

Body: Cabinet

Date: 8 July 2021

Subject: Provisional Revenue and Capital Outturn 2020/21

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Deputy leader of the Council and Cabinet member for finance and assets

Ward(s): All

Purpose of the report: To update Members on provisional outturn for 2020/21.

Decision type: Key

Recommendation: Cabinet is recommended to :

- i) Endorse the provisional outturn for 2020/21.
- 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 2020/21.

Contact: Homira Javadi: Chief Finance Officer
Tel: 01323 415512 or email
Homira.Javadi@lewes-eastbourne.gov.uk

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 General Fund

2.1 Revenue Outturn

The 2020/21 financial year saw significant challenges 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. The overall impact against the revised budget, has seen increased net spend of £320K in service areas, however this has been negated by reduced cost of financing and additional interest income totalling £782K.

2.2 Overall there is a balanced outturn for the year after allowing for various year-end adjustments. A summary statement is shown in the following table.

General Fund	Original Budget	Current Budget	Actual	Variance
	£000's	£000's	£000's	£000's
Corporate Services	5,525	4,646	4,773	127
Service Delivery	9,248	9,682	9,716	34
Regeneration and Planning	904	1,633	1,642	9
Tourism and Enterprise	434	452	602	150
Service Total	16,111	16,413	16,733	320
HRA Services	(4,035)	(4,177)	(4,195)	(18)
Cost of Financing & Interest income	1,050	1,050	268	(782)
Total Expenditure	13,126	13,286	12,806	(480)
Corporate Efficiency Savings	(1,144)	0	0	0
Contingencies	342	0	0	0
Income Recovery	0	(800)	(726)	74
Adjustments to/(from) Reserves	1,672	1,260	1,061	(199)
Adjustment to/(from) Earmarked Reserves	0	0	730	730
Budget Requirement	13,996	13,746	13,871	125
Financing				
Council Tax	(7,796)	(7,796)	(7,796)	0
Business Rates	(5,417)	(5,167)	(5,191)	(24)
Government Grants	(783)	(783)	(884)	(101)
Total Funding	(13,996)	(13,746)	(13,871)	(125)
Overall Net Position				-

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

Analysis of Major Variances	Variance £000's
Corporate Services	
Increased pension liability	113
Service Delivery	
Waste & Recycling – additional income & underspending	(122)

Rent Allowances / Rebates / Homelessness – increased bad debt provision/additional costs	1,077
Allocation of Emergency Covid-19 grant – offsetting additional costs in Services Delivery (rent allowances/rebates/homelessness)	(821)
Additional Covid-19 costs relating to Housing Services	41
Private Sector Leasing – reduced void repair costs	(84)
Licensing Act – reduced income	14
Solar Panel Trading Account – net income/reduced spend	(38)
Building Control – reduced income	33
Flood Defences – reduction in capital financing costs	(143)
Regeneration & Planning	
Business Strategy & Performance – reduced marketing spend	(40)
Planning Policy – reduced consultancy/fees	(135)
Planning Fees – reduced development fee income/additional CIL admin fees	35
Corporate Landlord – reduced rental income/business rates	417
Car Parks – reduced income	149
Public Conveniences – reduced running costs	(38)
Facilities Management – reduced operational spend	(344)
Economic Development – reduced specialist fees/contributions	(20)
Tourism & Enterprise	
Newhaven Fort – dangerous structure works	124
Arts Development – additional contributions	20
Leisure Trust – survey fees	25
Capital Financing & Interest	
Increased Interest Income	(222)
Reduced cost of financing	(560)
Reserves	
Adjustment to/(from) Reserves	(199)
New - Transfer to Income Protection	125
New – Transfer to Support Community Grant (£35k p/a over 3 years)	105
New - Transfer to Capital Financing	500
Financing	
Government Grants/Business Rates Income	(51)
Other Net Variances	39
Overall Net Position	-

2.4 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.

3.0 Reserves

3.1 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.

