

Report to: Cabinet

Date: 13 July 2022

Title: Provisional revenue and capital outturn 2021/22

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Stephen Holt, Cabinet member for financial services

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:

- i) Note the provisional outturn for 2021/22.
- ii) Approve the transfers from/to reserves as set out in section 3

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

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1 Executive Summary

- 1.1 Similar to the majority of local authorities, Eastbourne Borough Council (EBC) experienced significant financial challenges caused by the Covid-19 pandemic and, in light of Eastbourne's economic profile, its drastic impact on the authority's income from tourism, culture and leisure.
- 1.2 EBC was one of a number of local authorities to request exceptional financial support (EFS) from the government. Government agreed to £12.8m of financial support (£6.8m in 2020/21 and £6.0m in 2021/22) by allowing the authority to use capital resources (i.e. capital receipts, borrowing) to fund its revenue shortfalls (capitalisation). The government agreement was subject to an external assurance review.
- 1.3 Alongside its request for EFS, the council took early steps to mitigate the financial impacts of the pandemic. Central to these steps was the development and implementation of the council's Recovery and Stabilisation Programme. This

resulted in over £2.2m of reduction in EFS requirements for 2020/21 (reduced from £6.8m to £4.6m) and an estimated further reduction of £3.5m for 2021/22 (expected reduction from £6.0m to £2.5m).

- 1.4 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.
- 1.5 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.
- 1.6 This report highlights some of the key movements and variations. It also provides an opportunity to reassess the authority's financial plans and if possible, make provisions for any emerging risk/s in 2022/23.
- 1.7 Overall, the Council ended the year with a net General Fund revenue outturn of £13.970m against a revised budget of £14.676m resulting in a net reduction of £706k. as shown in the summary table 1 below.

Table 1.

	2021-22 Revised Budget	2021-22 Draft Outturn	Variance
	£	£	£
Table 1: Summary Draft Out-turn 2021/22			
Corporate Services	3,886,200	3,800,454	(85,746)
Service Delivery	7,885,550	7,486,124	(399,426)
Regeneration and Planning	517,950	293,469	(224,481)
Tourism and Enterprise	4,405,900	4,387,258	(18,642)
Culture Recovery Grant	(1,115,600)	(1,115,600)	-
Net Cost of Services	15,580,000	14,851,705	(728,295)
Recovery and Reset	1,233,200	1,233,200	-
Accrual to allocate		235,511	235,511
Levy Payable	237,450	237,450	-
Contingency	250,000	-	(250,000)
Covid grants	(598,000)	(1,298,000)	(700,000)
Capitalisation Direction	(4,400,000)	(2,497,905)	1,902,095
Capital Financing	2,374,160	1,208,050	(1,166,110)
Other Operating Income & Expenditure Total	(903,190)	(881,694)	21,496
Net Revenue Expenditure	14,676,810	13,970,011	(706,799)

1.8 The key highlights are:

- higher than anticipated savings from in year vacancies
- reduction in cost of capital
- earlier than assumed delivery of some savings
- a number of one-off savings; and
- some one of grants

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

1.9 During the year, the council received £258k New Burdens Grant, £154k for Omicron and £598k for lost income. It was also successful in securing a Cultural Recovery Grant of £1.871m. Important to note is that these grants were one off and will not continue into future.

1.10 Whilst there were some signs of recovery, many of the authority's income streams are still well below their pre-Covid 19 levels.

1.11 Using its outturn position and available reserves (subject to 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 include:

- £250k Cost of Living Emergency Support Reserve
- £200k Inflation Reserve.
- £150k Fuel and Energy cost Reserve
- 107k to General Fund Reserves

1.12 It is proposed that a number of in year underspends such as R&S be carried forward to support reprofiled costs.

1.13 The Housing Revenue Account (HRA) ended the year with an overspend of £119k against revised of £568k as shown in section 4 and Appendix A.

1.14 The Capital Programme is reporting £29.765m spend, further details can be found in section 5 and Appendix B.

2 General Fund

2.1 Draft Revenue Outturn 2021/22

2.2 The 2020/21 financial year saw significant challenges as a result of the Covid-19 pandemic and associated lockdown. This prompted the Council to undertake a number of immediate actions in order to manage the unprecedented financial and operational impacts of the pandemic. These included developing its Recovery and Reset Programme (Recovery and Stabilisation Programme) and seeking capitalisation ability from the Government which was granted in the form of a capitalisation direction of £6.8M for 2020/21 and £6m for 2021/22 following a comprehensive review of the Council finances.

