



Lewes District Council



Working in partnership with **Eastbourne Homes**

Financial Update

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CFO (S151 Officer)

STRONGER together

Overview

- Recap
- Financial Update
- Update on - Ministry of Housing, Communities and Local Government (MHCLG) discussions
- Spending Review 2021 - impact
- What next?

Recap

- Impact of COVID19 on the Council's finances
- Started informal discussions with MHCLG in early April
- A number of follow up meetings – position updates
- Formal notification was submitted in mid Aug (18 Aug 2020)
- Initial timeline (8 weeks – end of Oct)
- Continuing with the process – revised timeline –likely to be after Christmas
- Various scenarios are being considered

Recap

- Members briefings – to provide updates on service response and financial impacts (COVID19) on an ongoing basis
- Draft MTFS – Cabinet in Sept
- Scrutiny briefing in Nov

Financial Update –Sept 2020

	Approved Post CV19						
	2020/21	2020/21	2021/22	2022/23	2023/24	2024/25	
Net budget requirements	£'000	£'000	£'000	£'000	£'000	£'000	
Council Tax	(8,772)	(8,772)	(8,947)	(9,126)	(9,309)	(9,495)	
Council Tax Deficit	60	60	50	50	50		
Business Rates	(4,362)	(4,362)	(4,449)	(4,538)	(4,629)	(4,722)	
Business Rates Deficit	15	15	213	213	213		
New Homes Bonus	(332)	(332)	(223)	(11)			
Other Govt Grants	(131)	(128)	(130)	(130)	(130)	(130)	
Total Financing	(13,522)	(13,519)	(13,486)	(13,542)	(13,805)	(14,347)	
Projected annual shortfall - Sept 2020		8,011	9,748	5,571	4,699	4,482	

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Position update - (Improvement)		(1,774)	(3,194)	(1,553)	(1,934)	(2,812)

Key In Year Reductions (2020/21)

- Budgetary hold on capital expenditure **£570k**
- Cost and recruitment control
- Reduced accommodation/ running costs - TBC
- Delivery of **£1.1m** of planned savings (unachieved savings reduced from £2.3m to £1.2m)
- Additional Covid grant **£474k**
- Reduction in capital financing provision TBC

Spending Review 2021/22

4.5% increase in core spending - could include council tax increase

Additional £1.5bn of emergency Covid funding

75% compensation for Council Tax and Business Rates deficits

3 months extension to the income recovery compensation scheme

Maintaining the NHB scheme for a further year could mean we stay at the 2020/21 level

Council Tax threshold maintained at 2%

Public Sector Pay Freeze (2.5%)

.....In addition

- Pay freeze c. £200k
- Fair Funding Review – delayed by another year
- Business Rate Retention review – delayed by another year
- PWLB - lowered the interest rate of Public Works Loan Board lending by 100bps
- £621m to regenerate high streets, town centres and communities through the Towns Fund; and
- The £4bn levelling up fund, which will invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery.
- £60m for Social Housing Decarbonisation;
- £254m of additional resource funding to support rough sleepers and those at risk of homelessness during COVID-19, including £103m announced earlier this year for accommodation and substance misuse support
- Brexit??

Financial Resilience Reserves – (subject to audit)

Summary	01 April 2019	Transfers (In)/Out	31 March 2020	Transfers (In)/Out	31 March 2021
	£000's	£000's	£000's	£000's	£000's
General Fund Earmarked Reserve	(506)	506	0		0
Strategic Change Reserve	(198)	(46)	(244)		(244)
Capital Programme Reserve	(345)	9	(336)		(336)
ICE Reserve	0	(1,750)	(1,750)		(1,750)
Commercial Reserve	0	(250)	(250)		(250)
Revenue Grants Reserve	(952)	338	(614)		(614)
Business Rates Equalisation Reserve*- to fund CF deficit	0	0	0	(1,104)	(1,104)
Total Earmarked Reserves	(2,001)	(1,193)	(3,195)	(1,104)	(4,298)
General Fund Reserve	(5,553)	3,528	(2,025)		(2,025)
Total Reserves	(7,554)	2,335	(5,220)	(1,104)	(6,323)

S114 (3) Local Government Act 1988

The Local Government Finance Act 1988, places certain responsibilities on the Chief Finance Officer. Section 114(3) states:-

- ‘The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed resources (including sums borrowed) available to it to meet that expenditure.’

Modification to the S114 guidance

- At the start of the Covid19 pandemic earlier this financial year the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Ministry Of Housing, Communities and Local Government (MHCLG) agreed a temporary modification to the existing S114 guidance.
- The rationale for the temporary modification was to allow Local Authorities to explore what further options or financial assistance may be available ahead of formally issuing a S114 notice.
- This temporary modification included Local Authorities engaging in informal conversations with MHCLG to make the Ministry aware of financial concerns ahead of issuing a S114 notice.

