

Body: Scrutiny

Date: 14 September 2020

Subject: Provisional revenue and capital outturn 2019/20

Report of: Chief Finance Officer

Cabinet member: Councillor Stephen Holt, Cabinet member for financial services

Ward(s): All

Purpose of the report: To update Members on provisional outturn for 2019/20.

Decision type: Key

Recommendation: Scrutiny is recommended to :

i) Note the provisional outturn for 2019/20.

Reasons for recommendations: To enable the Scrutiny Committee to consider and comment on the Council's financial performance for 2019/20.

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1.0 Background

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. The Statement of Accounts were completed and signed off by the Chief Finance Officer on 27th July 2020. The audit of accounts by Deloitte LLP is currently underway and for information the draft Statement itself is freely available on the Council's website.
- 1.2 This report provides Cabinet with an update on the provisional outturn and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall.

2.0 Provisional Revenue Outturn: Summary

- 2.1 A summary of the revenue outturn position for the main service accounts of the Authority is set out below.

	Revised Budget Position £000's	Provisional Outturn £000's	(Under) / Overspend £000's
Housing Revenue Account (HRA)	608	64	(544)
General Fund	13,342	13,342	-

3.0 Housing Revenue Account (HRA)

3.1 The Housing Revenue Account was underspent in last year by approximately £544K when compared to the revised budget.

3.2 A summary of the HRA provisional outturn is included at **Appendix A**.

3.3 Discounting any notional and presentational variances, the main variances are as follows:

	Variance £000's
Reduced revenue funding of capital expenditure	(680)
Reduced contribution to bad debt provision	(226)
Reduction in supervision and management costs	(76)
Underspend on under occupation incentives	(57)
Net increase in gross income	30
Additional depreciation charges	66
Increased contribution to earmarked reserves	379
Other minor variances	20
Total Variances	(544)

4.0 General Fund

4.1 Revenue Outturn

4.1.1 The 2019/20 financial year saw significant challenges in the last month with the impact of Covid-19 pandemic and associated lockdown. This has had an impact on the outturn position as a result of additional emergency spending and losses of income across many service areas. Income was down some £250k on the previous year in March.

4.1.2 Overall net expenditure was £253k above the revised estimate which has been met from additional transfers from reserves. Details of key variances are set out in 4.1.3.

General Fund	Original Budget	Revised Budget	Actual	Variance
	£000's	£000's	£000's	£000's
Corporate Services	4,764	4,672	4,221	(451)
Service Delivery	4,947	5,492	5,016	(476)
Regeneration and Planning	(298)	312	803	491
Tourism and Enterprise	3,496	4,349	4,320	29
Other Income and Expenditure	151	151	0	(151)
Service Total	13,060	14,976	14,360	(616)
Capital Financing	1,763	530	1,382	852
Total Expenditure	14,823	15,506	15,742	236
Transfers to/(from) Reserves	(1,277)	(2,164)	(2,400)	(236)
Budget Requirement	13,546	13,342	13,342	0
Council Tax	(8,637)	(8,637)	(8,637)	0
Business Rates	(4,594)	(4,313)	(4,313)	0
Government Grants	(315)	(392)	(392)	0
Total Funding	(13,546)	(13,342)	(13,342)	0

4.1.3 The main variances are also set out in the following table.

Analysis of Major Variances	Variance £000's
Corporate Services	
ICT net savings	(223)
ICE Income	(197)
Doro Income	(166)
Insurance savings	(83)
Elections (funded from General Fund Reserve)	110
Treasury Management – additional brokerage and commission costs, plus reduced interest charged to HRA	45
Additional Pension costs	25
Net Covid-19 direct costs	21
Service Delivery	
Additional transfer from EHL	(275)
Housing Benefits – overall net credit against revised estimate	(263)
Customer Contract Team savings (mainly staffing)	(119)
Car Parking – net additional income and underspend on equipment	(65)
Crematoria – income shortfall against revised estimate	59
Neighbourhood First Team – additional staffing costs following transfer of Facilities Team from Estates (see saving below)	74
Deposit Loan Scheme – increase in bad debt provision required	34

