

Body: Cabinet

Date: 24 September 2020

Subject: Finance update – Performance Quarter 1 2020/21

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 the Council’s financial performance in Quarter 1 2020/21

Decision type: Non Key

Recommendation: Cabinet is recommended to

1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended June 2020.
2. Agree the amended capital programme as set out in Appendix 2.
3. To approve a revenue budget of £350k for HRA feasibility works, to be funded from the HRA Reserve, and to delegate authority to the Director of Regeneration and Planning to approve all expenditure, to be sub-delegated as required.

Reasons for recommendations: To enable Cabinet members to consider specific aspects of the Council’s financial performance.

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1.0 Introduction

1.1 It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.

1.2 A report on the financial performance following the end of each quarter is made to Cabinet to ensure that the financial health of the General Fund, Housing Revenue Account and Capital Programme activities are kept under continual review.

2.0 General Fund

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

Department	Full Year Budget £'000	Profiled Budget £'000	Actual to 30th June £'000	Variance to date £'000
SUMMARY				
Corporate Services	5,702	1,363	1,418	55
Service Delivery	9,224	2,192	2,385	193
Regeneration, Planning & Assets	1,082	55	291	236
Tourism & Enterprise Services	238	119	149	30
Recharges to the Housing Revenue Account	(4,035)	0	0	0
Total Service Expenditure	12,211	3,729	4,243	514
Corporate Efficiency Savings	(720)	(180)	0	180
Capital Financing and Interest	1,050	(7)	(4)	3
Contributions to/(from) Reserves	1,686	(43)	(43)	0
Net Expenditure	14,227	3,499	4,196	697

2.2 The position at the end of June shows a negative variance of £697k on net expenditure. Variances at 30 June included:

Information Technology – additional spend	£42k
Car Parking – net shortfall (mainly income related)	£231k
Facilities Management – operational savings	(£46k)
Planning – income shortfall plus extra consultancy spend	£13k
Regeneration – reduced rental income (Newhaven Centre)	£37k
Building Control – reduced income	£43k
Licensing – net reduction in income	£38k
Health & Safety – cost of investigation	£31k
Housing Benefits Payments & Subsidy – Mainly shortfall in subsidy on emergency accommodation	£54k
Revenues – reduced summons income	£53k
Corporate Efficiency Savings – shortfall	£180k

2.3 The impact of the pandemic and associated lockdown has had a significant impact on the Council's financial position, in particular on income which is down some £415k at the end of June.

2.4 The £697k current shortfall is expected to increase as the impact of lockdown continues and increased cost pressures come through, in particular relating to homelessness and temporary accommodation.

2.5 The updated Medium Term Financial Strategy report, elsewhere on this agenda,

provides the latest forecast which is a shortfall of approximately £4m by year end. This is after allowing for additional Government support in relation to income shortfalls (see below). The position is being monitored closely and updates will continue to be reported to Cabinet and Government.

- 2.6 It should be noted that the returns to MHCLG on the financial impact of Covid-19 (previously reported) include forecast losses in Collection Fund income, and also the additional cost of homelessness and temporary accommodation which is expected to materialise later in the year. The above is purely a snapshot at the end of June specifically for General Fund.
- 2.7 The Government has sought to help Councils throughout this time with grants to deal with the immediate costs associated with pandemic/lockdown and has also now announced an income compensation scheme for lost sales, fees and charges.
- 2.8 Councils have to absorb the first 5% of their planned sales, fees and charges and then the Government compensates them for 75p in every pound of relevant loss thereafter.
- 2.9 **Reserves** - The amount held in the General Fund Uncommitted Reserve, which acts as a buffer against negative movements in the budget, is projected to be £2.6m at 31 March 2021. This is after allowing for the transfer to the newly created Covid-19 Reserve. However, if the forecast £4m shortfall does materialise as expected, then a further £2.2m will need to be drawn from either the Uncommitted Reserve or other Earmarked Reserves.
- 2.10 The table below shows the projected movements in each Reserve in 2020/21 and the balance at the end of the year.

Reserves Summary	31-Mar-20	Transfers (In)/Out	31-Mar-21
	£000's	£000's	£000's
Asset Maintenance	(2,200)	300	(1,900)
Economic Regeneration	(1,666)	(304)	(1,970)
Managing In-Year Economic Downturn	(296)	296	0
Revenue Grants & Contributions	(503)		(503)
Strategic Change	(1,265)	300	(965)
Vehicle & Equipment Replacement	(751)		(751)
Elections Reserve	0	(30)	(30)
Business Rates Equalisation Reserve	0	(1,067)	(1,067)
Covid-19	0	(1,800)	(1,800)
Total Earmarked Reserves	(6,681)	(2,305)	(8,986)
General Fund Reserve	(3,425)	800	(2,625)
Total Reserves	(10,106)	(1,505)	(11,611)

3.0 Housing Revenue Account

3.1 HRA performance for the quarter is as follows:

Housing Revenue Account Summary	Current Budget £'000	Profiled Budget £'000	Actual to 30th June £'000	Variance to date £'000
Income	(16,511)	(4,128)	(4,128)	-
Expenditure	14,290	2,736	2,465	(271)
Capital Financing & Interest	1,886	472	472	-
Total HRA	(335)	(920)	(1,192)	(271)

A further breakdown is shown at **Appendix 1**.

