

Report to:	Cabinet
Date:	13 July 2023
Title:	Provisional Revenue and Capital Outturn 2022/23
Report of:	Homira Javadi, Chief Finance Officer
Cabinet Member:	Councillor Zoe Nicholson, Leader of the Council and Cabinet member for finance, assets and community wealth building
Ward(s):	All
Purpose of report:	To update Members on the provisional outturn for 2022/23
Decision type:	Key
Officer recommendation(s):	<p>(1) Note and approve the revenue and capital provisional outturn for 2022/23 subject to final accounting adjustments;</p> <p>(2) Approve the funding of revenue provisional outturn 2022/23 of £110k from general fund balances;</p> <p>(3) Note and approve the housing revenue account provisional outturn for 2022/23 subject to final accounting adjustments; and</p> <p>(4) To give delegated authority to Leader of the Council and Cabinet member for finance, assets and community wealth building in consultation with Chief Finance Officer to make final accounting adjustments.</p>
Reasons for recommendations:	To enable Cabinet members to consider specific aspects of the Council's financial performance for 2022/23
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1 Introduction

- 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 2022/23 financial year in comparison to the revised budget set by Council in February 2023. 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 challenges facing local residents as a result of the cost-of-living crisis are very real. This report highlights some of the key movements and variations against a backdrop where Local authorities across the country are not immune to the national financial pressures while facing increasing demand and increasing cost pressures. It also provides an opportunity to reassess and if possible, make provisions for any emerging risks in 2023/24.

2 General Fund – Revenue

- 2.1 The provisional outturn for Lewes District Council is an overall adverse variation of £110k (subject to external audit and final accounts adjustments), as summarised in table 1 below. This shows we are still largely managing the increased cost of housing needs, energy costs, inflationary pressures and economic down-turn. Some of the one-off provisions set aside in the last financial year are incorporated into the revised budget which have contributed to this position.

Summary Table 1:

Table 1: Summary of Out-turn 2022-23	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Corporate Services	6,005,175	6,057,396	52,221
Service Delivery	11,056,106	12,961,832	1,905,727
Regeneration and Planning	2,360,891	2,419,962	59,071
Tourism and Culture	294,201	336,713	42,512
Recharges to the Housing Revenue Account	(4,049,115)	(4,049,115)	0
Net Cost of Service	15,667,258	17,726,788	2,059,530
Other Operating Income and Expenditure	200,000	0	(200,000)
Capital Financing	550,000	(504,987)	(1,054,987)
Net Budget	16,417,258	17,221,801	804,543
Transfer to / (from) reserves	(686,358)	(1,343,576)	(657,218)
Government Grants	(3,378,000)	(4,284,516)	(906,516)
Business Rates	(3,242,300)	(2,971,908)	270,392
Council Tax	(8,510,600)	(8,511,089)	(489)
Better Care Fund	(600,000)	0	600,000
Funding Available	(16,417,258)	(17,111,089)	(693,831)
NET BUDGET POSITION	0	110,712	110,712

Lewes District Council Provisional Outturn 2022-23 £110k (subject to final accounts adjustments)

The key highlights are as follows:

- Net overall position is an adverse variation of £110k which is proposed to be funded from general fund balances;
- Net cost of services reflects additional cost pressures of £2,060k due to increased housing needs, inflationary energy, other supplies and staffing costs. These are offset by set aside earmarked reserves, use of contingency, higher than expected interest income and savings on MRP.
- Delivery of savings built into the budget
- The Council is able to make additional contributions to the resilience reserve

2.2 Key variances are set out in the following tables:

2.3 Corporate Services

Corporate Services	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Corporate Management	458,537	891,939	433,402
Financial Services Team	1,010,176	1,050,836	40,660
Business Planning & Performance	804,191	736,160	(68,031)
Internal Audit and Corporate Fraud	251,519	238,848	(12,671)
Corporate Finance	112,400	92,045	(20,355)
Human Resources	350,024	260,691	(89,332)
Information Technology	1,780,292	1,566,117	(214,175)
Local Land Charges	(74,850)	1,239	76,089
Legal Services	402,881	258,578	(144,304)
Democratic Services	810,006	764,349	(45,657)
Recovery and Stabilisation	100,000	196,594	96,594
Internal Adjustments			0
Corporate Services	6,005,175	6,057,396	52,221

Corporate Management +£433k

£398k relates to cost of living emergency payments which is funded from Cost of Living Reserve and £35k of staffing pressures.

