

Body:	Scrutiny
Date:	12 July 2021
Subject:	Provisional revenue and capital outturn 2020/21
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Stephen Holt, Cabinet member for financial services
Ward(s):	All
Purpose of the report:	To update Members on provisional outturn for 2020/21.
Decision type:	Key
Recommendation:	<p>Scrutiny is recommended to:</p> <ol style="list-style-type: none"> 1) Consider the Provisional revenue and capital outturn for 2020/21; and 2) respond to the Cabinet with any recommendations it wishes to be considered.
Reasons for recommendations:	To fulfil the role of the Scrutiny Committee through input into the Cabinet decision making process.
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1.0 Background

1.1 This report provides Cabinet with an update on the provisional outturn 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

2.1.1 The 2020/21 financial year saw significant challenges as a result of the Covid-19 pandemic and associated lockdown. This prompted the Council to undertake a number of immediate actions in order to manage the unprecedented financial and operational impacts of the pandemic. These included:

- ❖ Very early engagement with Ministry of Housing Communities and Local Government (MHCLG),
- ❖ active campaigning for more realistic COVID grant allocation,

- ❖ developing the Recovery and Reset Programme; and
- ❖ seeking additional financial support from the Government which was granted in the form of a capitalisation direction of £6.8M for 2020/21 and £6M for 2021/22 following a comprehensive review of the Council finances.

2.1.2 Whilst the capitalisation support provided the Council with a much needed assurance, it was essential for the Council to ensure it keeps within the support package provided and restructure its future financial plans.

2.1.3 The outturn provides a financial overview of the progress made by the Council during 2020/21 and measures the effectiveness of its actions in response to the pandemic. Overall net expenditure was £3.550M more than available funding but £3.25M less than the maximum capitalisation limit of £6.8M or other approved and or available resources. The outturn position is a clear indication of a significant improvement and represents the Council's commitment to careful financial control measures which were put in place very early in the year.

2.1.4 The following table provides a summary of the outturn position.

General Fund	Original Budget	Current Budget	Actual	Variance
	£000's	£000's	£000's	£000's
Corporate Services	3,737	4,394	4,245	(149)
Service Delivery	5,979	8,214	7,013	(1,201)
Regeneration and Planning	97	156	507	351
Tourism and Enterprise	2,619	7,120	6,972	(148)
Service Total	12,432	19,884	18,737	(1,147)
Corporate Expenses	161	100	0	(100)
Corporate Efficiency Savings	(1,565)	0	0	0
Recovery & Reset Costs	0	1,200	164	(1,036)
Capitalisation Direction	0	(6,800)	0	6.800
Income Recovery	0	(2,800)	(3,353)	(553)
Capital Financing	2,286	1,996	1,573	(423)
Total Expenditure	13,314	13,580	17,121	3,541
Transfers to/(from) Reserves	208	(52)	(42)	10
Budget Requirement	13,522	13,528	17,079	3,551
Council Tax	(8,712)	(8,712)	(8,712)	0
Business Rates	(4,346)	(4,346)	(4,346)	0
Government Grants	(464)	(470)	(471)	(1)
Total Funding	13,522	13,528	13,529	(1)
Total Net Overspend			3,550	3,550

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

Analysis of Major Variances	Variance £000's
Corporate Services	
ICT - software, staffing and equipment & maintenance	(203)
Pensions costs – reduced recharge to the HRA	33
Internal Audit – reduced staffing costs	(52)
Legal Services – increased charge and reduced income	71
Service Delivery	
Case Management – reduced staffing costs	(105)
Customer Contact - increased staffing costs	66
Account Management – reduced staffing costs	(24)
Specialist Advisory – net increased staffing costs *	81
Neighbourhood Services – reduced staffing costs	(51)
Land Charges – additional net income	(14)
Crematoria – additional net income	(60)
Public Conveniences – reduced water charges	(26)
Car Parks & Highways – reduced running costs and additional income	(53)
SEESL – savings on litter bins, marketing/printing and additional income	(68)
Parades – repair & maintenance – reduced costs	(25)
Grounds maintenance – contract/seasonal work savings	(89)
Benefits Admin – additional admin grant/audit fee savings	(52)
Rent Rebates – additional net cost *	135
Rough Sleepers Initiative – additional net cost *	11
Bed & Breakfast Accommodation – additional net cost *	130
Deposit Loan Scheme – reduced bad debt provision	(132)
HMO's – additional fee income	(117)
SolarBourne – additional FIT income	(64)
Regeneration & Planning	
Farms & Land Lets – additional rental income	(87)
Property Services Management – reduced staffing costs	(58)
Investment Properties – reduced income and increased rates	452
Planning – reduced staffing costs	(191)
Regeneration – reduced staffing costs	(26)
Housing Delivery Team – shortfall on cost recovery linked to delays on capital schemes	143
Tourism & Enterprise	
Events – net saving on staffing and other expenses	(56)
Seafront – additional income and reduced operational costs	(42)
Theatres – net operational savings	(58)
The Stage Door Pub – net increase operating cost	59
Heritage Eastbourne – reduced staffing and equipment costs	(18)
Leisure Travel Marketing – reduced marketing costs	(64)
Conferences – reduced staffing and promotional costs	(24)
Capital Financing	
Capital Financing – net reduction in interest payable and ICE income	(767)
Other Corporate Variances	

