

Body:	Cabinet
Date:	9 December 2021
Subject:	Finance update – Performance Quarter 2 2021/22
Report of:	Homira Javadi, Chief Finance Officer
Cabinet member:	Councillor Zoe Nicholson, Leader of the Council, Cabinet Member for Finance and Assets
Ward(s):	All
Purpose of the report:	To update members on the Council’s financial performance in Quarter 2 2021/22
Decision type:	Non Key
Recommendation:	<p>Cabinet is recommended to</p> <ol style="list-style-type: none"> 1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended September 2021. 2. Agree the amended capital programme as set out in Appendix 2a and 2b.
Reasons for recommendations:	To enable Cabinet members to consider specific aspects of the Council’s financial performance.
Contact:	<p>Homira Javadi, Chief Finance Officer Tel: 01323 415512 or email Homira.Javadi@lewes-eastbourne.gov.uk</p>

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 30-09.21 £'000	Variance to date £'000
SUMMARY				
Corporate Services	3,272	731	731	0
Service Delivery	7,431	3,705	3,346	(359)
Regeneration, Planning & Assets	595	298	624	326
Tourism & Enterprise Services	445	112	112	0
Total Service Expenditure	11,743	4,846	4,813	(33)
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
Net Expenditure	14,024	4,744	4,711	(33)
Financing				
Council Tax	(7,998)	(3,999)	(3,999)	0
Business Rates	(4,951)	(2,476)	(2,476)	0
Government Grants	(1,075)	(538)	(538)	0
Total Financing	(14,024)	(7,013)	(7,013)	0
(Surplus) / Deficit	0	(2,269)	(2,302)	(33)

2.2 The position at the end of June shows a net underspend of £33k. Variances as at 30 September included:

	£000's	£000's
Service Delivery		
Rent Allowances	(42)	
Rent Rebate	98	
Housing Benefit	(317)	
Waste and Recycling	(98)	(359)
Regeneration & Planning		
Investment Property –rates/rental/fees	98	
Car Park net unachieved income	228	326
Net surplus		(33)

- 2.3 The impact of the pandemic and associated lockdown continues to have an impact on the Council's financial position, in particular car parking income which is £324k below budget for this period. However, this has been offset by some reduction in costs within Service Delivery.

The current monitor position provides some early understanding of the potential year end expenditure; however officers will be engaging in more detailed outturn projection work for the third quarter monitor. This will provide greater insight into the expected year end position.

3.0 Housing Revenue Account

- 3.1 HRA performance for the quarter is as follows:

Housing Revenue Account Summary	Current Budget	Profiled Budget	Actual to 30th June	Variance to date
	£'000	£'000	£'000	£'000
Income	(17,039)	0	0	0
Expenditure	14,990	2,843	2,490	(353)
Capital Financing & Interest	2,066	0	0	0
Total HRA	(297)	(2,024)	(2,187)	(353)

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

- 3.2 The position at the end of June shows an underspend of £353k. The main areas of variation relate to repairs and maintenance (£236k) Supervision & Management and Special Services (£35k), and general running costs (£92k).

4.0 Capital Expenditure

4.1 Capital Expenditure – General Fund

- 4.2 The capital programme at Appendix 2a, provides a detailed summary of spend for quarter 2 compared to the allocation for 2021/22. The Capital Programme (including slippages from 2020/21) for 2021/22 totals £52.412m compared to the original Capital Programme approved by Council 22 February 2021 of £23.4m. The changes to the Capital Programme are shown in the following table.

	Original		Other	Revised	Q2
NON-HOUSING CAPITAL PROGRAMME	Programme	B/F	Variations	Programme	Expenditure
	2021/22	2020/21	2021/22	2021/22	2021/22
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Recovery and Reset	555	118		673	52
Regeneration	15,967	7,031	19,429	42,427	927
Asset Management	580	839		1,419	396
Indoor Leisure Facilities	1,095	91		1,186	74
Total Energy Schemes	3,000	-		3,000	-
Community Infrastructure	890	-	374	1,264	1,264
Service Delivery	227	41		268	120
Specialist	136	-		136	39
Coastal Defence Works	300	94		394	-
Parks, Pavilions etc.	150	201	516	867	10
Open Spaces	300	-		300	-
Information Technology	150	148		298	45
Finance Transformation	50	129		179	2
GENERAL FUND	23,400	8,693	20,319	52,412	2,928

