

Report to: Cabinet

Date: 26 September 2024

Title: Revenue & Capital Financial Monitoring Report
Quarter 1 2024/25

Report of: Homira Javadi, Director of Finance and Performance

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: The report provides an assessment of the Council's
financial performance against its approved 2024/25 budget,
incorporating key financial risks, issues and opportunities
for the General Fund and the Housing Revenue Account
(HRA)

Decision type: Non-Key

**Officer
recommendation(s):** It is recommended that the Cabinet:

- i) Note the forecast outturn position for 2024/25 and
associated risks.
- ii) Delegate authority to the Director of Finance and
Performance and the portfolio holder for finance to
apply the required budget virements to support
effective management of the overall budget.
- iii) Note Appendix 1 and 2

**Reasons for
recommendations:** To update members on the financial position of the Council
and ensure that the Authority complies with its financial
regulations.

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1. Introduction

- 1.1. Lewes District Council provides a range of services to residents and businesses across the area including the collection and disposal of waste, housing, and support for the homeless, leisure and community wellbeing, planning and tourism and culture activities.
- 1.2. However, the Council, alongside many other local authorities and organisations across the nation, has seen a significant impact on its finances originating from external factors beyond its control. The main drivers of these cost pressures are highlighted below:
 - The high cost of borrowing affecting our ability to fund Capital Expenditure.
 - Cost of living pressures impacting on pay awards, the net cost of borrowing, contract inflation and energy costs.
 - The lack of clarity over Government funding for local government particularly around business rates and a long-term settlement to enable planning over the medium term.
- 1.3. As a result of these externally driven financial challenges, Corporate Management Teams continue to be focused on reducing the cost-of-service delivery in their areas to support the Council to forecast spend closer in line with the budget, while ensuring that services are still delivered and that there isn't a corresponding reduction in service provision.

2. General Fund

- 2.1. The forecast outturn position for 2024/25 as at Q1 2024/25 is balanced position as shown in Table 1.
- 2.2. The position at Q1 follows our usual review of budgets and likely expenditure. The position will continue to be analysed and monitored over the coming months to achieve the plan of expenditure and funding aligning by the year end.

Table 1: Quarter 1 Forecast Outturn 2024/25 by Directorate

LEWES Directorate Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast (Actuals)	variance
	£000			
Corporate Services	6,381	6,086	6,082	(4)
Service Delivery	11,336	11,548	12,284	736
Regeneration & Planning	1,377	1,288	1,423	135
Tourism & Culture	303	300	303	3
Recharges to the HRA	(4,203)	(4,757)	(4,678)	79
Cost of Services	15,194	14,464	15,414	950
Capital Financing & Central	409	1,954	256	(1,698)
Total Budgeted Expenditure	15,603	16,418	15,670	(748)
Less Funding	(15,603)	(16,486)	(15,738)	748
Net Position	0	0	(68)	(0)

Financial Overview by Directorate

This section of the report provides an update on the forecast variations against the 2024/25 budget by Directorates.

3.0 Corporate Services

The Corporate Services Directorate delivers services including human resources, financial services and performance, corporate management team, business transformation and legal and democracy support.

Table 2: Corporate Services Forecast Outturn 2024/25

Corporate Services Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Business Strategy & Performance	508	944	946	2
Business Transformation	365	112	158	46
Information Technology	1,717	1,765	1,740	(25)
Finance	1,401	1,164	1,164	(1)
Human Resources	305	365	261	(103)
Internal Audit & Fraud	244	272	271	(1)
Legal	327	328	359	31
Democracy	1,074	747	780	33
Land Charges	39	(55)	(11)	44
Corporate Management Team	548	443	414	(29)
Net Position	6,528	6,086	6,082	(4)

3.1 The Directorate is forecasting a £4k surplus. The main variations are.

3.2 **Business Transformation £46k pressure.**

Recovery and Reset work costs which are being reviewed by the Business Transformation Unit.

3.3 **HR – (£103k) underspent.**

Lower than expected costs with regards to Corporate Training. The budget and activity are being reviewed but the service expects to be able to offer around £40k efficiencies to the 25/26 budget setting exercise as parts of the training offering are becoming more inhouse focussed using new technology offering better value for money and the ability to easily engage with and train more members of staff.

3.4 **Land Charges - £44k pressure** - This area will be reviewed to establish if we can recover the costs of delivery.