Financial Services +£41k

Mainly due to higher cost of agency staff £190k, offset in part by use of vacancy savings and contingency £150k.

Business Planning and Performance (£68k)

This is mainly due to a reduction in the allocation of shared service costs (£167k) offset by Ouse Valley feasibility study costs of £32k (these are being investigated further) and timing differences on voluntary sector grants £79k.

Internal Audit and Corporate Fraud (£13k)

Share of staffing saving due to vacancies, of which, £4k is to be carried forward to the training budget for 2023/24.

Human Resources (£89k)

Favourable variation due to reduced cost of recruitment and shared services staffing costs.

Information Technology (£214k)

Mainly due to lower I.T. related costs incurred during the year in comparison to revised budget (£162k) and a share of staffing vacancy savings (£52k).

Democratic Services – net £31k

This adverse variation is mainly due to additional cost of elections and democratic services.

Legal Services (£144k)

This favourable variation is mainly due to the generation of higher than budgeted external legal fees income.

Recovery and Stabilisation +£96k

Additional charge for business transformation to general fund revenue due to the expenditure not qualifying for capitalisation.

2.4 Service Delivery

Service Delivery	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Head of Customer First	242,933	349,374	106,441
Head of Homes First	144,405	139,161	(5,244)
CFRT Regulatory Services	113,179	656,106	542,928
Bereavements	(23,250)	41,789	65,039
CFRT Income Maximisation & Welfare	1,086,166	1,509,618	423,451
Neighbourhood First	1,712,127	1,947,722	235,595
CFRT Customer Contact	949,467	897,699	(51,768)
Waste & Recycling	3,914,822	3,956,307	41,485
Homes First - Housing Property Services	786,150	786,150	0
Homes First - Neighbourhood Management	887,750	887,750	0
Homes First - Customer Experience	165,850	165,850	0
Homes First - Housing Needs and Standards	1,076,507	1,624,307	547,800
Internal Adjustments			
Service Delivery	11,056,106	12,961,832	1,905,727

The key areas of overspends are driven by cost of placements for homeless, additional staffing costs, and other pressures details of which are shown below. Please note that some of these costs are met by earmarked reserves and/or grant income.

Head of Customer First adverse variation of £106k

- £86k additional cost of staffing
- £20k donation to St. John's Ambulance to provide cover at Lewes bonfire.

Customer First Resolution Team (CFRT) adverse variation of £543k

- £346k timing difference on better care fund which is expected to be received in 2023/24
- £31k increase in Lewes Bonfire stewarding & security contract costs due to Saturday event
- £70k staff costs for Port Health activity funded by Grant reserves
- Net £96k Taxi licensing staff costs to be met from Taxi trading Account

Bereavements adverse variation of £65k

Due to additional staff costs of £30k and reduced Bereavement income of £35k.

Customer First Resolution Team (CFRT) Income Maximisation and Welfare adverse variation £423k

- £498k due to rising volumes in the number of Statutory & Rough Sleeper Homeless placements and the impact on Housing Benefit payments.
- £45k loss of Council Tax Reduction Scheme preceptor contributions towards administration costs following move from 80% to 100% subsidised scheme
- (£41k) increase in Summons Income for Council Tax arrears
- (£73k) savings on staff costs due to vacancies.