Additional income recovery	(553)
Increase bad debt provision contribution *	403
Recovery & Reset costs (reduced redundancy costs)	(1,036)
Balance of Emergency Covid-19 grant after direct costs - applied to * additional costs above	(700)
Capitalisation Direction – to be determined	6,800
Other minor net underspends	(19)
Net Overall Overspend	3,550

2.1.6 As stated above, the overall net overspend of £3.550M represents a reduction of £3.250M when compared to the £6.8M capitalisation direction approved by MHCLG.

2.1.7 The following table provides a high level summary of the increased cost pressures forecast in 2020/21 which formed the basis of the revised estimate and the submission to MHCLG for additional financial support in the form of the capitalisation direction. This is then compared to the outturn position to show where the key changes are.

	Revised Budget / MHCLG Submission £M	Outturn compared to Original Budget £M	Variance £M
Increase in Housing Needs costs	1.0	1.1	0.1
Net impact of income losses	3.6	2.2	(1.4)
Net changes in service costs/removal of savings targets (more savings achieved)	1.0	0	(1.0)
Recovery and Reset (Redundancy & set-up costs)	1.2	0.2	(1.0)
Net Budget Increase	6.8	3.5	(3.3)
Less Capitalisation Direction	(6.8)	(6.8)	-
Net Total	-	(3.3)	(3.3)

2.1.8 Overall, the additional demand from housing needs was in line with expectations. The net impact of income losses was minimised as a result of additional income, furlough recovery and further reduced expenditure. There were also savings in other service area costs through reduced staffing costs and general operational savings through proactive management of costs where possible. The call on the recovery and reset budget was also reduced due to fewer successful early retirement/voluntary redundancy applications at a lower cost than originally anticipated.

2.1.9 The application of the capitalisation direction is still to be determined in respect of which costs will be charged against the direction, and which will be capitalised against the flexible use of capital receipts or funded from current reserves. The

aim will be to minimise the need to undertake additional borrowing to finance the capitalisation, thereby reducing the need to finance such costs at a premium rate of PWLB +1%. This will also have a beneficial impact on future capital financing cost assumptions and future savings requirements.

- 2.1.10 The impact of ongoing under and overspending 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.

2.2 Reserves

- 2.2.1 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.

Summary	01 April 2020 £000's	Transfers (In)/Out £000's	31 March 2021 £000's
General Fund Earmarked Reserve	0	(16)	(16)
Strategic Change Reserve	(245)	(46)	(291)
Capital Programme Reserve	(336)	0	(336)
Commercial Reserve	(250)	(221)	(471)
Revenue Grants Reserve	(614)	(451)	(1,065)
Business Rates Equalisation Reserve	0	(1,104)	(1,104)
SHEP Properties Works Reserve	(1)	0	(1)
Total Earmarked Reserves	(1,446)	(1,838)	(3,284)
General Fund Reserve	(2,025)	26	(1,999)
ICE Reserve	(1,750)	(50)	(1,800)
CPO Compensation Reserve	(829)	579	(250)
Total Reserves	(6,050)	(1,283)	(7,333)

- 2.2.2 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:

- **General Fund Earmarked Reserve** - £16K transfer in respect of the SolarBourne Future Inverter Provision.
- **Strategic Change Reserve** – £30k transfer in respect of district elections and £16k surplus lottery monies.

- **Commercial Reserve** – transfer in of £221K in respect of the SEESL year end surplus.
- **Revenue Grants Reserve** - £451K net transfer in of unused grants at year end to be applied in future years.
- **Business Rates Equalisation Reserve** – Budgeted transfer of £1.104M into the reserve to mitigate risk of appeals.
- **ICE Reserve** – £50K transferred into the reserve.
- **General Fund Reserve** - £26K transferred out in respect of the provision for MMI claims.

As in previous years, there has also been a transfer of £579K from the non-earmarked reserve relating to the funding of compensation payments in respect of CPO's on the town centre retail development. This reserve holds money set aside to cover the costs of CPO's when settled.

3.0 Housing Revenue Account (HRA)

3.1 The Housing Revenue Account was underspent in last year by approximately £243K. However, this was £67K lower than the revised estimate of £310K.

