000 for the year against an expected budgeted surplus of £119,000 resulting in a favourable variance of £132,000.

The following table compares movement in the HRA Balance from the budget to the outturn for 2018/19:

HRA	Original Budget £000	Revised Budget £000	Actual £000	Variance £000
Income	(15,332)	(15,392)	(15,720)	(328)
Expenditure	12,716	12,801	13,113	312
Capital Financing & Interest	1,972	1,972	1,856	(116)
Contribution to Reserves	500	500	500	-
Total HRA	(144)	(119)	(251)	(132)

2.2 The main variances between the revised budget and the actual net expenditure are savings of £65k due to take up of the under occupation scheme and £66k due to average interest rates being lower than budgeted.

2.3 The balances as at 31st March 2019 on the usable HRA reserves are as follows:

Reserve	31.3.19 £'000
HRA	5,188
Housing Regeneration and Investment Reserve	2,883
Major Repairs Reserve	510

3.0 Capital Expenditure

3.1 A summary of capital expenditure for the year is shown in **Appendix 5**.

3.2 The Council's capital programme spending in the year was £45.3m, compared with a revised budget of £55.8m.

3.3 Where schemes are being delivered over more than one year the programme has been re-profiled. Members are asked to approve the re-profiled programme for 2019/20.

3.4 The Capital Programme for 2019/20 totals £80.2m compared to Capital Programme approved in February 2019 of £70.6m. The changes to the Capital Programme are shown in the table below.

The change to the capital programme of £9.6m is made up as follows:

- Re-profiling between years - £9.1m
- Construction Hub scheme - £487,000. Funded by a contribution from East Sussex College
- Beach Huts at Holywell - £85,000 funded from an insurance claim.

3.5 Detailed comments on larger schemes:

Line No.	Comment
2	Major Works – spend was £168k less than originally estimated due to works being completed later to due to adverse weather conditions.
13	Disabled Facilities Grants – planned works were completed. £912k of grant was returned to ESCC
21	Sovereign Harbour Community Centre - Works on site are completed and management of the Centre was transferred to Wave leisure on 1 st April.
33	Waste Fleet Procurement – a loan of £1.6m has been agreed to enable South East Environmental Services Ltd (SEESL) to purchase waste vehicles and IT. An initial payment of £98k has been made and the balance will be in 2019-20
54	IT – Block Allocation - Significant investment has taken place this. All the 2018/19 allocation was spent and the allocation for 2020/21 was re-profiled and spent in 2018/19.
57	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 £940k has been drawn down. The remaining facility is available for other properties to be identified.
58	EHIC loans (Properties purchased on the open market) - Agreed facility of £15m to provide loans to purchase private properties. 25 loans totalling £4,951k have been agreed of which £3,902k has been drawn down. The remaining facility of £10,049k is available for other properties.
62	Aspiration Homes LLP Loan – Agreed a facility of £10m to provide loans to build and refurbish properties. Three loans totalling £4,001k have been agreed and £965k of the loans was drawn down. The balance of the loan is available for drawdown as required. The remaining facility of £8.4m is available for new schemes being considered
63	Bedfordwell Road – Land was purchased in 2016/17. This is the subject of separate Cabinet reports. Cabinet agreed an additional allocation of £3m in May 2018 to works to the Pump House. Works are

	being planned.
64	Construction Hub – East Sussex College is working in partnership with the Council and with a contribution of £478k to acquire and install mobile units at the Bedfordwell Road site to provide on site training to students.
65	Hampden Park Retail Refurbishment – Works costs to be finalised. Tenant meetings taking place with further meetings to be scheduled to discuss works and costs.
69	JTP Programme – the Programme is progressing well with the remaining allocation of £1.3m to be spent in 2019-20
72	Devonshire Park Redevelopment - Progress currently as per construction programme agreed in main contract. Congress Theatre opened for its first show at the end of March 2019. The Welcome Building was completed and handed over early 2019-20. This is the subject of a separate Cabinet report.
86	Wish Tower Restaurant – Works are in progress with expected completion due 2019-20.

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.

4.2 The Collection Fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
Balance B/fwd 1.4.18 (Deficit recovery)/Surplus distributed	(1,267) 1,377	3,521 (2,969)
Debit due for year	(65,837)	(34,526)
Payments to preceptors	64,919	36,313
Allowance for cost of collection		129
Transitional Relief		(574)
Allowance for appeals		312
Write offs and provision for bad debts	448	52
Balance 31.3.19	(360)	2,258
Allocated to:		
MHCLG	-	1,129
East Sussex County Council	(265)	203
Eastbourne Borough Council	(46)	903
Sussex Police	(32)	-
East Sussex Fire & Rescue	(17)	23
	(360)	2,258

- 4.3 The overall Collection Fund is showing a deficit of £1.898m (Council tax surplus (£0.360m) and Business Rates deficit £2.258m) as at 31 March 2019 (compared to a deficit of £2.254m as at 31 March 2018). Collection Fund surpluses or deficits declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. The January 2019 forecast surplus for the Council Tax element of the fund of £0.466m will be distributed to precepting bodies pro rata to their Band D Council Tax during 2019/20 leaving a balance of £0.098m, to be recovered in 2020/21. This Council's share as at 31 March 2019 was £0.046m. The forecast deficit for the Business Rate element of the fund was £1.827m, which will be collected from preceptors in proportion to their share of the business rate income during 2019/20 leaving a balance of £0.431m to be collected in 2020/21. This Council's share as at 31 March 2019 was £0.505m.
- 4.4 During 2018/19 the Council worked within a Business Rate Pool with the other East Sussex Borough and District Councils, East Sussex County Council and East Sussex Fire Authority. Under this arrangement, 50% of any growth in business rate income which would otherwise be paid as levy to the Government can be retained by the Pool to be redistributed to its participating authorities in accordance with an agreed memorandum of understanding.
- 4.5 The government continues to work towards transferring control to local authorities over the locally generation business rate income. In December 2017, the government announced the aim of increasing the level of business rates retained by local government from the current 50% to the equivalent of 75% in April 2020. In order to test increased business rates retention and aid understanding of how to transition into a reformed business rates retention system in April 2020, the government invited local authorities in England to apply to become 75% business rates retention pilots in 2019/20. The East Sussex Pool became one of the pilot pools for 2019/20.

5.0 Treasury Management

- 5.1 In accordance with legislation and codes of practice the council is required to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2018/19. The Treasury Management Annual Report 2018/19 is being considered as a separate report on this agenda.

6.0 Statement of Accounts 2018/19

- 6.1 The Accounts and Audit Regulations 2015 require the Council to formally approve and publish its Statements for the financial year ending 31 March 2018 by 31 July 2018. The draft statement is available on the Council's Website and copies can be obtained from Financial Services.
- 6.2 It is the Chief Financial Officer's (CFO) responsibility to ensure the preparation of the Statement is in accordance with the CIPFA/LASAAC Code

of Practice on Local Authority Accounting in the United Kingdom (the Code). The CFO is also responsible for certifying that the accounts represent a true and fair view of the authority's financial position at 31 March.

- 6.3 The external auditor (Deloitte) commenced work on 3rd June and the accounts are open for public inspection between 1 June and 12 July 2019. All queries and questions to the Auditor must be put in writing and sent directly to Deloitte's offices.