DFG Funding Reallocation – increased applications processed in respect of DFG’s resulting in reduced funding	85
Regeneration & Planning	
Estates & Property – reduced operational building costs and staff savings following the transfer of the Facilities Team to Neighbourhood First	(147)
Investment Properties – reduced rental income, £200K of which relates to Victoria Mansions	324
Development Control - increased agency costs	133
Housing Delivery Team – shortfall on cost recovery linked to delays on housing capital schemes	189
Tourism & Enterprise	
Events – net saving on staffing and other expenses	(145)
Heritage and TIC’s net underspending	(92)
Sports Delivery contract savings	(85)
Catering – additional cost and under achievement on income targets	148
Seafront – shortfalls in income and increased wages costs	139
Capital Financing	
Investment Income – Additional interest generated	(212)
External Interest Payments (see 4.1.5 below)	1,383
Capital Financing – reduced minimum revenue provision & revenue funding of capital	(319)
Transfers to/(from) Reserves – See section 4.2 for details	
Additional transfers to /(from) Reserves	(236)
Other minor net overspends	104

4.1.4 One of the main variances within capital financing relates to increased borrowing costs of £1.383M. The additional costs were originally budgeted to be met from additional income from the investments associated with the schemes funded from borrowing. However, due to the negative impact of the economic downturn the planned income was not generated resulting in an additional cost to the Council.

4.1.5 The initial direct cost of Covid-19 for food parcels, additional staff costs, equipment etc came to £85K and was partly offset by the £64K Government grant. However, the impact is being felt more severely in 2020/21, which is seeing an increase in direct costs as well as significant reductions in income.

4.1.6 The impact of ongoing under and over spending will be factored into the forthcoming review of the Medium Term Financial Strategy, which will also take into account the on-going impact of the Covid-19 pandemic and lockdown.

4.2 Reserves

4.2.1 In closing the accounts for last year the Council’s reserves have been reviewed and the transfers to and from each reserve is set out in the table below.

Summary	01 April 2019 £000's	Transfers (In)/Out £000's	31 March 2020 £000's
General Fund Earmarked Reserve	(506)	506	0
Strategic Change Reserve	(198)	(46)	(244)
Capital Programme Reserve	(345)	9	(336)
Commercial Reserve	0	(250)	(250)
Revenue Grants Reserve	(952)	338	(614)
SHEP Properties Works Reserve	(1)	0	(1)
Total Earmarked Reserves	(2,002)	557	(1,445)
General Fund Reserve	(5,553)	3,528	(2,025)
ICE Reserve	0	(1,750)	(1,750)
Total Reserves	(7,555)	2,335	(5,220)

4.2.2 The transfers to and from earmarked reserves reflect their use in supporting service delivery or the use of grants previously received for specific service activity. The main transfers are as follows:

- **General Fund Earmarked Reserve** - £545K has been consolidated into the main General Fund Reserve, after contributions in or (£39K).
- **Strategic Change Reserve** – net contribution into the reserve of (£46K).
- **ICE Reserve** – (£2M) transferred from the General Fund Reserve and £250K drawn down to revenue.
- **Commercial Reserve** – (£250K) transfer into a new Commercial reserve to provide future financial resilience for the Council's companies.
- **Revenue Grants Reserve** - £338K transferred to revenue to cover additional costs relating to welfare services and tourism services.
- **General Fund Reserve** - £2M transferred into the ICE reserve, £1.727M budgeted transfer to fund one-off growth items and £110K to fund district elections. Offset by (£545K) transferred from the General Fund Earmarked Reserve and a transfer back to revenue of £236k to offset the additional net cost for the year.

4.2.3 The transfer of £318K from the non-earmarked reserve relates to the funding of compensation payments in respects of CPO's on the town centre retail development.

5 Collection Fund

5.1 The Collection Fund deals with local taxation matters and as such, its

performance has a direct bearing on General Fund services. For this reason, a high level review of its outturn is presented for Members' information.