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

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

	Variance £000's
Additional rental income	(74)
Additional service charges income	(142)
Reduced contribution to bad debt provision	(203)
Increased depreciation & impairment charge	296
Net increased management and supervision costs	167
Increased loan interest cost	23
Total Variances	67

3.4 As shown in Appendix A, the HRA working balance was estimated to be £4.412M at the end of March 2021, however the balance will be £6.088M. This is mainly due to the contribution to capital expenditure of £1.781M not being required due to delays in the capital programme. The programme will be revised again as part of the 2022/23 budget setting process.

4.0 Collection Fund

4.1 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.

The Collection Fund for the year is as follows:

	Council Tax	Business Rates
	£000's	£000's
Balance B/fwd 01 April 2020	(208)	
(Deficit recovery)/Surplus distributed	(481)	
Debit due for year	(71,830)	
Payments to preceptors	71,062	
Allowance for cost of collection	-	
Transitional Relief	-	
Allowance for appeals	-	
Write offs and provision for bad debts	952	
Balance 31 March 2021	(506)	
Allocated to:		
MHCLG	-	
East Sussex County Council	(216)	
Eastbourne Borough Council	(36)	
Sussex Police	(32)	
East Sussex Fire & Rescue	(13)	
	(297)	

4.2 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 £297K during the year to £506K as 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 £362K will be distributed to precepting bodies pro rata to their Band D Council Tax during 2021/22 leaving a surplus of £143K to be distributed. This Council's share as at 31 March 2021 was £36K.

4.3 It should be noted that as part of the Government's response to the Covid-19 pandemic and the impact it is having on Local Government finances, it is proposing 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 will be factored into the calculations to determine the Collection Fund surplus/deficit position in December/January.

5.0 Capital Outturn

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

2020/21 Capital Programme Summary	Original Estimate	Revised Estimate	Actual	Variance
	£000's	£000's	£000's	£000's
HRA	12,735	11,989	3,626	-8,363
Other Housing	9,597	15,323	3,760	-11,563
Community Services	1,866	2038	1348	-690
Tourism & Leisure	8,510	27	-3	-30
Corporate & Core Services	2,250	7,359	4,083	-3,276
Asset Management	5,721	1,954	3,189	1,235
Total Programme	40,679	38,690	16,003	-22,687
Financed By:-				
Capital Receipts	1016	426	3528	3,102
1-4-1 RTB Receipts	1,306	3,949	545	-3,404
Grants and Contributions	1300	3929	2644	-1,285
Major Repairs Reserve	4,307	5,483	2,770	-2,713
Revenue Contribution to Capital	3,697	1,781	0	-1,781
Reserves	2,000	2,765	0	-2,765
Section 106 Contributions	27	0	0	0
Commercial Loans Repaid	0	11400	0	-11,400
GF Borrowing	26,025	8,957	3,562	-5,395
HRA Borrowing	1,001	0	2,954	2,954
Total Financing	40,679	38,690	16,003	-22,687

5.2 The Council's capital programme spending in the year was £16.003M, compared with a revised budget of £38.690M, giving a net underspend of £22.687M. A key part of its recovery programme, the Council made significant reductions to the programme in order to reduce its borrowing levels and the corresponding capital financing costs. Comments on the key variances are also included in Appendix B.

6.0 Treasury Management

6.1 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.

7.0 Conclusion

7.1 This report provides an overview of financial performance for 2020/21. All figures are provisional and subject to the audit of the Council's accounts.

- 7.2 The General Fund total net expenditure, before reserves transfers, was £3.550M above the revised estimate, around 26% of the net budget (1.5% under for 2019/20).
- 7.3 This has been an exceptional year and the Council has responded to the financial and operational challenges caused by the pandemic with great focus and commitment. This has enabled the authority to reduce its capitalisation requirement by some £3.250M and put in place a strong programme of transformation and savings to ensure a financially sustainable future.
- 7.4 The HRA delivered an overall underspending of £205K around 1.3% of turnover (3.6% for 2019/20). The HRA balance is £1.7M higher than forecast mainly due to delays in the capital programme.
- 7.5 Capital expenditure is £26.216M lower than the revised estimate.
- 7.6 The Collection Fund forecast for Council Tax is indicating a surplus of £505K and a surplus/deficit for Business Rates of £tbcK. This will be allocated to or collected from preceptors during 2021/22 and 2022/23.

8.0 Financial Implications

- 8.1 As set out in the body of the report.

9.0 Legal implications

- 9.1 There are no legal implications arising directly from this report.

10.0 Risk management implications

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

11.0 Equality analysis

- 11.1 There are no equality implication arising directly from this report.

12.0 Environmental sustainability implications

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

Appendices

Appendix A – HRA Outturn

Appendix B – Capital Programme Outturn

Background Papers:

None