Reserves Summary	01 April 2020 £000's	Transfers (In) £000's	Transfers /Out to £000's	Transfers to Capital £000's	31 March 2021 £000's
Asset Maintenance	(2,200)	0	300	367	(1,533)
Economic Regeneration	(1,666)	(721)	328	0	(2,059)
Managing In-Year Economic Downturn	(296)	0	296	0	0
Revenue Grants & Contributions	(503)	(539)	0	0	(1,042)
Strategic Change	(1,265)	(49)	300	106	(908)
Vehicle & Equipment Replacement	(751)	0	0	191	(560)
Business Rate Equalisation	0	(965)	104	0	(861)
Covid-19	0	(1,800)	1,800	0	0
Income Protection	0	(125)	0	0	(125)
Capital Financing	0	(500)	0	0	(500)
Community Grants	0	(105)	0	0	(105)
Total Earmarked Reserves	(6,681)	(4,804)	3,128	664	(7,693)
General Fund Reserve	(3,425)	(1,000)	885	0	(3,540)
Total Reserves	(10,106)	(5,804)	4,013	664	(11,233)

3.2 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 Management** - £300K transfer to Covid-19 reserve and £367k to finance capital expenditure.
- **Economic Regeneration** - £721K transfer in re Newhaven EZ business rates, £328K transferred out to cover the cost of Newhaven EZ costs and funding for the Future High Streets Fund and Newhaven Town Deal.
- **Managing In-Year Economic Downturn** – budgeted transfer of £296K to Covid-19 reserve.
- **Revenue Grants and Contributions** - £539K of new grants and contributions transferred in for specific grant funded initiatives.
- **Strategic Changes** – budgeted transfer out of £300K to Covid-19 reserve, a £49k transfer in and £106K out to finance capital expenditure.
- **Vehicle & Equipment Replacement** - £191K transfer out to finance capital expenditure.
- **Business Rates Equalisation** – This reserve was established when the 2020/21 was set and represents surplus business rates income which has been set aside to mitigate against future fluctuation in business rates income. £968k has been transferred into the reserve.
- **Covid-19** – Transfers in of £1.8m were approved during 2020/21 to provide sufficient financial resilience against the impact of the Covid-19 lockdown. The budgeted £516k has been transferred back to revenue in line with the

revised budget. Similarly, £1m has been transferred to the General Fund Reserve to bring the amounts back to its pre- COVID19 levels. Whilst the financial consequences of the Covid-19 pandemic have been significant the on-going impact is not expected to be as severe. As a result, the balance of the reserve has been applied to the creation of the following new reserves.

3.3 **New Reserves**

As well as a number of higher than anticipated adverse variances impacting housing need services and losses of income from corporate landlord function, the outturn position has included a number of favourable in year variations such as lower financing costs, higher than expected interest income and lower than anticipated facilities management costs. These have allowed the Council to restore its GF reserve to its precovid levels in line with the MTFS required levels.

It is also considered prudent to create three new earmarked reserves to provide further resilience against future income losses, in areas such as commercial properties where the economic risk remains high. In addition, a capital financing support reserve will be created to mitigate against future fluctuations in financing costs associated with the capital programme. This could be as a result of reprofiling, acceleration of the programme or to help to mitigate against the anticipated increases in development costs. Both areas were highlighted in the 2021/22 budget report presented to Cabinet in February 2021, and were to be established from any additional Business Rates income. Allocations from the latter are still to be approved and would be in addition to the amounts set out below.

In addition, a Community Grant Allocation reserve will be created to enable additional grant funding to voluntary and community organisations which are providing services and support to those adversely impacted by the Covid pandemic and the resultant economic situation. The reserve is established on the basis of additional £35k allocations for the next three financial years.

- **Income Protection** – contribution in of £125k
- **Capital Financing Support** – contribution in of £500k
- **Community Grant Allocation** – contribution of £105k, to be applied £35k per annum for the next three years

4.0 **Housing Revenue Account (HRA)**

4.1 The Housing Revenue Account was underspent in last year by £691K. This is a £509K surplus against the revised budget projected underspend of £182K.

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

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

	Variance £000's
Dwelling Rents	(66)
Non-dwelling Rents	92
Service Charges	(56)
Repair and Maintenance	127
Supervision & Mgmt/Specialist Services/Corporate & Democratic Core Recharges	282
Depreciation	(1,124)
Revenue Contributions to Capital Expenditure	149
Total Variances	(509)

4.4 The main variance relating to depreciation results from the latest revaluation of assets and extended life expectancies.

5.0 Collection Fund

5.1 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.

