

Report to: Cabinet

Date: 7 July 2022

Title: Provisional Revenue and Capital Outturn 2021/22

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Leader of the Council and Cabinet member for finance and assets

Ward(s): All

Purpose of report: To update Members on provisional outturn for 2021/22.

Decision type: Key

Officer recommendation(s): Cabinet is recommended to:

1. Note the provisional outturn for 2021/22
2. Approve the recommended transfers to the general fund unallocated and earmarked reserves as presented in section 3 of the report
3. Approve the transfers to HRA reserves

Reasons for recommendations: To enable Cabinet members to consider specific aspects of the Council's financial performance for 2021/22.

Contact Officer(s): Homira Javadi: Chief Finance Officer
Tel: 01323 415512 or email
Homira.Javadi@lewes-eastbourne.gov.uk

1 Executive Summary

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. At the time of writing, the Statement of Accounts were still to be completed and signed off by the Chief Finance Officer. This is therefore a provisional outturn position and is subject to the accounts being finalised and subsequently audited.
- 1.2 This report provides information and analysis on the Council's financial performance and use of resources in the 2021/22 financial year in comparison to the revised budget set by Council in February 2022. This report precedes the production of the Council's formal Statement of Accounts and although it is not expected that any further material adjustments will be needed that will alter the final outturn position, it is possible that this could be the case.

- 1.3 As is the case with every year-end report there are a number of changes that result as balance sheet activities are reviewed and finalised, and although the Outturn Report and Statement of Accounts reconcile to one another, it is the statutory Statement of Accounts on which the audit opinion is given and accounting regulations drive some of the final movements reported.
- 1.4 The financial impacts of the Covid-19 pandemic and resulting lockdowns continued well into 2021/22 triggering additional expenditure, reduced income and introducing added risks and uncertainties. This report highlights some of the key movements and variations. It also provides an opportunity to reassess and if possible, make provisions for any emerging risk in 2022/23.
- 1.5 Overall, the Council ended the year with a net General Fund expenditure of £13.2m which compared to the revised budget of £13.74m gives an in-year underspend of £0.54m, as shown in the summary table 1 below.

The key highlights are:

- Delivery of planned savings
- £379k reduced costs of facilities and office accommodation – £250k to be carried forward to support additional costs in 2022/23
- £149k reduction in the software licensing costs - £100k to be carried forward to support additional IT related costs in 2022/23
- £279k higher than planned interest income
- Improved income in comparison to the revised budget – (below original budget); Waste and recycling up by £227k, car parking up by £81k.
- £119k additional new burden grants.

A more detailed assessment of key variances is provided below in section 2.

General Fund	2021-22 Revised Budget	2021-22 Draft Outturn	Variance
	£	£	£
Corporate Services Total	3,540,600	3,533,531	-7,069
Total Service Delivery	7,363,250	6,792,969	-570,281
Regeneration and Planning Totals	1,280,450	1,039,997	-240,453
Tourism and Enterprise Total	465,600	475,594	9,994
TOTAL SERVICE EXPENDITURE	12,649,900	11,842,091	-807,809
Capital Financing, Corporate savings and Interest	145,650	412,207	266,557
TOTAL SERVICE EXPENDITURE inc Capital Financing & Int	12,795,550	12,254,298	-541,252
Contributions to /(from) reserves Earmarked	947,740	947,740	-
Budget Requirement	13,743,290	13,202,038	-541,252

- 1.6 During the year, £119k of new burden grant was received. Whilst there have been some signs of income recovery, many of the authority's income streams remained well below their pre-Covid 19 levels.
- 1.7 Using its outturn position and available reserves (subject to any final adjustments), the Council is able to make funding provision for a number of emerging risk areas and strengthen its operational and financial resilience. To that end it is recommended that:
- £350k be allocated to a newly created Cost of Living support earmarked reserve, approved by full Council in February 2022
 - A further £200k to be added to the above provision to combat the increasing cost of fuel and cost of living pressures as outlined elsewhere within the agenda.
 - Subject to final outturn adjustment, general fund reserves to be updated.
 - Movements in earmarked reserves are approved.
- 1.8 Details of the above movements are provided below in section 3 of this report.
- 1.9 The Housing Revenue Account (HRA) has an underspend of £233K against the revised operational budget of £17m. The outturn also includes £924k reduction in depreciation charges as shown in section 4. It is recommended that £150k of this underspend be transferred to the newly created earmarked reserve for Cost of Living Support.
- 1.10 The Capital Programme is reporting £14.2m spend, further details can be found in section 5.
- 1.11 This improved outturn position means that the council's finances are adequately placed to meet the ongoing challenges over the medium term, ensures the continued delivery of priorities, and provides for increasing financial resilience in 2022/23.