Neighbourhood First adverse variation of £236k

- £28k increase in Pest control contract costs
- £216k unrealised efficiency savings due to ESCC contract with NSL still being live
- Additional staffing costs of £133k due to unrealised efficiency savings on office and WC cleaning contract budgets
- (£141k) Reduced Flood Defence Revenue Contributions to Capital Outlay (RCCO) charged under Capital Financing funding arrangements

Customer Contact favourable variation (£52k)

- Mainly due to higher than expected staffing vacancy savings

Homes First Housing Needs and Standards adverse variation £548k

- £198k relating to additional agency costs to backfill service vacancies
- £350k rising costs of Statutory & Rough Sleeper Homeless placements.

2.5 Regeneration and Planning

Regeneration and Planning	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Estates & Property	298,123	161,458	(136,666)
Wave Leisure	223,550	245,209	21,659
Solar Panel Trading Account	(74,200)	(21,661)	52,539
Planning	1,027,093	1,097,107	70,014
Building Control	65,868	102,888	37,020
Regeneration	692,057	711,566	19,510
North Street Properties	128,400	123,395	(5,005)
Internal Adjustments			0
Regeneration and Planning	2,360,891	2,419,962	59,071

Estates and Property favourable variation of (£137k)

- Marine workshop (£180k) lower revenue costs due to ability to secure rates relief and capitalisation of eligible costs
- Lower salaries cost than budgeted saving (£261k) offset by additional staffing costs of £70k not eligible for capitalisation
- Investment Properties £234k pressure mainly due to reduced rental income and higher energy costs

Solar panel - £52k adverse variation

- This is mainly due to reduced income

Planning £70k adverse variation

- (£128k) revenue savings due to capitalisation of eligible costs
- Staffing costs lower than anticipated (£33k)
- Planning development and control pressure £231k which relates mainly to defence appeal costs £335k and legal fees £45k less reduced shared service costs £48k. These are part funded by reserves of £93k.

Building control £37k adverse variation

- This is mainly due to reduced income

Regeneration £20k adverse variation

- £280k planned expenditure associated with Newhaven Enterprise Zone (NEZ) which is funded from the NEZ earmarked reserve.
- (£195k) budget saving on salaries related costs
- Additional income (£65k)

2.6 Tourism and Culture

Tourism and Culture	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Arts Development	5,900	8,445	2,545
Tourism	288,301	328,268	39,967
Tourism and Culture	294,201	336,713	42,512

The net pressure of £42k is mainly due to one-off staffing costs.

2.7 Other Operating Income, Capital Financing, Reserve movements and Funding

Other Operating Income and Capital Financing & Reserve movements	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Contingencies	200,000	0	(200,000)
Capital Financing and Interest	550,000	(504,987)	(1,054,987)
Net Contributions to (from) reserves	(686,358)	(1,343,576)	(657,218)
Government Grants	(3,378,000)	(4,284,516)	(906,516)
Business Rates	(3,242,300)	(2,971,908)	270,392
Council Tax	(8,510,600)	(8,511,089)	(489)
Better Care Fund	(600,000)	0	600,000
Funding	(16,417,258)	(17,111,089)	(693,831)

- Unused contingency of (£200k) is contributing to the net overall position after the transfer of £150k to corporate services which is proposed to be added to the financial resilience earmarked Reserve.
- Capital financing and Interest (£1,055k) due to additional (£910k) interest income received on investments, savings on minimum revenue provision of (£244k) offset by a net revenue contribution to capital £100k
- Net contributions from reserves (£657k) mainly due to financing emergency cost of living payments, financing additional Services expenditure from grant reserves offset by net NNDR3 income to Newhaven Enterprise Zone (NEZ) earmarked reserve and the creation of resilience reserves totalling £843k.
- Net (£37k) funding (government grants, business rates, council tax, better care fund) due to receiving additional government grant income offset by reduced business rates income and pressure caused by a timing difference on the better care fund conversion.

