

**Body:** Cabinet

**Date:** 24 September 2020

**Subject:** Provisional Revenue and Capital Outturn 2019/20

**Report of:** Chief Finance Officer

**Cabinet member:** Councillor Zoe Nicholson (Cabinet Member Holder for Financial Services)

**Ward(s):** All

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

**Decision type:** Key

**Recommendation:** Cabinet is recommended to :

- i) Endorse the provisional outturn for 2019/20.
- ii) Approve the transfers from/to reserves as set out in section 3.2.

**Reasons for recommendations:** To enable Cabinet members to consider specific aspects of 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. At the time of writing, the Statement of Accounts were still to be completed and signed off by the Chief Finance Officer. This is therefore a provisional outturn position and is subject to the accounts being finalised and subsequently audited.

1.2 This report provides Cabinet with an update on the provisional outturn, including treasury management, and seeks endorsement for certain matters. The Council's financial performance is integral to its service performance overall.

## **2.0 Housing Revenue Account (HRA)**

2.1 The Housing Revenue Account was underspent in last year by £86K. However, this is a £410K shortfall against the revised budget projected underspend of (£496K).

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

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

	Variance £000's
Council Housing rental income down	374
Supervision and Management costs	200
Corporate and Democratic Core Recharge	(180)
Other net variances	16
<b>Total Variances</b>	<b>410</b>

### 3.0 General Fund

#### 3.1 Revenue Outturn

3.1.1 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.

3.1.2 However, despite this there is still a net underspending of £29K for the year after allowing for various year-end adjustments. A summary statement is shown in the following table.

General Fund	Original Budget	Revised Budget	Actual	Variance
	£000's	£000's	£000's	£000's
Corporate Services	5,159	4,077	3,658	(419)
Service Delivery	6,883	6,888	7,202	314
Regeneration and Planning	12	155	546	391
Tourism and Enterprise	439	666	591	(75)
<b>Service Total</b>	<b>12,493</b>	<b>11,786</b>	<b>11,997</b>	<b>211</b>
Capital Financing & Interest	0	150	72	(78)
<b>Total Expenditure</b>	<b>12,493</b>	<b>11,936</b>	<b>12,069</b>	<b>133</b>
Transfer to/(from) Reserves	964	608	(31)	(639)
Transfer to General Fund Reserve - Underspend	0	964	993	29
Transfer to General Fund Reserve – from EZ Reserve	0	0	534	534
<b>Budget Requirement</b>	<b>13,457</b>	<b>13,508</b>	<b>13,565</b>	<b>57</b>
Council Tax	(7,578)	(7,578)	(7,578)	-
Business Rates	(5,040)	(5,091)	(5,088)	3
Government Grants	(839)	(839)	(899)	(60)
<b>Total Funding</b>	<b>(13,457)</b>	<b>(13,508)</b>	<b>(13,567)</b>	<b>(57)</b>

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

<b>Analysis of Major Variances</b>	<b>Variance £000's</b>
<b>Corporate Services</b>	
Legal Services – increased recharges to capital/Eastbourne BC	(260)
Use of Covid-19 Grant income	(150)
<b>Service Delivery</b>	
Homes First – additional recharges to HRA	(89)
Waste & Recycling – additional income & underspending	(168)
Rent Allowances / Rebates – increased costs re unrecoverable elements	809
Licensing – net additional income	(70)
Revenues – underspend on NHB/PD review	(64)
Building Control – reduced income	68
Flood Defences – reduced contribution to capital expenditure	(129)
<b>Regeneration &amp; Planning</b>	
Regeneration – North Street Quarter business rates	123
Planning Policy – increased spend on Local Plan	115
Planning Fees – increased development fee income/CIL income	(201)
Corporate Landlord – reduced rental income/business rates/Solar Trading	396
Facilities Management – reduced operational spend	(115)
<b>Tourism &amp; Enterprise</b>	
Tourism – reduced leisure contract costs	(69)
<b>Capital Financing &amp; Interest</b>	
Increased Investment & Interest Income	(171)
Increased capital financing costs	82
<b>Reserves</b>	
Net Transfer to/(from) Reserves	(76)
<b>Other</b>	
Other net variances	(60)
<b>Total Net Underspend</b>	<b>(29)</b>

3.1.4 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.

## 3.2 Reserves

3.2.1 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.

<b>Reserves Summary</b>	<b>01 April 2019 £000's</b>	<b>Transfers (In)/Out to Revenue £000's</b>	<b>Transfers (In)/Out to Capital £000's</b>	<b>31 March 2020 £000's</b>
Asset Maintenance	(2,716)	55	461	(2,200)
Economic Regeneration	(1,124)	(542)	-	(1,666)
Managing In-Year Economic Downturn	0	(296)	-	(296)
Revenue Grants & Contributions	(468)	(35)	-	(503)
Strategic Change	(1,969)	412	292	(1,265)
Vehicle & Equipment Replacement	(1,132)	-	381	(751)
<b>Total Earmarked Reserves</b>	<b>(7,409)</b>	<b>(406)</b>	<b>1,134</b>	<b>(6,681)</b>
General Fund Reserve	(1,898)	(1,527)	-	(3,425)
<b>Total Reserves</b>	<b>(9,307)</b>	<b>(1,933)</b>	<b>1,134</b>	<b>(10,106)</b>

3.2.2 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:

