

Report to: Cabinet

Date: 24 March 2022

Title: Finance update – Performance Quarter 3 2021/22

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Leader of the Council, Chair of Cabinet and Cabinet Member for Finance and Assets

Ward(s): All

Purpose of report: To update members on the Council’s financial performance in Quarter 3 2021/22

Decision type: Non Key

Officer recommendation(s): Cabinet is recommended to

1. Note the General Fund, HRA and Collection Fund financial performance for the quarter ended December 2021.
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 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 General Fund

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

Department	2021-22 Budget £'000	2021-22 Projected Outturn £'000	Variance £'000
SUMMARY			
Corporate Services	3,575	3,681	106
Service Delivery	7,515	6,772	(743)
Regeneration, Planning & Assets	557	338	(219)
Tourism & Enterprise Services	445	520	75
Total Service Expenditure	12,092	11,311	(781)
Capital Financing and Interest	1,050	350	(700)
Other Movements	23	115	92
Contributions to/(from) Reserves	578	1,531	953
Net Expenditure	13,743	13,307	(436)
Financing			
Council Tax	(7,998)	(7,998)	0
Business Rates	(4,950)	(4,950)	0
Government Grants	(795)	(795)	0
Total Financing	(13,743)	(13,743)	0
(Surplus) / Deficit	0	(436)	(436)

2.2 The position at the end of the financial year shows a net underspend of £0.436m. Variations are set out in the table below:

Detailed variation	£000's	£000's
Corporate Services		
Corporate Management	43	
Strategic Finance	0	
Human Resources	30	
Information Technology	(2)	
Legal and Democratic Services	35	
		106
Service Delivery		
Case Management and Special services	(305)	
Customer & Neighbourhood services	(260)	
Waste & Recycling	(127)	
Homes First	(51)	
		(743)

Regeneration & Planning		
Estates and Property	308	
Planning	(88)	
Regeneration	(290)	
Business Planning and Performance	(149)	(219)
Tourism and Enterprise		
Arts Development	0	
Tourism	62	
Wave Leisure	13	75
Capital financing Costs and Interest		
Reduction in Capital Financing cost plus additional Interest income		(700)
Other Movements		92
Contributions to Reserves		953
Net surplus		(436)

- 2.3 The impact of the pandemic and associated lockdown continues to have an impact on the Council's financial position, in particular within the Estates and Property variance of £308k Corporate Property income has projected to be £468k below budget for the year. Car parking income also included in this budget has also seen a downturn and the projection outturn income will be £196k below budget. However, both these items have been offset by staff savings achieved in the year. There are also reductions within Service Delivery, noticeably a reduction in rent allowance costs (£305k), a reduction in Bed & Breakfast Accommodation costs (£51k) and a Shared Service salary saving arising from vacancies (£260k). A reduction in financing costs of £700k has been due to reprofiling of the capital programme.

3 Housing Revenue Account

- 3.1 HRA performance for the quarter is as follows:

Housing Revenue Account Summary	Current Budget	2021-22 Projected Outturn	Variance to date
	£'000	£'000	£'000
Income	(16,966)	(16,966)	0
Expenditure	15,252	15,577	325
Capital Financing & Interest	2,026	2,039	13
Total HRA	312	650	338

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

- 3.2 The projected outturn position for the HRA is showing an overspend of £338k. This variance is attributable to the repairs and maintenance budget which has

overspent by £661k. Other areas of saving have mitigated this position and savings are projected in both Special Services (£82k) and Rents and Rates charges (171k).

4 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 £34.9m compared to the original Capital Programme approved by Council 22 February 2021 of £23.4m. The summary of the Capital Programme movements are shown in the following table.

	Original	B/F	Other	Revised	Q3
	Programme		Variations	Programme	Expenditure
	2021/22	2020/21	2021/22	2021/22	2021/22
NON-HOUSING CAPITAL PROGRAMME	£'000	£'000	£'000	£'000	£'000
Recovery and Reset	555	118	-	673	52
Regeneration	15,967	7,031	1,094	24,092	879
Asset Management	580	839	-	1,419	369
Indoor Leisure Facilities	1,095	91	-	1,186	66
Total Energy Schemes	3,000	-	-	3,000	93
Community Infrastructure	890	-	1,180	2,070	2,070
Service Delivery	227	41	-	268	108
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	-
GENERAL FUND	23,400	8,693	2,790	34,883	3,729

4.3 The total spends and commitments at the end of December 2021 totalled £3.7m against a revised budget of £34.9m. The revised programme includes a proportion of the £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 Capital Expenditure – HRA

4.5 The detailed HRA capital programme at Appendix 2b, provides a summary of spend for quarter 3 compared to the allocation for 2021/22. The HRA Capital Programme (including slippages from 2020/21) for 2021/22 totals £22.5m compared to the original Capital Programme approved by Council 22 February 2021 of £27.5m. The changes to the Capital Programme are shown in the following table.

	Original			Revised		Q3
SUMMARY	Program me	B/F	Re-profiled	Programme	Expenditure	
	2021/22	2020/21	2021/22	2021/22	2021/22	
HRA HOUSING	£'000	£'000	£'000	£'000	£'000	
Housing Investment	23,831	6,780	-	30,611	4,925	
General Fund Housing	1,136	-	-	1,136	439	
Housing Companies Loans	2,550	15,741	-15,740	2,551	1,947	
TOTAL HOUSING	27,517	22,521	-15,740	34,298	7,311	

- 4.6 The revised budget for the Housing Capital Programme for the year is £34.2, with expenditure and commitments to the end of Quarter Three of £7.3m. 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.
- 4.7 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.
- 4.8 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 £'000	Business Rates £'000
Brought Forward 01 April 2021 – (Surplus) / Deficit	(2,049)	8,337
Total Collectable Income for year*	(83,075)	(31,473)
Payments to Preceptors	81,166	26,653
Write offs, provisions for bad debts and appeals	1,008	192
Three year spreading adjustment	-	(49)
Estimated Balance 31 March 2022 - (Surplus) / Deficit	(2,950)	3,660
Allocated to:		

Central Government	-	1,830
East Sussex County Council	(2,081)	1,464
Lewes District Council	(448)	329
Sussex Police	(290)	-
East Sussex Fire Authority	(131)	37
Total	(2,950)	3,660

** 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 Council Tax is showing an estimated surplus for the year of £2.950m at quarter 3. The Council's share of the surplus is £448k. This is the surplus that was formally set in January 2022 and notified to preceptors. The position continues to be monitored on a monthly basis.
- 5.5 Business Rates is showing an estimated deficit for the year of £3.660m at quarter 3 due to expanded retail and nursery discount relief provided under Covid-19. The Council's share of the deficit is £329k. The deficit is being funded through the payment of section 31 grant from central government. This is the deficit that was formally set in January 2022 and notified to preceptors. The position continues to be monitored on a monthly basis.

6 Financial implications

- 6.1 As set out in the report

7 Legal implications

- 7.1 None associated with the report.

8 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 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 Environmental sustainability implications

10.1 None associated with the report.

11 Appendices

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

12 Background papers

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

- Budget monitoring 21/22 working papers