

Body:	Cabinet
Date:	4 February 2021
Subject:	Finance update – Performance Quarter 3 2020/21
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Zoe Nicholson, Deputy Leader and Cabinet Member Holder for Finance and Assets
Ward(s):	All
Purpose of the report:	To update members on the Council’s financial performance in Quarter 3 2020/21
Decision type:	Non Key
Recommendation:	Cabinet is recommended to <ol style="list-style-type: none"> 1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended December 2020. 2. Agree the amended capital programme as set out in Appendix 2.
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.
- 1.3 The quarter 3 monitoring is still in respect of the original budget. The budget report, elsewhere on this agenda, provides a revised forecast for this year and the

actions required to maintain a balanced budget position through the use of reserves and contingencies.

2.0 General Fund

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

Department	Full Year Current Budget	Profiled Budget	Actual to 31st Dec	Variance to date	Q2 Variance as at 30 th Sept
	£'000	£'000	£'000	£'000	£'000
SUMMARY					
Corporate Services	5,643	4,153	4,063	(90)	311
Service Delivery	9,048	6,292	7,027	735	668
Regeneration & Planning	764	1,078	1,886	808	355
Tourism & Enterprise Services	434	321	396	75	93
Recharges to the HRA	(4,035)	(3,026)	(3,026)	-	-
Additional Covid-19 costs	-	-	1,265	1,265	1,122
Total Service Expenditure	11,854	8,818	11,611	2,793	2,549
Corporate Efficiency Savings	(720)	-	-	-	-
Capital Financing and Interest	1,050	(23)	(7)	16	-
Contributions to Reserves	2,092	197	197	-	-
Net Expenditure	14,276	8,992	9,992	2,809	2,549
Covid-19 Grant				(1,449)	(1,224)
Income Recovery Grant				(544)	(199)
				816	1,126

2.2 The position at the end of December shows a negative variance of £2.8m on net expenditure, before additional Government grants of £1.993m, which bring the overall position down to £816k. This is an improvement of £310k on the previous quarter. Key variances as at 31st December included:

Key Variance	£'000
Car Parking – net shortfall (mainly income related)	389
Corporate Landlord – net shortfall (mainly income related)	383
Facilities Management – operational savings	(135)
Planning – income shortfall plus extra consultancy spend	34
Regeneration – reduced rental income (Newhaven Centre)	131
Building Control – reduced income	60
Health & Safety – cost of investigation	31
Housing Benefits Payments & Subsidy – Mainly shortfall in subsidy on emergency accommodation	415
Revenues – reduced summons income	151
Waste & Recycling – net overall savings	(14)
Homelessness (incl B&B) – net increased cost	41
Leisure Centres – income shortfall & additional building costs	85
Additional Covid-19 costs	1,264

- 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 £1.2m at the end of December. However, the second income recovery claim was submitted in December bringing the total amount reclaimed to £544k. It should be noted that income losses in respect of rental income and summons income are not eligible for recovery. The scheme was due to end in March but has now been extended to the end of June 2021.
- 2.4 The current deficit is after allowing for the Government's £1.449m 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 fifth additional tranche of funding (£494k) has also been confirmed for next year.
- 2.5 **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 Covid-19 Reserve. The budget report, elsewhere on this agenda, provides an update on the use of reserves for 2020/21.
- 2.6 The table below shows the approved movements in each Reserve in 2020/21 and the balance at the end of the year.

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

* 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 Dec £'000	Variance to date £'000
Income	(16,511)	(12,383)	(12,358)	25
Expenditure	14,290	8,243	8,014	(229)
Capital Financing & Interest	1,886	1,886	1,886	-
Total HRA	(335)	(2,254)	(2,458)	(204)
Quarter 2 Variance				(131)
Increase				(73)

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

3.2 The position at the end of December shows a favourable variance of £204k, which is an increase of £73k on the previous quarter. The main area of underspend relates to repairs and maintenance (£179k) 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 3 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	16,068
Approved Variations	474
Current Programme	65,869

4.3 Spend at the end of December totalled £9.366m against a revised budget of £65.869m.

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
Surpluses Brought Forward 01 April 2020	(938)	(1,455)
Total Collectable Income for year*	(79,297)	(16,104)
Payments to Preceptors	78,260	24,729
Write offs, provisions for bad debts and appeals	1,734	1,619
Additional Council Tax Hardship funding	(555)	-
Additional Business Rate Reliefs – as a result of Covid-19	-	(9,839)
Estimated Balance 31 March 2021 – (Surplus) / Deficit	(796)	(1,050)
Allocated to:		
Government	-	(200)
East Sussex County Council	(563)	(316)
Lewes District Council	(122)	(472)
Sussex Police	(75)	-
East Sussex Fire & Rescue	(36)	(62)
	(796)	(1,050)

* 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 £796k for the quarter (Qtr2 £263k). However, this represents an in-year deficit of £142k as there was a surplus of £938k brought forward from the previous year. The Council's share of the overall forecast surplus is £122k which is now the declared surplus to be included in the 2021/22 budget.
- 5.5 There is a Business Rates surplus of £1.050m at the end of December (Q2 deficit £826k). The improved position has arisen from an increase in the reliefs being awarded, which have now increased by £1.8m. However, this still represents an in-year deficit of £405k as there was a surplus of £1.455m brought forward from the previous year. The latest surplus would be split between the relevant preceptors with Lewes's share equating to £330k. This is now the formal declared surplus to be included in the 2021/22 budget.

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.