4.0 **Service Delivery**

The Service Delivery Directorate delivers services including housing and support to the homeless, waste, and environmental services and maximisation and welfare and regulatory service teams.

Table 3: Service Delivery Forecast Outturn 2024/25

Service Delivery Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Customer First	(2,813)	2,719	2,768	49
Bereavements	45	(10)	38	49
Environment First	4,475	4,009	4,328	319
Homes First	2,509	2,945	2,891	(53)
PortHealth	(17)	344	351	7
Neighbourhood First	2,240	1,542	1,907	365
Net Position	6,439	11,548	12,284	736

4.1 The Directorate is reporting a £0.736m pressure

Customer First £49k pressure

This relates to additional costs of service provision based on Q1 projections. The area is currently under review.

4.2 **Bereavement Services £49k pressure.**

Mainly relating to under recovery of income expected linked to a fall in the National Death rates since COVID-19. This area is being reviewed.

4.3 **Environment First £319k pressure**

The Service will be reporting to CMT to outline the main issues and options to mitigate pressures. The main issues identified are,

- £105k - Food Waste Operatives - a new statutory duty.
- £67k - Current income forecast less than budget.
- £140k – ESCC increased charges for Trade Waste Disposal

4.4 **Homes First (£53k) underspend**

VOID costs lower than expected.

4.5 **Neighbourhood First Team £365k pressure**

The service has developed and is beginning to deliver a savings plan. The service will be reviewed further in a forthcoming budget review exercise with a view to realigning some large areas of overspend to the budget. The current pressures are.

- (£105k) over recovery of grant income from the Forestry Commission as incorrect accrual made in 23/24
- £38k pressure on Parks and Gardens contract
- £353k pressure - Car Parks
- £196 pressure – Neighbourhood First staff costs

5.0 **Regeneration and Planning**

The Regeneration and Planning Directorate delivers services including estates and property estate management and regeneration and planning activity across the area.

Table 4: Regeneration and Planning Forecast Outturn 2024/25

Regeneration & Planning Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Building Control	160	(7)	(7)	0
Planning	1,380	744	862	118
Estates & Property	358	(67)	62	129
Solar Panel Trading	(427)	(74)	(74)	0
Wave Leisure	172	371	338	(33)
Regeneration Portfolio	140	131	140	8
Regeneration	432	189	102	(87)
Net Position	2,216	1,288	1,423	135

5.1 The Directorate is forecasting a £135k pressure.

5.2 **Planning £118k pressure** due to

- CIL Admin fee income is expected to exceed budget by £20k, based on the current number and size of smaller build developments that are due to be completed within 24/25.
- Planning Dev Fee Income – a large planning application refund of £96k which was accounted for in 23/24 has been withdrawn.

5.3 **Estates and Property £129k pressure.**

The Service currently has financial pressures in relation to Lewes House and the Marine Workshops. A Cabinet paper with options and recommendations for Marine Workshops will be produced, the outcome of which will be fed into budget setting for 25/26.

- **£90k Pressure - Lewes House** rental income is lower than budgeted, which will be reviewed in the context of existing and future lettings.
- **£367k Pressure - Marine Workshop** – This building is in Y2 of ownership, several lettings have been made including Mamoosh, Lanoguard and King & McGaw. A review of the overall business case will be conducted to ensure accurate projections for Y3, 4 and 5 can be provided for decision making. The pressure this year can be offset by the Councils contingency budget whilst this further work is undertaken.
- **£57k Pressure – Robinson Road Depot** – linked to the transformation and investment in waste and recycling facilities, including a requirement to increase the Electric Vehicle fleet for food waste services. This pressure includes the leasing of additional land to accommodate the space needed in line with government requirements. This will be factored into future budgets.
- **(£172k) underspend** on Housing Delivery Team due to capitalisation of salaries.
- **(£61k) Clear Futures Partnerships** through ongoing partnering services income.

5.4 **Regeneration (£87k underspent)** – This relates to the capitalisation of staff costs agreed.

6.0 Tourism and Culture

The Tourism and Culture Directorate delivers a range of cultural activities across the area.