- 2.3 The Council was able through swift delivery of savings reduced its capitalisation requirement in 2020/21 to £3.550m and further revise down its planned requirement for 2021/22 to £4.400m.
- 2.4 An improved outturn has enabled the authority to end the year by reducing its capitalisation requirement by a further £1.9m (from £4.4m to £2.5m).
- 2.5 Whilst the capitalisation support provided the Council with a temporary headroom, it was essential for the Council to ensure it kept within the agreed limits whilst strengthened its financial resilience. The provisional outturn for 2021/22 is £13.970m against revised budget of £14.676m.

A more detailed Draft out-turn position is shown below:

Corporate Services-(£85,746):

Corporate Services	2021-22 Revised Budget	2021-22 Draft Outturn	Variance
	£	£	£
Corporate Management	74,900	18,816	(56,084)
Financial Services	1,294,800	1,284,723	(10,007)
Human Resources	372,150	389,942	17,792
Information Technology	1,218,700	1,218,993	293
Legal	258,850	275,210	16,360
Local Democracy	736,550	710,484	(26,066)
Land Charges	(69,750)	(97,714)	(27,964)
Total Corporate Service	3,886,200	3,800,454	(85,746)

- 2.6 Overall, in line with approved budget with key variances:

- Corporate Management £56k mainly due to reallocation of costs to T&E
- Financial Service £10k in year vacancies
- Human Resources £17k pressure in occupational health support
- Local Democracy reduced operational costs
- Land Charges £27k increased income with land charges

Service Delivery (£399,426):

Service Delivery	2021-22 Revised Budget	2021-22 Draft Outturn	Variance
	£	£	£
Director of Service Delivery	12,350	20,435	8,085
Head of Customer First	57,700	38,269	(19,432)
Account Management	7,800	18,707	10,907
Case Management	420,900	(17,334)	(438,234)
Total Specialist Advisory	7,265,100	6,008,301	(1,256,799)
Bereavement Services	(1,187,650)	(965,676)	221,974
Sub Total Specialist & Case Management	6,506,150	5,043,998	(1,462,152)
Customer and Neighbourhood Services	893,100	1,891,504	998,404
Homes First	416,250	491,919	75,669
Total Service Delivery	7,885,550	7,486,124	(399,426)

Total Service Delivery has a net underspend of (£399k), with key variances as follows:

- £8k Service Management overspend on health and safety subscription
- (19k) Head of Customer First reduced recharge
- (£438k) Case Management re-structure and move to customer contact
- (£1,256k) Specialist Advisory:
 - (£803k) -staff moved to customer contact
 - (£354k) additional grant
 - (£25k) Additional summons income
 - (£74) Parks and gardens reduced cost of maintenance
- £221k Bereavement services, reduced income
- £998k Customer and Neighbourhood services have restructured -due to realignment of services from specialist services and case management.
- £75k Homes First – the variance is primarily caused by in year restructuring and misalignment of budget and expenditure as above.

2.7 Regeneration and Planning (£224,481):

Planning and Regeneration	2021-22 Revised Budget £	2021-22 Draft Outturn £	Variance £
Service Management - Director	41,500	43,680	2,180
Regeneration	190,950	50,231	(140,719)
Planning	467,050	341,564	(125,486)
Group Head of Commercial Business	47,950	46,215	(1,735)
Housing Development Team	81,000	173,814	92,814
Corporate Landlord	(1,063,250)	(1,536,160)	(472,910)
Facilities Management	(43,350)	477,338	520,688
Estates and Property	(1,106,600)	(1,058,822)	47,778
Business Planning and Performance	796,100	696,789	(99,311)
TOTAL REGENERATION AND PLANNING	517,950	293,469	(224,481)

Overall, the service has performed within budget with key variances as follows:

- (£140k) Regeneration with contributions from external funds
- (£125k) Planning in year vacancies
- £92k revenue costs for Bedfordwell road cabins
- (£472k) Corporate Landlord, increase energy costs of £300k are being offset against (£772k) of income.
- £520k due to additional costs of grove road and deferred rental income
- (£99k) Business planning is mainly due to reduced grants to voluntary sector (£59k), and (£30k) staff savings.