3.2 The position at the end of June shows a favourable variance in expenditure of £271K. The main area of underspend relates to repairs and maintenance (£287k) which has been delayed due to Covid-19. In addition, the stock survey costing £200k planned for 2019 has been rolled forward into 2020, but the cost has been offset by other savings within Supervision & Management and Special Services.

3.3 **Feasibility Budget** - In July 2018 Cabinet approved a £200k revenue budget ('Housing Strategy Feasibility Budget') to support the cost of feasibility expenditure to enable HRA schemes to progress. Once projects have been developed to an approved stage the costs can then be capitalised therefore releasing the budget to enable new projects. This budget was not continued into 2020/21, but is now required as set out below.

3.4 Council officers have been working to develop a consolidated future pipeline of priority housing-led projects to meet the requirements of the new HRA Business Plan approved by Cabinet in February 2020. The scope and ambition of the Council's capital programme has increased in-line with the Business Plan and therefore additional capacity could greatly support in future delivery.

3.5 As the scope and pipeline of the HRA Capital Programme continues to be developed a range of projects are already coming forward from both within the existing Council asset portfolio and via other external sources. To properly develop a consolidated capital project pipeline a level of initial feasibility must be undertaken to determine viability and deliverability. The increased scope of the capital programme would therefore benefit from an increase to the existing feasibility revenue budget.

3.6 Reinstating and increasing the budget to £350k will help enable the pipeline to meet core corporate objectives. There is currently £270k of the HRA Balance earmarked for special projects, therefore a further £80k would be required from the General Working Balance, which currently stands at £2.953m.

3.7 It is also proposed to delegate authority to the Director of Regeneration and Planning to ensure the budget is effectively managed and monitored, together with a streamlined approvals process.

4.0 Capital Expenditure

4.1 The detailed capital programme at **Appendix 2**, provides a summary of spend for quarter 1 compared to the allocation for 2020/21.

4.2 The Capital Programme for 2020/21 totals £49.778m compared to the original Capital Programme approved by Council 24 February 2020 of £44.575m. The changes to the Capital Programme are shown in the table below.

Capital Programme Summary	2020/21 £'000
Original Approved Budget	44,575
Brought forward 2019/20 schemes	4,752
<i>Variations requiring approval</i>	
Community Infrastructure – funded from CIL income	447
Regeneration – NSQ Blue Light Services Hub, funded from the NSQ £2m allocation	4
Current Programme	49,778

4.3 Spend at the end of June totalled £2.447m against a revised budget of £49.778m.

5.0 Collection Fund

5.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.

5.2 The Collection fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
Balance B/fwd 1.4.20	(938)	(1,455)
(Deficit recovery)/Surplus distributed	550	154
Debit due for year	(79,657)	(16,746)
Payments to preceptors	77,710	24,575
Allowance for cost of collection		136
Additional Business Rate Reliefs		(8,020)
Transitional Relief		(210)
Enterprise Zone & Designated Areas		721
Allowance for appeals		435
Write offs and provision for bad debts	2,107	622
Estimated Balance 31.03.21	(228)	212
Allocated to:		
Government	-	
East Sussex County Council	(161)	106
Lewes District Council	(35)	85
Sussex Police	(22)	19
East Sussex Fire & Rescue	(10)	2
	(228)	212

- 5.3 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 2021/22.
- 5.4 Council Tax is showing a surplus of £228k for the quarter. The Council's share of which is £35k. The position continues to be monitored on a monthly basis and the final surplus or deficit will be formally set in January 2021. It should be noted that, should the position change, under new accounting regulations brought in by Government in response to Covid-19, deficits can be spread over three financial years from 2021-2024.
- 5.5 There is a Business Rates deficit for the quarter of £212k. There continues to be a significant risk associated with business rate income, despite the additional business rate reliefs (£8m) that have been given by Government. The latest deficit would be split between the relevant preceptors with Lewes's share equating to £85k. This again could be spread over the following three financial years. The exact surplus or deficit position will be determined in January 2021.

6.0 Financial implications

As set out in the report.

7.0 Legal implications

None associated with the report.

8.0 Risk management implications

Continued monitoring of the Council's financial position is essential to ensure it remains within budget, and can take necessary action if and when required.

9.0 Equality analysis

This Finance update is a routine report for which detailed Equality Analysis is not required to be undertaken. The equality implications of individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

10.0 Environmental sustainability implications

None associated with the report.

Appendices

- Appendix 1 – Housing Revenue Account
- Appendix 2 – Capital Programme

Background papers

The background papers used in compiling this report were as follows:

- Budget monitoring 20/21 working papers