Table 5: Tourism and Culture Forecast Outturn 2024/25

Tourism & Culture Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Arts Development	18	(12)	3	15
Tourism & Culture	388	312	300	(12)
Net Position	405	300	303	3

6.1 The Directorate is reporting a minor pressure of £3k.

7.0 Technical and Central Controlled Budgets

Technical and centrally controlled budgets include the treasury budgets, capital financing and contingency budgets. This area will also include any Council wide funds.

Table 6: Technical and centrally controlled Forecast Outturn 2024/25

Central Budgets Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Contingency - pressures	0	600	0	(600)
Contingency - Inflation	0	323	0	(323)
Contingency Pay Award	103	684	690	6
MRP & Interest Payments	0	2,312	2,226	(86)
Interest received	(1,250)	(1,489)	(2,185)	(696)
Earmarked reserve movements	0	(475)	(475)	0
Other	0	0	0	0
Net Position	(1,148)	1,955	256	(1,699)

7.1 The Council is reporting a forecast outturn position of (£1.7m) underspent. This currently offsets the forecasted service pressures outlined in this report (£1.2m) so the Council has flexibility when addressing these.

7.2 **Capital Financing** – an over recovery of interest receipts of £696k plus a small reduction in the likely Minimum Revenue Provision.

7.3 **Contingencies Pressures and Inflation £0.92m underspent**. This is held to offset Service Pressures. Some of the contingency will be used as part of a budget review exercised scheduled for the coming months and as inflation requirements arise throughout the financial year.

7.4 **Contingencies Pay Award £6k pressure.** This is held to distribute later in the year when the pay award is agreed. The pressure of £6k relates to the pay offer made which is currently rejected by the Unions.

8.0 Housing Revenue Account (HRA)

8.1 The Housing Revenue Account is a ring-fenced account used to manage the Council's housing stock. The costs of managing and maintaining the properties, collecting rents, and meeting the interest cost of monies borrowed to pay for investment in the housing stock are all charged to the housing revenue account.

Table 7: HRA Quarter 1 Forecast Outturn 2024/25

LDC Housing Revenue Account 2024/25				
	Original Budget £000's	Revised Budget £000's	Forecast Actuals £000's	Q1 Variance £000's
INCOME				
Dwelling Rents	(18,914)	(18,914)	(18,764)	150
Non-Dwelling Rents	(417)	(417)	(379)	38
Charges for Services and Facilities	(1,479)	(1,479)	(1,451)	28
Contributions towards Expenditure	(224)	(224)	(245)	(21)
GROSS INCOME	(21,034)	(21,034)	(20,838)	196
EXPENDITURE				
Repairs and Maintenance	6,155	6,155	6,035	(120)
Supervision and Management	3,883	3,883	3,920	37
Special Services	1,743	1,743	1,724	(19)
Rents, Rates, Taxes and Other Charges	146	146	146	0
Increase in Impairment of Debtors	58	58	58	0
Depreciation of Fixed Assets	6,018	6,018	6,018	0
Amortisation of Intangible Assets	3	3	3	0
Debt Management Costs	10	10	10	0
GROSS EXPENDITURE	18,016	18,016	17,914	(102)
NET COST OF HRA SERVICES	(3,018)	(3,018)	(2,924)	94
HRA share of Corporate and Democratic C	134	134	134	0
NET OPERATING COST OF HRA	(2,884)	(2,884)	(2,790)	94
Capital Financing and Interest Charges				
Interest Payable	2,954	2,954	2,954	0
Interest Receivable	(549)	(549)	(549)	0
Revenue Contributions to Capital Expendit	1,108	1,108	1,108	0
Total Capital Financing and Interest Cha	3,513	3,513	3,513	0
HRA (SURPLUS) / DEFICIT	629	629	723	94

8.2 The Housing Revenue Account is reporting a forecast outturn position of £94k overspend, which is the first outturn projection reported for financial year 2024/25 compared to the original budget. The main variations are as follows:

8.3 During the reporting period, the Council's HRA is projected to see pressures of £150k in reduced rental income and £24k in reduced service charge income on properties in void. Whilst void repairs are progressing and not restricted by the financial constraints seen in 2023/24, the arising pressure represents how effectively the Council, and its contractors, are able to turnaround void properties to

relet. This includes long-term void properties that have been through a rigorous review in conjunction with the Tenants of Lewes District (TOLD) now planned for disposal to support ongoing HRA viability.