- 4.3 The total spends and commitments at the end of September 2021 totalled £2.928m against a revised budget of £52.412m. The revised programme includes £19.3 million Government funding award for Newhaven, following the successful bid that focused on five core themes. In accordance with the government's funding criteria, officers are now preparing to submit a detailed business case for each project in Newhaven. The government will then scrutinise the plans prior to releasing the funds.
- 4.4 The Covid-19 has had significant impact on market conditions - including increases in raw materials prices, construction cost increases, and labour and material supply chain issues. This has impacted on delivery of the capital programme in various ways. There have been increases in tendered prices (to original estimates) across capital projects, reduced capacity to undertake works to planned timeline (because of labour supply issues) and in some cases a less than expected number of quotations / tenders returned for tendered works.
- 4.5 **Capital Expenditure – HRA**

	Original			Revised		Q2
SUMMARY	Programme	B/F	Re-profiled	Programme	Expenditure	
	2021/22	2020/21	2021/22	2021/22	2021/22	
HRA HOUSING	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Housing Investment	23,831	6,779	-	30,610	4,350	
General Fund Housing	1,136	-	-	1,136	369	
Housing Companies Loans	2,550	15,741	(15,741)	2,550	1,445	
TOTAL HOUSING	27,517	22,520	(15,741)	34,296	6,164	

- 4.6 The detailed capital programme at Appendix 2b, provides a summary of spend for quarter 2 compared to the allocation for 2021/22. The HRA Capital Programme (including slippages from 2020/21) for 2021/22 totals £34.296m compared to the original Capital Programme approved by Council 22 February 2021 of £27.517m. The changes to the Capital Programme are shown in the following table.
- 4.7 The revised budget for the Housing Capital Programme for the year is £34.296, with expenditure and commitments to the end of Quarter Two of £6.164m. Capital budgets from the previous year have been carried forward to 2021/22, relating to the maintenance of the Council's housing stock, and the New Build programme.
- 4.8 Project team leaders will, as with every year, be encouraged to review scheme progress on an ongoing basis throughout the year and advise where there are significant revisions. Based on this information reprofiling will be undertaken where necessary to reflect these changes within the HRA Capital Programme.
- 4.9 Covid-19 has also had a detrimental effect on the rest of the HRA Capital Programme. However the true slippage on all programmes won't fully be known until later in the financial year once discussions with contractors are at an advanced stage and the impact on supply chains is fully assessed.

5 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	Business Rates
	£'000	£'000
(Surplus)/Deficit Brought Forward 01 April 2021	(2,049)	8,337
Total Collectable Income for year *	(83,358)	(22,848)
Net Payments to Preceptors	81,166	17,930
Write offs, provisions for bad debts and appeals	572	730
Additional Business Rate Relief s31 grant	-	
Estimated Balance 31 March 2022 – (Surplus) / Deficit	(3,669)	4,149
Additional Business Rate Relief s31 grant		(5,134)
Net Total		(1,165)
Allocated to:		
Government	-	2,075
East Sussex County Council	(2,588)	373
Lewes District Council	(558)	1,660
Sussex Police	(360)	-
East Sussex Fire Authority	(163)	41
Estimated Balance 31 March 2022 – (Surplus) / Deficit	(3,669)	4,149

** 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 2022/23.
- 5.4 At quarter 2, Council Tax is showing an estimated surplus for the year of £3,669k (£3,311k at quarter 1). This represents an in-year improvement of £1,620k after allowing for the brought forward surplus of £2,049k. The Council's share of the overall forecast surplus is £558k.
- 5.5 At quarter 2, Business Rates is showing an estimated deficit of £4,149k (£2,369k at quarter 1) excluding s31 relief grant. The Council's share of the deficit is £1,660k. The position is changing on a monthly basis as the impact of reliefs and s31 grants are applied, and a more accurate position will be known when the final surplus or deficit position is formally set in January 2022.

6.0 Financial implications

- 6.1 As set out in the report

7.0 Legal implications

- 7.1 None associated with the report.

8.0 Risk management implications

- 8.1 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

- 9.1 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

- 10.1 None associated with the report.

Appendices

- Appendix 1 – Housing Revenue Account
- Appendix 2a and 2b – Capital Programme

Background papers

The background papers used in compiling this report were as follows:

- Budget monitoring 21/22 working papers