Budget Planning Considerations

- Planning for 4 different potential scenarios:
 - Government Support – Funding – (back in black in 2023)
 - Government Support – Capitalisation (Back in black in 2024)
 - A Hybrid Version (back in black in 2024)
 - None of the above

Capitalisation

- Capital receipts – the Council's existing available receipts are not of required amounts
- Borrowing – short term borrowing to allow for a planned asset disposal programme

Budget Planning Process

Priority Based Budgeting :



Corporate Plan



Core Statutory

Budget Planning Process

Priority Based Budgeting :



Corporate Plan



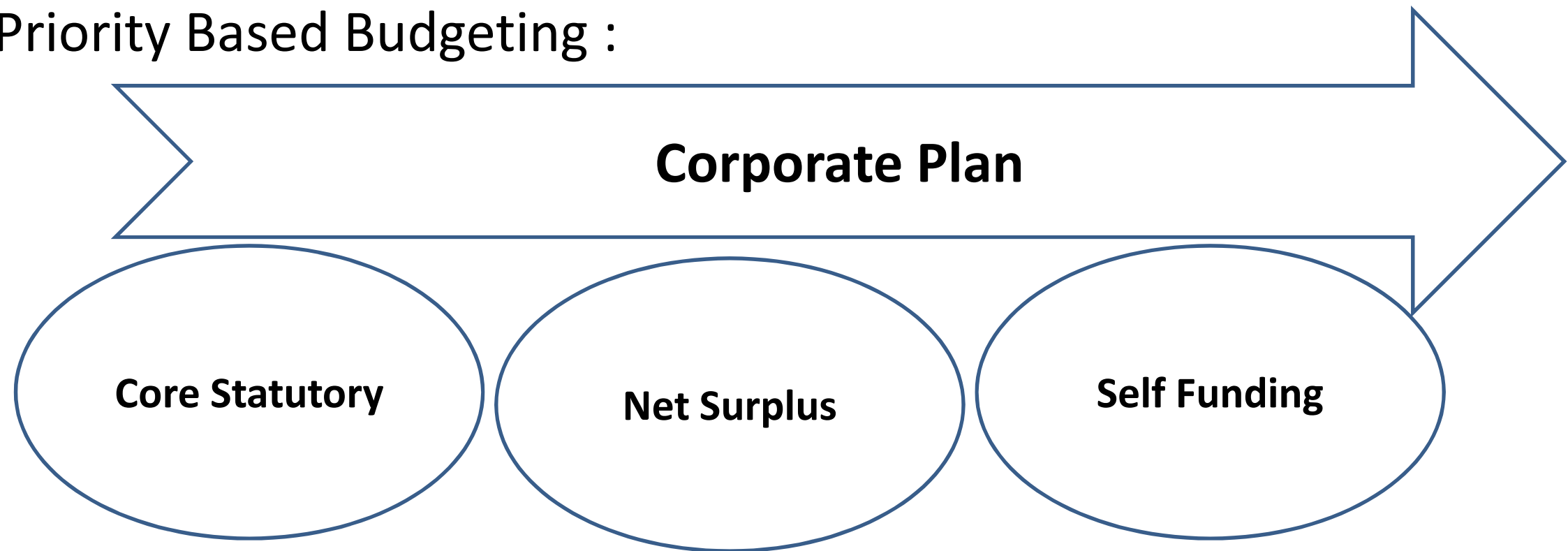
Core Statutory



Net Surplus

Budget Planning Process

Priority Based Budgeting :



Recovery and Reset Targets

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Recovery and Reset - Key components and saving targets					
Restructuring and Reshaping Delivery					
Digital Transformation		750	900	1000	1000
Service Delivery model					
Congress		900	900	900	900
DPQ		188	188	188	188
Contract review					
Ground maintenance			300	300	300
Cleaning and public conv			100	100	100
Terms and conditions			110	110	110
Specialist contracts			150	150	150
Assets					
Victoria Mansion			80	80	80
HPR - Relet			145	145	145
Accommodation - Grove Road		360	360	360	360
Bistro Pierre			90	90	90
Asset rationalisation		75	75	75	75
Anticipated total		2273	3398	3498	3498
MTFS - Assumes		850	2,500	2,500	2,500
Remainder		1,423	898	998	998

What Next?

- Early Jan – Ministerial decision - Capitalisation
- R&R – set to deliver:
 - Target savings
 - Programme of asset disposal
 - Asset rationalisation
 - Decanting from Grove Road
 - Fully develop and transition to a self financing model (PBB)

What Next?


- Early Jan – Ministerial decision – No Capitalisation
- Consider issuing S114 notice

Impacts:

- Eastbourne economy
- Eastbourne residents
- Staffing implications
- Other organisations

Next Steps

 Review outcome of Spending Review – announced today

 CMT review / scenario planning

 Cabinet briefing – December

 2021/22 Finance Settlement - December

 Budget proposals finalised - January

 Leadership briefing - January

 Cabinet briefing - January

 Scrutiny - January

 Budget – Cabinet & Full Council - February