3 Housing Revenue Account (HRA)

- 3.1 A full review of the 30-year Business Plan, which provided a comprehensive assessment of the overall position for the current and future years, was completed during the year. This resulted in the uplift of the original budget by £769k to a revised budget of £1,095k, funded from working balances to offset the pressures affecting the service. This was reported to Members as part of the quarter 3 2022/23 financial performance.
- 3.2 Net expenditure of £913k has been incurred compared to the revised budget of £1,095k, resulting in a favourable variation of £182k as summarised in the table below. This is

mainly due to increased depreciation charges offset by a reduction in the impairment of debtors and additional interest received following increases in interest rates.

Further detail can be found in **Appendix A**

HRA Summary	Original Budget	Revised Budget	Actuals 2022/23	Provisional Outturn Variation
	£000's	£000's	£000's	£000's
Income	(17,752)	(17,670)	(17,652)	18
Expenditure	16,047	16,534	16,487	(47)
Capital Financing	2,031	2,231	2,078	(153)
Total	326	1,095	913	(182)

4 Capital Programme Outturn

- 4.1 The original capital programme set in February 2022 totalled £41.92m (including £29.02m General Fund (GF) schemes and £12.90m Housing Revenue Account (HRA) schemes). The 2022/23 capital programme was revised during the year due to the re-phasing of schemes, approvals for new schemes and the deletion of schemes no longer progressing from the programme, as reported in the quarterly monitoring. The 2022/23 programme was revised to a budget of £38.68m (GF £26.05m and HRA of £12.63m)
- 4.2 The table below summarises the capital outturn position and the proposed financing. Details of the individual capital schemes/projects are included in **Appendix B**.

HRA CAPITAL PROGRAMME	Original Budget 2022/23	Revised Budget 2022/23	Actual Spend 2022/23	Variance to Budget
	£'000	£'000	£'000	£'000
Acquisition and Construction of Dwellings	9,336	7,593	3,347	(4,246)
Improvements to Stock	3,100	4,350	4,526	176
Adaptations	415	587	795	208
Recreation & Play Areas	50	98	-	(98)
Total HRA Expenditure	12,901	12,628	8,668	(3,960)

HRA Financing				
HRA Capital Receipts	2,076	7,493	3,246	(4,246)
Major Repairs Reserve	10,825	5,035	5,321	286
Revenue Contribution	-	100	100	-
Unfinanced/Borrowing	-	-	-	-
Total HRA Financing	12,901	12,628	8,668	(3,960)

GENERAL FUND CAPITAL PROGRAMME	Original Budget 2022/23	Revised Budget 2022/23	Actual Spend 2022/23	Variance to Budget
	£'000	£'000	£'000	£'000
Housing Support & Disabled Facility Grants	1,487	1,659	733	(926)
Loans to Housing Companies	1,000	419	-	(419)
Total GF Housing	2,487	2,078	733	(1,345)
Recovery and Stabilisation	430	1,052	194	(858)
Regeneration	16,660	14,625	5,960	(8,665)
Asset Management	1,920	2,373	485	(1,888)
Indoor Leisure Facilities	721	1,183	127	(1,056)
Energy Schemes	2,000	62	38	(24)
Infrastructure Levy (CIL)	900	900	684	(216)
Service Delivery	2,227	1,137	870	(267)
Specialist Projects	296	687	265	(422)
Parks & Pavilions	962	1,006	153	(853)
Open Space/Biodiversity	120	220	95	(125)
Information Technology	150	404	220	(184)
Finance Transformation	150	329	25	(304)
Total General Fund Expenditure	29,023	26,056	9,849	(16,207)

Total Capital Programme	41,924	38,684	18,517	(20,167)
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GF Financing				
Capital Receipts	5,436	589	51	(538)
Grants & Contributions	10,258	12,510	7,019	(5,491)
Earmarked Reserves	606	1,978	400	(1,578)
Unfinanced/Borrowing	12,723	10,979	2,379	(8,600)
Total GF Financing	29,023	26,056	9,849	(16,207)