2 Draft Revenue outturn 2021/22

- 2.1 The provisional revenue outturn for 2021/22 is £13.2m against the revised budget of £13.7m, leaving an underspend of just over £0.5m.
- 2.2 The Summary outturn position shows that broadly all services have delivered within budget, other than a slight overspent with investment in a heritage site within Tourism. Savings of £541k have been delivered within services. This represents a net reduction of 3.9% in comparison to the revised budget with no loss of services to the community.

A more detailed analysis and explanations of the variances is shown over page:

2.3 Corporate Services (£7k):

General Fund	2021-22 Revised Budget	2021-22 Draft Outturn	Projected Variance
	£	£	£
Corporate Management	303,600	327,724	24,124
Strategic Finance	845,450	840,181	(5,269)
Human Resources	211,300	184,301	(26,999)
Information Technology	1,352,400	1,302,604	(49,796)
Legal and Democratic Services	827,850	878,721	50,871
Corporate Services Total	3,540,600	3,533,531	(7,069)

Overall, in line with the approved departmental budget. Key variations are:

- Corporate management £24k one off pension costs.
- Human Resources £27k- includes £14k of delivered planned savings and other savings driven by remote working.
- Information Technology £149k due to reduction in software licensing costs. £100k to be carried forward to 2022/23.
- Legal and Democracy; the variance is primarily caused by additional external legal advice and reduction in land charges income.

2.4 Service Delivery (£570k)

General Fund	2021-22 Revised Budget	2021-22 Draft Outturn	Projected Variance
	£	£	£
Case Management and Specialist Services Total	853,650	1,018,916	165,266
Customer and Neighbourhood Services Total	2,464,850	2,259,801	(205,049)
Waste and Recycling	3,637,800	3,410,534	(227,266)
Homes First Total	406,950	103,718	(303,232)
Total Service Delivery	7,363,250	6,792,969	(570,281)

2.5 Case Management and Specialist Services – net increase in costs £165k:

Generally, the service has performed within budget. Key variations are:

- £486k increase in rent allowances and an increase in bad debt provision
- (£12k) savings on overtime and reduced out-sourcing requirements;
- (£144k) reduction on parks and open spaces costs;
- £217k increase in other costs including HB over payment
- (£140k) reduction on rent rebates after subsidy.
- (£242k) improved Council tax collection -as a result of increases in summons raise during the year backdated to Covid19 (2020).

2.6 Customer and Neighbourhood Services: net reduction (£205k):

The variation in by the misalignment of budget with the expenditure following an in year restructuring – and some temporary vacancies during the year.

2.7 Waste and Recycling- improved income (£227k)

- (£32k) net reduction in recycling -despite having to hire a vehicle
- (£52k) Waste Collection - increase in sales of bins and refuse sales, and reduced agency costs
- (£53k) Street Cleaning reduced cost of service
- (£29k) the vehicle workshop- reduction within repairs and maintenance
- (£72k) Waste and Management Services - reduced cost of shared services charges of £41k, savings on training budget of £15k and clothing and uniforms of £16k, and
- £11k some other smaller variation.

2.8 Homes First – net reduction of (£303k):

- (£30k) – relating to temporary staff vacancies.
- (£164k) – reduction in the cost of Homelessness including B &B (net of housing benefits and the homeless prevention grant)
- (£109k) Private sector leasing – reduction in costs of repairs.

2.9 Regeneration and Planning – net reduction of (£240k)

General Fund	2021-22 Revised Budget	2021-22 Draft Outturn	Projected Variance
	£	£	£
Estates and Property Totals	23,550	(11,748)	(35,298)
Planning	129,550	237,373	107,823
Regeneration	620,000	458,721	(161,279)
Business Planning and Performance	507,350	355,650	(151,700)
Regeneration and Planning Totals	1,280,450	1,039,997	(240,453)

2.10 Estates and Property- net reduction of (£35k):

- (£81k) higher than anticipated Car parking income-(against the reduced budget of £113k).
- £161k Corporate Landlord- reduced rental income in Industrial Estates,
- £38k Housing Delivery - costs cannot be capitalised.
- (£129k) Southover House offices reduced asset management costs– £250k to be carried forward into 2022/23.
- (£25k) Public conveniences and other smaller items – reduced costs.

2.11 Planning – net increase of £107k:

- £75k additional costs within enforcement- relating dangerous building in Peacehaven
- £56k additional costs relating to various bid/s.

