

## Part B

### Financial Performance Q3 2021/22

#### 1 General Fund

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

	Current Budget	Actual to 31 Dec 2021	Projected Outturn	Variance to date
	£'000	£'000	£'000	£'000
<b>SUMMARY</b>				
Corporate Services	4,124	3,454	4,165	41
Service Delivery	7,886	6,229	6,269	-1,617
Regeneration & Planning	518	2,095	1,477	959
Tourism & Enterprise	3,290	1,040	3,121	-169
<b>Net Cost of Services</b>	<b>15,818</b>	<b>12,818</b>	<b>15,032</b>	<b>-786</b>
Recovery & Reset	1,233	1,233	1,233	0
Emergency Covid 19 Grant	-598	-598	-598	0
Capital Financing/Interest	2,374	1,155	2,374	0
Contingencies (pay awards)	250	0	200	-50
Estimated yearend adjustments (BR equalisation earmarked reserves, etc)			600	600
Capitalisation Direction	-4,400	-4,400	-4,400	0
<b>Net Expenditure</b>	<b>14,677</b>	<b>10,458</b>	<b>14,441</b>	<b>-236</b>
<b>Financing</b>				
Council Tax	-8,911	0	-8,911	0
Business Rates	-4,608	0	-4,608	0
Government Grants	-1,158	0	-1,158	0
<b>Total Financing</b>	<b>-14,677</b>	<b>0</b>	<b>-14,677</b>	<b>0</b>
<b>(Surplus)/Deficit</b>				
			<b>Net Variance</b>	<b>-236</b>

1.2 The position at the end of December 2021 shows a net surplus of £0.236m. Key variances for the Net Cost of Services are set out in the following table:

<b>Area and reason for variance</b>	<b>Total Variance £000's</b>	
<b>Corporate Services</b>		
Corporate Management – ICE Grant	(271)	
IT – salaries and network costs	236	
HR – Recruitment Costs	76	
		<b>41</b>
<b>Service Delivery</b>		
Specialist & Case Management – Additional income	(758)	
Customer & Neighbourhood Services – salary saving	(256)	
Homes First – HPG funding and salary saving	(603)	
		<b>(1,617)</b>
<b>Regeneration &amp; Planning</b>		
Planning – Local Development Framework	51	
Housing Delivery Team – salary costs	462	
Estates & Property – Income shortfalls	577	
Business Planning and Performance	(131)	
		<b>959</b>
<b>Tourism and Culture</b>		
Tourism and Enterprise – catering income down	291	
Sports Delivery -Sovereign Centre income achieved	(335)	
Seafront – band stand and seafront buildings	120	
Events– staffing costs & Beachy Head marathon	91	
Theatres–Covid Grants and income fluctuations	(336)	
		<b>(169)</b>
<b>NET COST OF SERVICES SURPLUS</b>		<b>(786)</b>
Use of contingency (pay awards)	(50)	(50)
Yearend adjustments (including BR EMR)	600	600
<b>Total Before Funding</b>		<b>(236)</b>

- 1.3 The pending announcement regarding the pay awards will impact the budget outturn position and the pay award will partially be funded from the £250k contingency.
- 1.4 The Cultural Recovery Fund grant of £1.3m and its associated budgets remain outside of the General Fund monitor. An update of that expenditure and grant usage will be provided at the Q3 update.

## 2 HRA

2.1 HRA performance of the quarter is as follows:

	Revised Full Year Budget	Projected Outturn 2021-22	Variance
	£'000	£'000	£'000
<b>HRA</b>			
Income	(15,654)	(15,654)	0
Expenditure	13,930	13,672	(258)
Capital Financing & Interest	1,597	1,597	0
Contribution to Reserves	576	576	0
<b>Total HRA</b>	<b>449</b>	<b>191</b>	<b>(258)</b>

There is a positive variance of £258k projected outturn. The main variance relates to an underspend on the supervision and management costs. A further breakdown is shown at **Appendix 1**.

## 3 Capital Expenditure

3.1 The detailed capital programme at **Appendix 2**, provides a detailed analysis of spend for quarter 3 compared to the updated budget for 2021/22 and the total spend for each scheme as at 31 December 2021. The current Q3 expenditure totals £23.3m against the latest programme of £37.6m. Comments are provided for each scheme within the attached Appendix 2.

Summary - Capital Programme	Original 2021-22	Updated 2021-22	Q3 Spend 2021-22	Q3 variance to updated budget
	£000	£000	£000	£000
Housing Revenue Account	19,820	9,251	4,993	4,258
Other Housing	4,602	15,712	13,658	2,054
Community Services	1,900	1,929	809	1,119
Tourism & Leisure	500	160	234	(74)
Corporate Services	8,951	7,158	1,692	5,466
Regeneration	-	692	-	692
Asset Management	3,480	2,711	1,890	820
<b>Total HRA &amp; General Fund</b>	<b>39,253</b>	<b>37,612</b>	<b>23,276</b>	<b>14,336</b>

## 4 Collection Fund

4.1 The Collection Fund records all the income from Council Tax and Non-Domestic Rates and its allocation to precepting authorities.