5.1.1 The Collection Fund for the year is as follows:

	Council Tax	Business Rates
	£000's	£000's
Balance B/fwd 01 April 2019	(360)	2,258
(Deficit recovery)/Surplus distributed	456	(1,827)
Debit due for year	(69,114)	(36,272)
Payments to preceptors	68,319	35,154
Allowance for cost of collection	-	129
Transitional Relief	-	(412)
Allowance for appeals	-	364
Write offs and provision for bad debts	491	937
Balance 31 March 2020	(208)	331
Allocated to:		
MHCLG	-	83
East Sussex County Council	(151)	86
Eastbourne Borough Council	(27)	146
Sussex Police	(20)	-
East Sussex Fire & Rescue	(10)	16
	(208)	331

5.2 The overall Collection Fund is showing a deficit of £123K (Council tax surplus (£208K) and Business Rates deficit £331K) as at 31 March 2020 (compared to a deficit of £1.898M as at 31 March 2019). 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 2020 forecast surplus for the Council Tax element of the fund of £481K will be distributed to precepting bodies pro rata to their Band D Council Tax during 2020/21 leaving a deficit of £273K to be recovered. This Council's share as at 31 March 2020 was £27K. The forecast deficit for the Business Rate element of the fund was £73K, which will be collected from preceptors in proportion to their share of the business rate income during 2020/21 leaving a balance of £258K to be collected in 2021/22. This Council's share as at 31 March 2020 was £146K.

5.3 It should be noted that as part of the Government's response to the Covid-19 pandemic and the impact it is having on Local Government finances, it is proposing three year phasing of 2020/21 collection fund deficits. This means that repayments to meet collection fund deficits accrued in 2020/21 will instead be phased over a three year period (2021/22 to 2023/24) to ease immediate pressures on budgets. This will be factored into the calculations to determine the Collection Fund surplus/deficit position in December/January.

6 Capital Outturn

6.1 **Appendix B** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

2019/20 Capital Programme Summary	Original Estimate	Revised Estimate	Actual	Variance
	£000's	£000's	£000's	£000's
HRA	5,633	6,545	4,529	(2,016)
Community Services	7,222	3,808	3,260	(548)
Tourism & Leisure	12,655	2,485	752	(1,733)
Corporate & Core Services	43,440	19,768	17,469	(2,299)
Asset Management	2,994	7,058	6,249	(809)
Grant Funded Schemes	0	498	1,115	617
Total Programme	71,944	40,162	33,374	(6,788)
Financed By:-				
Capital Receipts HRA	1,300	455	91	(364)
1-4-1 RTB Receipts	998	1,705	1,201	(504)
Capital Receipts GF	1,196	862	1,890	1,028
Grants and Contributions	8,162	3,054	2,516	(538)
Major Repairs Reserve	4,333	5,298	4,334	(964)
Revenue Contribution to Capital	491	1,135	0	(1,135)
Reserves	0	0	9	9
Section 106 Contributions	27	0	0	0
GF Borrowing (Committed)	29,041	27,653	23,333	(4,320)
GF Borrowing (Uncommitted)	26,396	0	0	0
Total Financing	71,944	40,162	33,374	(6,788)

6.2 The Council's capital programme spending in the year was £33.374M, compared with a revised budget of £40.162M, giving a net underspend of £6.788M. Comments on the key variances are also included in Appendix B.

7.0 Treasury Management

7.1 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 2019/20. The Treasury Management Annual Report 2019/20 is being considered as a separate report on this agenda.

8.0 Conclusion

- 8.1 This report provides an overview of financial performance for 2019/20. All figures are provisional and subject to the audit of the Council's accounts.
- 8.2 The General Fund total expenditure, before reserves transfers, was £236k above the revised estimate, around 1.5% of the net budget (2.7% under for 2018/19).
- 8.3 The HRA delivered an overall underspending of £544K around 3.6% of turnover (1.6% for 2018/19). The HRA balance is in line with the expectation and is sufficiently robust to support the housing self-financing 30 year business plan.
- 8.4 Capital expenditure is £6.788M lower than the revised estimate.
- 8.5 The Collection Fund forecast for Council Tax is indicating a surplus of £208K and a deficit for Business Rates of £331K. This will be allocated to or collected from preceptors during 2020/21 and 2021/22.

9.0 Financial Implications

- 9.1 As set out in the body of the report.

10.0 Legal implications

- 10.1 There are no legal implications arising directly from this report.

11.0 Risk management implications

- 11.1 There are no risk management implications arising directly from this report.

12.0 Equality analysis

- 12.1 There are no equality implication arising directly from this report.

13.0 Environmental sustainability implications

- 13.1 There are no environmental sustainability implications arising directly from this report.

Appendices

Appendix A – HRA Outturn

Appendix B – Capital Programme Outturn

Background Papers:

None