- **Asset Maintenance** - £55K transferred to revenue to fund maintenance costs, and £461K transferred to capital for asset management schemes.
- **Economic Regeneration** - £814K transfer in re Newhaven EZ business rates, £534K transferred to General Fund Reserve in relation to prior years spend on Newhaven EZ. £262K transferred in from the balance of funding received in respect of Future High Streets Fund and Newhaven Town Deal.
- **Managing In-Year Economic Downturn** – budgeted transfer in of £296K.
- **Revenue Grants and Contributions** - £121K of new grants and contributions transferred in, and £86K transferred out to cover additional costs mainly relating to homelessness and other welfare costs.
- **Strategic Changes** – budgeted transfers out of £173K, and additional net transfers out of £531K. These mainly relating to JTP, district elections, an energy feasibility study and housing condition survey.
- **Vehicle and Equipment Replacement** – budgeted transfers out of £381K in respect of capital schemes for IT initiatives and vehicle replacements.
- **General Fund Reserve** – net budgeted transfer in of £964K and additional transfers in of £534K from the Economic Regeneration Reserves and £29K underspend for the year.

## 4 Collection Fund

4.1 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.

4.1.1 The Collection Fund for the year is as follows:

	<b>Council Tax</b>	<b>Business Rates</b>
	<b>£000's</b>	<b>£000's</b>
<b>Balance B/fwd 01 April 2019</b>	<b>(34)</b>	<b>(105)</b>
(Deficit recovery)/Surplus distributed	391	225
Debit due for year	(75,932)	(25,470)
Payments to preceptors	74,415	24,855
Allowance for cost of collection	-	138
Transitional Relief	-	(326)
Designated Areas	-	325
Allowance for appeals	-	(1,280)
Write offs and provision for bad debts	222	183
<b>Balance 31 March 2020</b>	<b>(938)</b>	<b>(1,455)</b>
Allocated to:		
MHCLG	-	(364)
East Sussex County Council	(637)	(378)
Lewes District Council	(137)	(640)
Sussex Police	(89)	-
East Sussex Fire & Rescue	(41)	(73)
<b>Total Allocation</b>	<b>(904)</b>	<b>(1,350)</b>

4.2 The overall Collection Fund is showing a surplus of £2.393M (Council tax surplus (£938K) and Business Rates surplus £1.455M) as at 31 March 2020 (compared to a surplus of £139K 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 deficit for the Council Tax element of the fund of £550K will be distributed to precepting bodies pro rata to their Band D Council Tax during 2020/21 leaving a surplus of £354K to be distributed. This Council's share as at 31 March 2020 was £137K. The forecast surplus for the Business Rate element of the fund was £154K, which will be distributed to preceptors in proportion to their share of the business rate income during 2020/21 leaving a balance of £1.196MK to be distributed in 2021/22. This Council's share as at 31 March 2020 was £598K.

4.3 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.

## 5 Capital Outturn

5.1 **Appendix B** includes a provisional capital expenditure and financing statement

for the year, which is summarised in the following table:

<b>2019/20 Capital Programme Summary</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Variance</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
HRA	5,015	7,002	4,499	(2,503)
General Fund Housing	1,136	5,632	4,967	(665)
JTP	0	262	209	(53)
Regeneration	4,000	1,300	1,223	(77)
Waste	964	0	301	301
Specialist	136	136	147	11
IT	150	150	115	(35)
Asset Management	400	450	793	343
CIL	0	0	1,869	1,869
Finance Transformation	100	100	19	(81)
<b>Total Programme</b>	<b>11,901</b>	<b>15,032</b>	<b>14,142</b>	<b>(890)</b>
<b>Financed By:-</b>				
Capital Receipts HRA	0	186	57	(129)
RTB Receipts	0	363	168	(195)
Other HRA Capital Receipts	0	1,650	2	(1,648)
Major Repairs Reserve	4,815	4,803	3,996	(807)
HRA Borrowing	200	0	276	276
Capital Receipts - GF	135	135	1,457	1,322
GF Reserves	1,614	1,614	917	(697)
Disabled Facilities Grants	1,001	1,001	1,039	38
Capital Exp Funded from Revenue	136	136	245	109
GF Borrowing	4,000	5,144	3,410	(1,734)
Grants & Contributions	0	0	2,575	2,575
<b>Total Financing</b>	<b>11,901</b>	<b>15,032</b>	<b>14,142</b>	<b>(890)</b>

5.2 The Council's capital programme spending in the year was £14,142M, compared with a revised budget of £15.032M, giving a net underspend of £890M. Comments on the key variances are also included in Appendix B.

## 6.0 Treasury Management

6.1 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.

## 7.0 Conclusion

7.1 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.

7.2 The General Fund shows an overall surplus of £29K, around 0.2% of the net budget.

- 7.3 The HRA delivered an overall underspending of £86K around 0.54% of turnover (9.9% 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.
- 7.4 Capital expenditure is £890M lower than the revised estimate.
- 7.5 The Collection Fund forecast for Council Tax is indicating a surplus of £938K and a surplus for Business Rates of £1.455M. This will be allocated to or collected from preceptors during 2020/21 and 2021/22.

## **8.0 Financial Implications**

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

## **9.0 Legal implications**

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

## **10.0 Risk management implications**

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

## **11.0 Equality analysis**

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

## **12.0 Environmental sustainability implications**

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

## **Appendices**

Appendix A – HRA Outturn

Appendix B – Capital Programme Outturn

## **Background Papers:**

None