2.8 Tourism and Enterprise- (£18,642):

Tourism and Enterprise	2021-22 Revised Budget	2021-22 Draft Outturn	Variance
	£	£	£
Service Management - Director	9,300	48,699	39,399
Towner	419,850	449,051	29,201
Tourism and Enterprise	694,150	657,587	(36,563)
Catering	(203,900)	77,315	281,215
Heritage	90,350	179,547	89,197
Tourist Information	175,300	196,783	21,483
Sub Total Tourism and Enterprise	755,900	1,111,232	355,332
Sports Delivery	727,200	681,063	(46,137)
Seafront	135,900	184,998	49,098
Events	467,300	495,084	27,784
Theatres	774,850	301,530	(473,320)
Cultural Recovery Grant	1,115,600	1,115,600	-
TOTAL TOURISM AND ENTERPRISE	3,290,300	3,271,658	(18,642)
Cultural Recovery Grant	(1,115,600)	(1,871,262)	(755,662)

The Tourism and Enterprise position has delivered within budgets supported by £1.9m of Cultural Recovery Grant (total amount £1.871m). £755k underspend will be carried forward to 2022/23 as shown, main variances are due as follows:

- £39k Director costs for CEO recharge
- (£36k) Tourism and Enterprise, additional film income and reduced print costs
- £281k Catering
 - £118k at Stage door pub increased staff costs for table service
 - £72k winter garden delayed opening following refurbishment
 - £52k EDGC due to increased staff costs
 - £61k Pavilion Tea rooms due to increased staff costs
 - (£22k) Employee savings in Admin
- £89k Heritage due £59k of increased staff costs and £30k delayed deposition income
- £21k Tourist Information has seen small positive variances offset by costs in the trading account, they are slowly recovering from covid.
- (£46k) Sports delivery due to contract variation and grant income
- £49k Sea front has had increases to beach hut income offset by reduced income for ice cream vans and additional bandstand staff costs.
- £27k Events is due to increased staff costs.
- (£473k) Theatres performed better than expected against a reduced revised budget -Overall benefited from Cultural Recovery Grant.

2.9 Other Operating Income and Expenditure - £21,496:

- Recovery and reset monies include £790k of carry forward to fund 2022/23 activity to stabilise the position.

- £235k the annual leave accrual is shown here pending data to move to service lines.
- (£250k) Contingency of £250k was not used
- (£700k) Use of unallocated new burdens and Covid grants.
- £1.902k Capitalisation Direction is reduced from £4.4m to £2.5m with a negative variance of £1.9m
- (£1.166m) Capital Financing due to reduced cost of capital.

2.10 Capital Financing (£1,166,110)

Reduced cost of financing due to reduction in the borrowing requirements.

2.11 Recovery and Reset Programme – Savings

A more detailed report is provided elsewhere in the agenda.

Eastbourne Recovery & Reset Programme 2021/22	Plan 2021/22	Delivered in 2021/22
	£000	£000
<u>Reshaping Services</u>		
HR reshaping	13.75	13.80
Homes First reshaping	936.80	936.90
Environment First reshaping	5.55	5.60
Neighbourhood first reshaping	108.10	108.10
CMT reshaping	192.90	192.90
Heritage service reshaping	19.10	19.10
Voluntary & Community Grants incl Ward Budgets	85.25	85.25
Contract cleaning	50.00	50.00
Refuse - Alternate Weekly Collections	217.85	208.20
Weed control	14.00	14.00
Street Cleansing	38.75	38.80
Public conveniences	47.50	47.50
Events programme - Airborne	141.70	141.70
Bulky waste - cease free collections	20.00	20.00
Garden waste	50.00	50.00
CFRT Reshaping	(42.60)	(42.60)
Functional leads	(47.30)	(47.30)
Cremations	(110.00)	(102.00)
SEESL Salaries and fuel	(13.10)	(121.90)
<u>Best Use of Assets</u>		
Congress	60.00	60.00
Devonshire park theatre	280.00	224.00
Close 1 Grove Road	130.00	130.00
Rental income recovery	60.00	60.00

Interest charge for Capital programme		375.00
Total Savings	2,258.25	2,467.05
Over /(underachieved)	2,258.25	2,467.05

3 Reserves

3.1 The council's balances are in line with its newly introduced reserves policy. The table below shows the net movements during the year.

Reserves 2021-22	Balance Brought Forward April 2021	Balance Carried Forward March 2022
	£	£
General Fund Earmarked Reserve	-16,200	0
Strategic Change Reserve	-290,777	0
Cost of Living Emergency Support Reserve	0	-250,000
Inflation Reserve	0	-200,000
Fuel and Energy cost Reserve	0	-150,000
Arrears and Bad Debt Reserve	0	-400,000
Capital Programme Reserve	-335,933	-335,933
Cultural Recovery		-732,450
Regeneration Reserve	0	-12,419
Commercial Reserve	-471,000	-716,300
SHEP GF Properties Major Works Reserve	-725	-725
Total Earmarked Reserves	- 1,114,635	- 2,797,827
Business Rates Equalisation Reserve & Carried Forwards	-9,910,000	-6,840,470
Revenue Grants Reserve	-1,064,859	-1,492,463
Investment Company Eastbourne Reserve	-1,800,000	-2,070,000
Other GF Reserves	- 12,774,859	- 10,402,933
General Fund Unallocated Reserve	- 3,228,468	- 3,278,928

