

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>10 December 2020</b>
<b>Subject:</b>	<b>Finance update – Performance Quarter 2 2020/21</b>
<b>Report of:</b>	<b>Homira Javadi, Chief Finance Officer</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson (Cabinet Member Holder for Finance and Assets)</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of the report:</b>	<b>To update members on the Council’s financial performance in Quarter 2 2020/21</b>
<b>Decision type:</b>	<b>Non Key</b>
<b>Recommendation:</b>	<b>Cabinet is recommended to</b> <ol style="list-style-type: none"> <li><b>1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2020.</b></li> <li><b>2. Agree the amended capital programme as set out in Appendix 2.</b></li> </ol>
<b>Reasons for recommendations:</b>	<b>To enable Cabinet members to consider specific aspects of the Council’s financial performance.</b>
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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 Current Budget £'000	Profiled Budget £'000	Actual to 30th Sept £'000	Variance to date £'000
<b>SUMMARY</b>				
Corporate Services	5,643	3,294	3,304	10
Service Delivery	9,048	4,118	4,786	668
Regeneration, Planning & Assets	764	607	962	355
Tourism & Enterprise Services	434	219	312	93
Recharges to the Housing Revenue Account	(4,035)	(2,018)	(2,018)	-
<b>Total Service Expenditure</b>	<b>11,854</b>	<b>6,220</b>	<b>7,346</b>	<b>1,126</b>
Corporate Efficiency Savings	(720)	-	-	-
Capital Financing and Interest	1,050	(8)	(8)	-
Contributions to/(from) Reserves	2,092	-	-	-
<b>Net Expenditure</b>	<b>14,276</b>	<b>6,212</b>	<b>7,338</b>	<b>1,126</b>
<b>Quarter 1 Variance</b>				<b>697</b>
<b>Increase</b>				<b>429</b>

2.2 The position at the end of September shows a negative variance of £1.126m on net expenditure, which is an increase of £429k on the previous quarter. Variances as at 30 September included:

Car Parking – net shortfall (mainly income related)	£141k
Corporate Landlord – net shortfall (mainly income related)	£165k
Facilities Management – operational savings	(£29k)
Planning – income shortfall plus extra consultancy spend	£14k
Regeneration – reduced rental income (Newhaven Centre)	£83k
Building Control – reduced income	£50k
Licensing – net reduction in income	£44k
Health & Safety – cost of investigation	£31k
Housing Benefits Payments & Subsidy –	
Mainly shortfall in subsidy on emergency accommodation	£407k
Revenues – reduced summons income	£125k
Waste & Recycling – net overall savings	(£42k)
Homelessness (incl B&B) – increased cost re placements	£75k
Leisure Centres – income shortfall & additional building costs	£78k

2.3 The impact of the pandemic and associated lockdown continues to have a significant impact on the Council's financial position, in particular on income which is down some £646k at the end of September.

2.4 The £1.126m current shortfall is expected to increase as the impact of the second lockdown takes effect with further reductions in income and continued increased

cost pressures, in particular relating to homelessness and temporary accommodation.

- 2.5 The current deficit is after allowing for the Government's £1.224m emergency Covid-19 grant which is being used to cover the cost of food packages, additional staffing costs in Revenues, additional ICT costs and increased homelessness and housing benefit costs. A fourth additional tranche of funding (£225k) has also been received in November which is anticipated to be allocated to similar increased spending pressures relating to the latest lockdown.
- 2.6 **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. Whilst this is sufficient to cover the current shortfall it is clear that the position will worsen. The 2020/21 budget is currently being reviewed and a revised budget position will be presented to Cabinet in December.
- 2.7 The table below shows the projected movements in each Reserve in 2020/21 and the balance at the end of the year. Note that the £1.8m Covid-19 Reserve has been established from contributions totalling £1m from four earmarked reserves and £800k from the General Fund Reserve.

<b>Reserves Summary</b>	<b>Balance as at 01-April-20* £000's</b>	<b>Transfers into Reserves £000's</b>	<b>Transfers out of Reserves £000's</b>	<b>Balance as at 31-Mar-21 £000's</b>
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)	104	(963)
Covid-19 (new reserve)	0	(1,800)	-	(1,800)
<b>Total Earmarked Reserves</b>	<b>(6,681)</b>	<b>(3,201)</b>	<b>1,000</b>	<b>(8,882)</b>
General Fund Reserve	(3,425)	-	800	(2,625)
<b>Total Reserves</b>	<b>(10,106)</b>	<b>(3,201)</b>	<b>1,800</b>	<b>(11,507)</b>

\* Note that the opening balances are still subject to the completion of the 2019/20 audit of accounts.

### 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)	(7,335)	(7,335)	-
Expenditure	14,290	5,663	5,532	(131)
Capital Financing & Interest	1,886	943	943	-
<b>Total HRA</b>	<b>(335)</b>	<b>(729)</b>	<b>(860)</b>	<b>(131)</b>
<b>Quarter 1 Variance</b>				<b>(271)</b>
<b>Reduction</b>				<b>(140)</b>

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

3.2 The position at the end of September shows a favourable variance in expenditure of £131k, which is a reduction of £140k on the previous quarter. The main area of underspend relates to repairs and maintenance (£172k) which has been delayed due to Covid-19.

### 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
Re-profiled 2019/20 schemes	16,464
Approved Variations	474
<b><i>Variations requiring approval</i></b>	
HRA Schemes – reallocations within programme (nil impact)	-
Disabled Facilities Grants – reduction in available budget	(40)
Regeneration – allocation to Blue Light Services Hub (nil impact)	-
Community Infrastructure – increase in allocations	40
<b>Current Programme</b>	<b>66,265</b>

4.3 Spend at the end of September totalled £8.347m against a revised budget of £66.265m.

## 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:

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
<b>Surpluses Brought Forward 01 April 2020</b>	<b>(938)</b>	<b>(1,455)</b>
Total Collectable Income for year*	(79,172)	(15,399)
Payments to Preceptors	78,260	24,729
Write offs, provisions for bad debts and appeals	1,587	971
Additional Business Rate Reliefs – as a result of Covid-19	-	(8,020)
<b>Estimated Balance 31 March 2021 – (Surplus) / Deficit</b>	<b>(263)</b>	<b>826</b>
Allocated to:		
Government	-	
East Sussex County Council	(186)	413
Lewes District Council	(40)	330
Sussex Police	(25)	75
East Sussex Fire & Rescue	(12)	8
	<b>(263)</b>	<b>826</b>

\* This represents the latest total amount of income due for the year and allows for changes as a result of discounts, exemptions and reliefs, as well as increases in the Council Tax and Business Rate bases.

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 £263k for the quarter (Qtr1 £228k). However, this represents an in-year deficit of £675k as there was a surplus of £938k brought forward from the previous year. The Council's share of the overall forecast surplus is £40k. 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 of £826k at the end of September (Q1 £212k). This represents an in-year deficit of £2.281m as there was a surplus of £1.455m brought forward from the previous year. 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 £330k. This would 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