- 4.3 The actual capital outturn for 2022/23 is £18.517m which represents 48% delivery compared to the revised budget (£38.684m) and a 44% delivery compared to the original programme (£41.924m). A significant variance to the outturn 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.
- 4.4 The Council has enhanced its capital governance, reporting and scheme delivery approach through establishing a Capital Programme Oversight Board (CPOB) with the objective to provide strategic direction, oversight and corporate assurance for the Council.
- 4.5 A large underspend for the year is shown under Regeneration which includes Newhaven Future High Streets Fund, Town Deal and Levelling Up Fund. The Future High Streets Fund is £5m. The Town Deal worth £19.3 million in total was awarded in July 2021 and is 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 and making the most of the town's maritime heritage. The Levelling Up Fund is central to the Government's ambition to invest in high value local infrastructure and building stronger and more resilient local economies and communities. It is 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 and £12.68m has been awarded to protect Newhaven's fishing industry and establish the town as a maritime centre of excellence.

- 4.6 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 annual 30-year Business Plan. The outcome of this work will be incorporated into the future quarterly monitoring reports to Cabinet.

5 Collection Fund

- 5.1 The Collection Fund records all the income from Council Tax and Business Rates and how this is allocated to precepting authorities. The Collection fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
Actual Balance 1 April 2022 - (Surplus) / Deficit	(3,692)	6,215
(Recovery) / Distribution of Prior Year Deficit or Surplus	2,950	(3,659)
Total Collectable Income for year*	(87,172)	(23,183)
Hardship Funding	(394)	-
Payments to Preceptors	83,789	24,095
Write offs, provisions for bad debts and appeals	634	1,594
Estimated Balance 31 March 2023 – (Surplus) / Deficit	(3,885)	5,062
Allocated to:		
Central Government	-	2,531
East Sussex County Council	(2,748)	456
Lewes District Council	(584)	2,024
Sussex Police & Crime Commissioner	(384)	-
East Sussex Fire Authority	(169)	51
Total	(3,885)	5,062

* 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 changes in the Council Tax base and Business Rate yield.

- 5.2 Government regulations determine how payments to preceptors and the recovery or distribution of a prior year deficit or surplus are allocated.

- 5.3 Council Tax has an actual surplus for the year of £3.885m at Q4 March (forecast £3.554m at Q3 December). The Council's share of the actual surplus is £0.584m (£0.536m Q3). With the cost of living crisis and the threat of recession, bad debt provisions have been reviewed and maintained at Q4.
- 5.4 Business Rates has an actual deficit for the year of £5.062m at Q4 March (forecast £3.308m at Q3 December). The increase in the deficit is a result of the appeals provision being increased from £0.5m to £1.1m at Q4. The Council's share of the actual deficit is £2.024m (£1.323m at Q3). Section 31 grant was received as compensation for some of the additional reliefs awarded by central government which had an impact on collectable income.
- 5.5 The estimated year end positions for Council Tax and Business Rates, used for 2023/24 budget setting, were formalised and agreed in January 2023.

6 Reserves

- 6.1 The table below summarises the position on reserves. Please note these are at a point in time and maybe subject to final accounting adjustments.

Further detail can be found in **Appendix C**

	Opening Balance		Provisional Closing Balance
	01/04/2022	Movement	31/03/2023
	£'000	£'000	£'000
Total Earmarked Reserves	(12,552)	3,992	(8,560)
General Fund Balances	(3,723)	110	(3,613)
HRA Balances	(4,906)	913	(3,993)

- 6.2 It is recommended that the provisional outturn position on general fund (adverse £110k) be financed from general fund balances as shown in the closing balance.

7 Treasury Management

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 2022/23. The Treasury Management Annual Report 2022/23 is being considered as a separate report on this agenda.

8 Legal implications

There are no legal implications arising directly from this report.

9 Risk management implications

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

10 Equality analysis

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.

11 Environmental sustainability implications

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
- Appendix C Reserves

13 Background papers

None