- (£24k) net increase in administration fees

2.12 Regeneration – net reduction of £122k:

- (£50k) Business Rates Discount scheme – reduce demand on the budget.
- (£57k) in year under spend has been requested to be carried forward to support the “sidings café”.
- Other smaller variances

Newhaven Enterprise Centre may be subject to final accounts adjustments

2.13 Business Planning and Performance – net reduction of (£151k)

Business Planning and Performance is underspend against budget by £144k. The voluntary sector support budget of £217k has been fully utilised.

2.14 Art, Tourism and Leisure Net increase in the expenditure £10k

General Fund	2021-22 Revised Budget	2021-22 Draft Outturn	Projected Variance
	£	£	£
Arts Development	4,300	493	(3,807)
Tourism	238,950	276,627	37,677
Wave Leisure			
Leisure Centres and Swimming Pools	120,250	80,873	(39,377)
Newhaven Fort	102,100	117,600	15,500
	222,350	198,474	(23,876)
Tourism and Enterprise Total	465,600	475,594	9,994

2.15 Arts and Tourism increase in net expenditure of £29k:

- £28k increased cost relating to a heritage site
- £16k additional spend on the Seaford Tourist Information Centre.
- (£15k) savings on Arts development and other smaller items

2.16 Wave Leisure and Newhaven Fort net reduction of (£24k):

- (£39k) net reduction in leisure centre and swimming pools – better than expected income from solar panels.
- £16k additional expenditure relating for Newhaven Fort.

2.17 Recovery and Reset (Saving Targets £516k

The Savings target of £516k, in 2021/22 shown as a single budget line has been

achieved by services as part of their saving targets.

2.18 Capital Financing and Interest Received net increase in income (£280k)

The Capital financing costs include Minimum Repayment Payment (MRP) of £334k. Some of the remaining balances will be carried forward to match the carried forward capital expenditure.

(£280k) additional net income from interest received relating to internal loans provided to HRA and Aspiration Homes.

3 Reserves

3.1 The table below shows the earmarked reserves with the balance brought forward as at 1.4.21:

3.2

Earmarked Reserve	Opening Balances 01.04.2021	Transfers (In) / Out	Transfers Out	Capital use	Closing Bal 31.03.2022
	£	£	£	£	£
Asset Maintenance	-1,587,317	0	0	360,049	-1,227,268
Economic Regeneration	-350,000	0	293,387	0	-56,613
Revenue Grants and Contributions	-1,038,917	-398,321	2,901	0	-1,434,337
Strategic Change	-908,346	-6,918	74,444	36,207	-804,613
Vehicle and Equipment Replacement	-559,407	0	0	59,601	-499,806
Managing in Year Economic Volatilities	-125,000	-200,000	0	0	-325,000
Capital Financing	-500,000	0	0	0	-500,000
Community Grants	-105,000	0	0	0	-105,000
Cost of Living Support - requested	0	-550,000	0	0	-550,000
Total Earmarked Reserves	-5,173,987	-1,155,239	370,732	455,857	-5,502,637
Business Rate Equalisation * subject to final accounts	-861,000	-497,974	0	0	-1,358,974
Carried Forwards	0	-750,000	0	0	-750,000
NHEZ * subject to final accounts	-2,068,306	-1,116,796		0	-3,185,102
General Fund Balance	-3,676,782	-46,438	0	0	-3,723,220

4 Housing Revenue Account (HRA)

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

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

HRA Main Variances against Budget	Variances £'k
Non-Dwelling Rents	125
Charges for Services and Facilities	-308
Repairs and Maintenance	508
Supervision and Management	151
Special Services	-221
Rents, Rates, Taxes and Other Charges	-121
Decrease in Impairment of Debtors	-140
HRA share of Corporate and Democratic Core	-55
Interest Payable	-163
Other	-9
Total Positive Variance against Budget	-233
Depreciation of Fixed Assets	-924

It is proposed to transfer £150,000 of the surplus to a cost of living reserve with the balance being transferred to the general unallocated reserves.