5.2 The Collection Fund for the year is as follows:

	Council Tax	Business Rates
	£000's	£000's
Balance B/fwd 01 April 2019	(937)	(1,455)
(Deficit recovery)/Surplus distributed	550	
Debit due for year	(79,828)	
Payments to preceptors	77,710	
Allowance for cost of collection	-	
Transitional Relief	-	
Designated Areas	-	
Allowance for appeals	-	
Write offs and provision for bad debts	456	
Balance 31 March 2020	(2,049)	Tbc
Allocated to:		
MHCLG	-	
East Sussex County Council	(783)	
Lewes District Council	(170)	
Sussex Police	(110)	
East Sussex Fire & Rescue	(49)	
Total Allocation	(1,112)	Tbc

5.3 The overall Collection Fund position is still to be determined as the Business Rates outturn is currently being finalised. However, the Council Tax element has been completed and shows the opening surplus has increased by £1.112M during the year to £2.049M at 31 March 2021. 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 2021 forecast surplus for the Council Tax element of the fund of £391K will be distributed to precepting bodies pro rata to their Band D Council Tax during 2021/22 leaving a surplus of £721K to be distributed. This Council's share as at 31 March 2021 was £170K.

5.4 Aa part of the Government's response to the Covid-19 pandemic and the impact it is having on Local Government finances, there is a 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 was factored into the calculations to determine the Collection Fund deficit position in January.

6.0 Capital Outturn

6.1 **Appendix B** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

2020/21 Capital Programme Outturn - Summary	Original Budget	Variations	Revised Budget	Actual
	£'000	£'000	£'000	£'000
HRA Housing	15,467	1,058	16,525	9,746
General Fund Housing	1,136	(529)	607	607
Housing Investment Companies	1,250	17,042	18,292	1
Transformation Programmes	0	708	708	590
Regeneration	24,950	1,106	26,056	543
Service Delivery	329	(56)	273	232
Specialist	258	(29)	229	135
Parks and Pavilions	50	344	394	193
Indoor Leisure Facilities	50	544	594	503
Asset Management	850	388	1,238	400
Community Infrastructure Levy	0	1,408	1,408	1,408
Information Technology	185	35	220	71
Finance Transformation	50	81	131	2
TOTAL CAPITAL PROGRAMME REQUIREMENT	44,575	22,100	66,675	14,429
FUNDING AVAILABILITY				
HRA				
Borrowing	6,112	2,132	8,244	4,202
Capital Receipts	986	389	1,375	693
Capital Receipts (RTB 1-4-1)	2,956	1,166	4,122	1,765
Major Repairs Reserve	5,413	(2,629)	2,784	2,901
Other Capital Contributions	0	0	0	185
General Fund				
Borrowing	27,059	18,952	46,011	881
Capital Receipts	135	(86)	49	429
General Fund Reserves	777	728	1,505	669
Disabled Facilities Grant	1,001	(415)	586	527
Grants and Contributions	0	1,705	1,705	1,961
Capital Expenditure Financed from Revenue (GF)	136	(54)	82	67
Capital Expenditure Financed from Revenue (HRA)	0	212	212	148
Total Funding	44,575	22,100	66,675	14,429

6.2 The Council's capital programme spending in the year was £14.429M. Details of the variations against the revised budget are contained within Appendix B.

7.0 Treasury Management

7.1 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 2020/21. The Treasury Management Annual Report 2020/21 is being considered as a separate report on this agenda.

8.0 Conclusion

8.1 This report provides an overview of financial performance for 2020/21 against a revised budget which was set during a period of significant uncertainty. In managing its finances in a rapidly changing economic environment dominated by public health concerns, the Council undertook a number of key steps such as:

- Careful control of its expenditure
- Creation of a new "COVID 19" earmarked reserve to protect its key services
- Unwinding of its Contingency provision
- Actively campaigning for additional and realistic financial support from the government
- Providing financial support to its Leisure services

8.2 Through these measures, the Council was able to mitigate the unprecedented risk to its finances and key services ending the year in a balanced position.

8.3 The HRA delivered an overall underspending of £509K around 3% of turnover (0.54% for 2019/20). The HRA balance is in line with the expectation and is sufficiently robust to support the housing self-financing 30 year business plan.

8.4 Capital expenditure is £52.246M lower than the revised estimate.

8.5 The Collection Fund forecast for Council Tax is indicating a surplus of £2.049M whilst the Business Rates position is still being finalised. Surpluses or deficits will be allocated to or collected from preceptors between 2021/22 and 2023/24.

9.0 Financial Implications

9.1 As set out in the body of the report.

10.0 Legal implications

10.1 There are no legal implications arising directly from this report.

11.0 Risk management implications

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

12.0 Equality analysis

12.1 There are no equality implication arising directly from this report.

13.0 Environmental sustainability implications

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

Appendices

Appendix A – HRA Outturn

Appendix B – Capital Programme Outturn

Background Papers:

None