4 Housing Revenue Account (HRA) £119k as shown below:

4.1

HRA 2021/22	Revised Budget	Total Actual to 31/03/2022	Variance at Year End
	£000's	£000's	£000's
INCOME			
Gross Rents	(14,618)	(14,548)	70
Charges for Services	(1,036)	(1,078)	(42)
GROSS INCOME	(15,654)	(15,626)	28
EXPENDITURE			
Management Fee	7,696	7,696	0
Supervision and Management	1,448	923	(525)
Provision for Doubtful Debts	205	8	(197)
Depreciation	4,348	4,995	647
GROSS EXPENDITURE	13,697	13,622	(75)
NET COST OF HRA SERVICES	(1,957)	(2,004)	(47)
Loan Charges - Interest	1,597	1,632	35
Interest Receivable	0	0	0
NET OPERATING SURPLUS	(360)	(372)	(12)
Contribution to Capital Expenditure	576	576	0
Contingency	233	0	(233)
Transfer to Reserves - Private Sector Leaseholder Capital	0	364	364
HRA (SURPLUS) / DEFICIT	449	568	119

The HRA is £119k overspent against a budget overspend of £449k. Within this position is £364k of private sector leaseholder contribution to reserves. Depreciation is £647k over budget which is being offset by £525k underspend against Management fees. The full position is shown in Appendix A.

5 Capital Outturn

5.1 Capital Programme Outturn

5.2 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 was approved in February 2021 totalling £39.2m (including £19.8m for HRA) and further approvals were sought in subsequent budget setting/monitoring reports to revise the 2021/22 programme to a budget of £37.6m (GF of £28.3m and HRA of £9.3m)

2021/22 Capital Programme Summary	Original Estimate	Revised Estimate	Actual	Variance
	£000's	£000's	£000's	£000's
HRA	19,820	9,251	6,948	(2,302)
Other Housing	4,602	15,712	14,084	(1,628)
Community Services	1,901	1,929	1,314	(615)
Tourism & Leisure	500	160	353	193
Corporate & Core Services	2,951	2,758	2,146	(611)
Capitalisation Direction	6,000	4,400	2,500	(1,900)
Regeneration	-	692	51	(641)
Asset Management	3,480	2,711	2,369	(342)
Total Programme	39,253	37,612	29,765	(7,847)
Financed By:-				
Capital Receipts	2,495	1,085	906	(179)
1-4-1 RTB Receipts	4,806	5,500	5,074	(426)
Grants and Contributions	5,224	4,604	3,886	(718)
Major Repairs Reserve	4,348	6,924	4,927	(1,997)
Revenue Contribution to Capital	3,085	576	576	-
Section 106 Contributions	27	27	-	(27)
Commercial Loans Repaid	-	-	9,000	9,000
GF Borrowing	11,382	18,896	4,990	(13,906)
HRA Borrowing	7,886	-	406	406
Total Financing	39,253	37,612	29,765	(7,847)

- 5.3 The actual capital outturn achieved for 2021/22 was £29.7m, which includes £6.9m attributed to the HRA. This indicates an 79.1% delivery compared to the revised budget and a 75.9% 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 internal and external factors such as capacity, pandemic, supply issues, planning, and other environmental factors with the changes documented within 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 taking into account 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. Notification was received in October 2021 that a bid for investment was and the full £19.85m was secured.

5.6 During the financial year, the Council made significant enhancements to its capital programme governance, reporting and scheme delivery approach. Capital projects governance was enhanced through establishing a new Capital Programme Oversight Board (CPOB) with the objective to providing 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.

5.7 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 reviewed 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 Conclusion

7.1 This report provides an overview of financial performance for 2020/21. All figures are provisional and subject to the audit of the Council's accounts. The Council has made a significant progress in transitioning out of its approved capitalisation arrangements. The Recovery and Stabilisation has delivered significant savings. However, with the emerging risks of higher inflation, increased cost pressures and the likelihood of increased demand for services the Stabilisation programme will continue to remain central to the authority's Medium Term Financial Planning and priority based budgeting.

8 Financial implications

8.1 As set out in the body of the report.

9 Legal implications

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

10 Risk management implications

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

11 Equality analysis

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

12 Environmental sustainability implications

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

13 Appendices

- Appendix A - HRA Outturn
- Appendix B – Capital Programme Outturn

14 Background papers

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

- None