4.2 The Collection fund for the year is as follows:

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
<b>Brought Forward 01 April 2021 – (Surplus) / Deficit</b>	<b>(505)</b>	<b>27,858</b>
Total Collectable Income for year*	(74,252)	(54,225)
Net Payments to Preceptors	72,971	37,688
Write offs, provisions for bad debts and appeals	1,205	(383)
Three year spreading adjustment	(327)	(986)
<b>Estimated Balance 31 March 2021 – (Surplus) / Deficit</b>	<b>(908)</b>	<b>9,952</b>
<b>Allocated to:</b>		
Central Government	-	4,976
East Sussex County Council	(663)	896
Eastbourne Borough Council	(110)	3,981
Sussex Police	(93)	-
East Sussex Fire Authority	(42)	99
<b>Total</b>	<b>(908)</b>	<b>9,952</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 and Business Rate bases.

- 4.3 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.
- 4.4 Council Tax is showing an estimated surplus for the year of £908k at quarter 3. The Council's share of the surplus is £110k. This is the surplus that was formally set in January 2022 and notified to preceptors. Business Rates is showing an estimated deficit for the year of £9.952m at quarter 3 due to expanded retail and nursery discount relief provided under Covid-19. The Council's share of the deficit is £3.981m. 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 collection fund position continues to be monitored on a monthly basis.

## 5 Treasury Management

The Annual Treasury Management and Prudential Indicators were approved by Cabinet and Council in February.

### Annual Investment Strategy

The Treasury Management Strategy Statement (TMSS) for 2021/22 which includes the Annual Investment strategy, was approved by the Full Council on Wednesday, 19th February. It sets out the Council's investment priorities as being:

- Security of Capital.
- Liquidity.
- Yield.

Approved limits within the Annual Investment Strategy were not breached during the period ending 31 January 2022, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 21 days during the period.

### **Treasury Position as at 31 January 2022**

The Council's debt and investment position is organised by staff within Financial Services in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

In a relatively short period since the onset of the Covid-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges to governments, businesses, and individuals.

### **Fixed Term Deposits pending maturity –**

The following table shows the fixed term deposits held between 1 November to 31 January 2022 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria the minimum rating required for deposits made in terms of long-term A- (Fitch).

<b>Counterparty</b>	<b>Date From</b>	<b>Date To</b>	<b>Days</b>	<b>Principal £'000</b>	<b>Int Rate %</b>	<b>Long-term Rating</b>
Debt Management Office	17 Jan 22	04 Feb 22	18	2,000	0.06	*

### **Fixed Term Deposits which have matured in the reporting period**

The table below shows the fixed term deposits which have matured between 1 November to 31 January 2022, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £3.5m over this period.

<b>Counterparty</b>	<b>Date From</b>	<b>Date To</b>	<b>Days</b>	<b>Principal £'000</b>	<b>Int. Rate %</b>	<b>Long term</b>
Debt Management Office	11 Jan 22	18 Jan 22	7	3,500	0.02	*
<b>Total</b>				<b>3,500</b>		

**\*UK Government body and therefore not subject to credit rating**

## Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest-bearing accounts in the period covered by this report, with the average amount held being £3.026m generating interest of approximately £2k.

	Balance at 31 January 2022 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	5,000	4,409	0.17
Lloyds Bank Corporate Account	1,028	1,702	0.00
Lloyds Bank Call Account	2,200	2,968	0.01

Investment performance for the quarter ending 31 January is as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earning
7-day LIBID	-0.08%	0.04%	£2,500

The budgeted investment return for 2021/22 is £50,000. Due to cash flow requirements and current low interest rates, investments held are at minimum and it is unlikely that this budget will be achieved, but this will be offset by reduced borrowing. The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest payable on loans and investment income.

## TM Borrowing – Q3 2021/22

In taking borrowing decision, the Council carefully considered achieving best value, the risk of having to borrow at higher rates at a later date, the carrying cost of the difference between interest paid on such debt and interest received from investing funds which would be surplus until used, and that the Council could ensure the security of such funds placed on temporary investment.

- **Rescheduling** – no debt rescheduling was carried out during the quarter as there was no financial benefit to the Council.
- **Repayment** – None

**Borrowing** – The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. No new loans were drawn down from PWLB (Public Works Loan Board) during the quarter to fund the net unfinanced capital expenditure and/or to replace maturing loans. Various temporary loans were taken to cover cash flow requirements. All loans drawn were for fixed rate as detailed within the table below.

<b>Lender - Temp Debt</b>	<b>£m</b>	<b>Start Date</b>	<b>End Date</b>	<b>Rate</b>
<b>Loans held:</b>				%
Northern Ireland Housing Executive	7.0	20-Sep-21	20-Jun-22	0.07
Middlesbrough Teeside Pension Fund	5.0	22-Nov-21	23-May-22	0.04
West Midlands Combined Authority	10.00	21-Jan-22	20-Jan-23	0.25
<b>Loans repaid:</b>				
North Yorkshire County Council	5.0	23-Nov-20	22-Nov-21	0.25
North Yorkshire County Council	5.0	24-Nov-20	23-Nov-21	0.25
West Midlands Combined Authority	10.0	21-May-21	21-Jan-22	0.07

## **Debt Rescheduling**

Debt rescheduling opportunities have been very limited in the current economic climate and following the various increases in the margins added to gilt yields which have impacted PWLB new borrowing rates since October 2010. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt.

However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred). The reasons for any rescheduling to take place will include:

- The generation of cash savings and / or discounted cash flow savings;
- Helping to fulfil the treasury strategy;
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates investments are likely to be lower than rates paid on current debt. No debt rescheduling has therefore been undertaken to date in the current financial year.

## **Compliance with Treasury and Prudential Limits**

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the quarter to 31 January the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices, except for temporary balances exceeding limits with Lloyds Bank.