

<b>Body:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>23 September 2021</b>
<b>Subject:</b>	<b>Finance update – Performance Quarter 1 2021/22</b>
<b>Report of:</b>	<b>Homira Javadi, Chief Finance Officer</b>
<b>Cabinet member:</b>	<b>Councillor Zoe Nicholson, Leader of the Council, Cabinet Member 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 1 2021/22</b>
<b>Decision type:</b>	<b>Non Key</b>
<b>Recommendation:</b>	<p><b>Cabinet is recommended to</b></p> <ol style="list-style-type: none"> <li><b>1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended June 2021.</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 Budget £'000	Profiled Budget £'000	Actual to 30th June £'000	Variance to date £'000
<b>SUMMARY</b>				
Corporate Services	3,272	731	707	(24)
Service Delivery	7,431	1,430	1,416	(14)
Regeneration, Planning & Assets	595	285	414	129
Tourism & Enterprise Services	445	112	112	0
<b>Total Service Expenditure</b>	<b>11,743</b>	<b>2,558</b>	<b>2,649</b>	<b>91</b>
Contingencies	350	0	0	0
Capital Financing and Interest	1,050	(102)	(102)	0
Income Recovery	(300)	0	0	0
Contributions to/(from) Reserves (Year end transactions)	1,181	0	0	0
<b>Net Expenditure</b>	<b>14,024</b>	<b>2,456</b>	<b>2,547</b>	<b>91</b>
<b>Financing</b>				
Council Tax	(7,998)	(1,999)	(1,999)	0
Business Rates	(4,951)	(1,238)	(1,238)	0
Government Grants	(1,075)	(338)	(436)	(98)
<b>Total Financing</b>	<b>(14,024)</b>	<b>(3,575)</b>	<b>(3,673)</b>	<b>(98)</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>(1,119)</b>	<b>(1,126)</b>	<b>(7)</b>

2.2 The position at the end of June shows a net underspend of £7k. Variances as at 30 June included:

	£000's	£000's
<b>Corporate Services</b>		
IT – operational savings	(24)	(24)
<b>Service Delivery</b>		
Summons cost/liability order – income shortfall	43	
Licensing income shortfall	9	
Green Waste – additional income	(66)	(14)
<b>Regeneration &amp; Planning</b>		
Car parks – reduced income	172	
Investment properties – net reduced income	20	
Development Control – increased income	(34)	
Reduced salary costs	(29)	129
<b>Financing</b>		
Emergency Covid Grant – amount unallocated at Q1	(98)	(98)
<b>Net Variance</b>		<b>(7)</b>

- 2.3 The impact of the pandemic and associated lockdown continues to have an impact on the Council's financial position, in particular on income which is down some £144k at the end of June.
- 2.4 It is still anticipated that the majority of the income losses (mainly relating to car parking) will be recovered through the Government's income recovery scheme. However, the guidance for 2021/22 is still to be issued by MHCLG but is expected soon, therefore a more up to date position will be available for the Q2 monitoring report.
- 2.5 The other main variance relates to the Government's Emergency Covid grant of £494k. At the end of June there has only been direct spend of £26k against the profiled allocation of £124k resulting in a balance of £98k. The grant is unringfenced and not subject to clawback and is provided to cover the direct and indirect financial impact of the Covid-19 pandemic.
- 2.6 The updated Medium Term Financial Strategy report, elsewhere on this agenda, provides the latest full year forecast. This is after allowing for additional Government support and delivery of the Recovery and Reset savings of c.£1m.

The position is primarily dependent upon two key drivers of:

- the R&R savings being achieved; and
- the assumed income recovery.

- 2.7 The position is being monitored closely and updates will continue to be reported to Cabinet.

### 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	(17,039)	(4,214)	(4,214)	0
Expenditure	14,676	2,190	2,027	(163)
Capital Financing & Interest	2,066	0	0	0
<b>Total HRA</b>	<b>(297)</b>	<b>(2,024)</b>	<b>(2,187)</b>	<b>(163)</b>

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

- 3.2 The position at the end of June shows an underspend of £163K. The main areas of underspend relate to repairs and maintenance (£21k) Supervision & Management and Special Services (£93k), and general running costs (£49k).
- 3.3 A full review of the 30 year Business Plan is due to commence soon and will provide a more comprehensive assessment of the overall position for the current and future years. This will be reported to Members as part of the budget setting process for 2022/23.

#### 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 2021/22.
- 4.2 The Capital Programme (GF) for 2021/22 totals £51m compared to the original Capital Programme approved by Council 22 February 2021 of £23m. The changes to the Capital Programme are shown in the following table.

<b>Capital Programme Summary (GF)</b>	<b>2021/22 £'000</b>
Original Approved Budget	23,400
Brought forward 2020/21 schemes	27,174
<b>Variations requiring approval</b>	
Parks & Pavilions – funded from S106 income	516
Regeneration – UTC Building, Newhaven (2020/21 spend)	(16)
<b>Current Programme</b>	<b>51,074</b>

#### 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>Surplus Brought Forward 01 April 2021</b>	<b>(2,049)</b>
Total Collectable Income for year*	(82,690)
Payments to Preceptors	81,166
Write offs, provisions for bad debts and appeals	262
<b>Estimated Balance 31 March 2022 – (Surplus)</b>	<b>(3,311)</b>
Allocated to:	
Government	-
East Sussex County Council	(2,336)
Lewes District Council	(503)
Sussex Police	(325)
East Sussex Fire & Rescue	(147)
	<b>(3,311)</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 base.

- 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 2022/23.
- 5.4 Council Tax is showing a surplus of £3.311m for the quarter. The Council's share of which is £503k. The position continues to be monitored on a monthly basis and the final surplus or deficit will be formally set in January 2022.
- 5.5 The Business Rates position is still awaiting completion of the final outturn for 2020/21, therefore it will not possible to provide an update until Q2. The exact surplus or deficit position will again be determined in January 2022.

## **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 21/22 working papers