5 Capital Programme Outturn

5.1 The capital programme changed during the year as the phasing of schemes were reviewed and approvals for additional schemes and resourcing were agreed. The original capital programme set in February 2021 totalling £50.9m (including £23.8m within HRA) and approvals were sought in subsequent budget setting/monitoring reports to revise the 2021/22 programme to a budget of £27.2m (GF of £16.1m and HRA of £11.1m)

5.2 The table below sets out the Capital Outturn summarised position and the attached **Appendix C** includes a provisional capital expenditure and financing statement for the year:

2021/22 Capital Programme Outturn - Summary	Original Budget	Variations	Revised Programme	Actual
	£'000	£'000	£'000	£'000
HRA Housing	23,831	12,769	11,062	5,653
General Fund Housing	1,136	351	785	613
Housing Investment Companies	2,550	0	2,550	2,132
Transformation Programmes	555	(118)	673	52
Regeneration	15,967	8,011	7,956	2,091
Service Delivery	227	(41)	268	179
Specialist	436	(94)	530	122
Parks and Pavilions	150	96	55	10
Indoor Leisure Facilities	1,095	550	545	83
Asset Management	580	(258)	838	385
Local Energy Schemes	3,000	2,845	155	93
Community Infrastructure Levy	890	(374)	1,264	2,770
Open Spaces/Biodiversity	300	240	60	0
Information Technology	150	(148)	298	45
Finance Transformation	50	(129)	179	0
TOTAL CAPITAL PROGRAMME REQUIREMENT	50,917	23,698	27,219	14,229
FUNDING AVAILABILITY				
HRA				
Borrowing	14,810	(14,810)	0	4,360
Capital Receipts	1,601	427	2,028	(1,984)
Major Repairs Reserve	6,428	1,656	8,084	3,278
Capital Grants & Contributions	0	950	950	0
Revenue Contributions	992	(992)	0	0
Capital Expenditure Financed from Revenue	0	0	0	16
General Fund				
Borrowing	18,012	(11,695)	6,317	2,711
Capital Receipts	0	0	0	(36)
Reserves	563	(148)	415	456
Capital Grants & Contributions	8,511	913	9,424	5,350
Capital Expenditure Financed from Revenue (GF)	0	0	0	79
Total Funding	50,917	(23,698)	27,218	14,229

- 5.3 The actual capital outturn achieved for 2021/22 is £14.2m, which includes £5.7m attributed to the HRA. This indicates an 52% delivery compared to the revised budget and a 28% delivery when compared to the originally agreed programme. A significant variance to the outturn within the General Fund can be attributed to a range of factors both internal such as capacity and external such as pandemic, supply issues, planning, and other environmental factors with the changes documented in the regular cabinet monitoring reports presented during the year.
- 5.4 Capital reporting included a robust and rigorous review that was undertaken later in 2021 to re-profile the capital spending across financial years on all schemes in the Capital Programme based on a realistic assessment of expected project delivery / implementation timescales considering known risks.
- 5.5 The changes to the Capital Programme during the year were also due to the Levelling Up Fund activities, which is central to the Government's ambition to level up the country – investing in high value local infrastructure and building stronger and more resilient local economies and communities. It is especially intended to support investment in places where it can make the biggest difference to everyday life, including ex-industrial areas, deprived towns, and coastal communities. The Council applied for funding in Round One of the Levelling Up Fund and notification was received in October 2021 that a bid for investment in Newhaven fisheries has been successful and the full £12.68m was secured.
- 5.6 In addition, Newhaven was offered a Town Deal worth £19.3 million on 15 July 2021. The bid focused on five core themes: A thriving and vital southern gateway for the UK, Celebrating the energy of industry, valuing creative freedom, Re-imagining the town centre as a focus for community life, Making the most of the town's maritime heritage.
- 5.7 During the financial year the Council made significant enhancements to its capital governance, reporting and scheme delivery approach. Capital governance was enhanced through establishing a new Capital Programme Oversight Board (CPOB) with the objective to provide strategic direction, oversight and corporate assurance for the Council Capital expenditure including, the Council General Fund Capital Plan, the Council's Housing Capital (HRA), Commercial Activities/non-commercial investments, capital financing/funding, etc.
- 5.8 At the end of the financial year the net underspend is requested to be reprofiled by scheme into future years. The allocation of the net underspend, and its reprofiling to future financial years, will be subject to a review by the Capital Programme Oversight Board to ensure that it is reprofiled realistically based on the scheme's delivery timeframe. The HRA net underspend will be reviewed against the 30-year Business Plan approved by Council in March 2022 to ensure consistency as a full reset of the HRA's capital investment plans was incorporated into the Business Plan. The outcome of this work will be incorporated into the future monitoring report to Cabinet.

6 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 2021/22. The Treasury Management Annual Report 2021/22 is being considered as a separate report on this agenda.

7 Financial appraisal

7.1 As set out in the body of the report.

8 Legal implications

8.1 There are no legal implications arising directly from this report.

9 Risk management implications

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

10 Equality analysis

10.1 There are no equality implication arising directly from this report.

11 Environmental sustainability implications

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

12 Appendices

- Appendix A- HRA provisional outturn
- Appendix B - Provisional capital expenditure and financing statement