- 8.4 The current rate of rental income loss is 2.63% of the total rental income due compared to a budgeted 1.81%. The outturn projection has been prudently calculated to assume a continued 2.63%, however Officers are investigating the underlying causes with a view to mitigating this pressure over the coming months.
- 8.5 There is a non-dwelling pressure of £38k for loss of garage income whilst sites are being considered for new development. Meanwhile and short-term uses are being reviewed as part of the housing development strategy to mitigate this ongoing pressure.
- 8.6 Charges for Services also includes a pressure of £29.0k which represents reduced income resulting from the applied cap of 7.7% to elements of the Retirement Housing Service Charges. This is offset by a one-off receipt of £24.0k for backdated Solar Panel Feed in Tariff income and savings of £19.0k on Grounds Maintenance contract inflation reported under Special Services.
- 8.7 The forecast underspend in Repairs & Maintenance represents Property Services team vacancy savings and increased salary capitalisation of £131k

9.0 General Fund Capital Expenditure

GF CAPITAL PROGRAMME	Original Budget 2024-25	2023/24 Carry Forward	Other Variations	Revised Budget 2024-25	Q1 Spend	Variance Q1 to Revised Budget
	£'000					
General Fund Housing	1,635	-	2,775	4,410	24	4,386
Regeneration	26,788	2,343	(5,500)	23,631	1,377	22,254
Asset Management	2,460	309	(50)	2,719	100	2,619
Indoor Leisure Facilities	1,909	1,535	(1,455)	1,989	24	1,965
Energy Schemes	3,895	-	-	3,895	-	3,895
Community Infrastructure Levy	900	-	-	900	128	772
Service Delivery	7,367	1,877	-	9,244	238	9,005
Specialist Projects	236	224	-	460	-	460
Parks & Pavilions	200	1,033	-	1,233	1	1,232
Open Spaces - Biodiversity	-	213	30	243	3	240
Information Technology	150	184	-	334	-	334
Stabilisation and Growth	255	-	-	255	-	255
Corporate	150	-	-	150	-	150
Total General Fund	45,945	7,718	(4,200)	49,463	1,896	47,567

- 9.1 The total original budget for the 2024/25 Capital budget is £45.945m. The revised 2024/25 budget assumes the carry forward of prior year allocations due to slippage against the GF Capital Programme 2023/24 of £7.718m and additional variations of (£4.200m). The total revised capital budget for 24/25 now being £47.567m.
- 9.2 A detailed review of the council's capital programme is scheduled to commence from September to which will likely result in further amendments the council's

capital commitments and impact the associated capital financing costs in future years.

- 9.3 Total spend to date at the end of Quarter 1 is £1.896m.
- 9.4 **General Fund Housing** - Includes loan allocations for council housing companies that have not yet been drawn and the allocation of funding for home adaptations via the Disabled Facilities Grant that will be undertaken throughout the financial year.
- 9.5 **Regeneration** - Most of the capital funds allocated to Regeneration are supported by government grants including Levelling Up Funding and UK Shared Prosperity Fund. The changes to the spend profile reflects the overall complexity of those programmes and whilst a significant amount of work has been undertaken over recent months it is likely that elements of the programme continue to be reprofiled throughout the lifetime of the projects.
- 9.6 **Asset Management** - Includes a variety of schemes associated with the ongoing programme of improvement and modernisation of council owned assets including items required to ensure the councils meets its Health and Safety obligations.
- 9.7 **Indoor Leisure Facilities** - This reflects ongoing Capital works at the four LDC Leisure sites operated by Wave Leisure, including major works at Seahaven Swim and Newhaven Health Hub.
- 9.8 **Energy Scheme** - Includes an allocation to support retrofit lending schemes currently being explored with Lendology.
- 9.9 **Community Infrastructure Levy** - The Community Infrastructure Levy (CIL) is a charge that the Council imposes on new development to help raise funds to deliver infrastructure that is required to support development and growth in their area. CIL block supports a variety of projects throughout the district.
- 9.10 **Service Delivery** - Projects related to this area include the Waste Vehicle Replacement and Equipment Programme and an allocation for the delivery of new crematorium and green burial facilities.
- 9.11 **Specialist Projects** - Relates to flood alleviation projects and coastal defence works.
- 9.12 **Parks & Pavilions** – Support upgrades and remedial works to all council run parks and pavilions in the district.
- 9.13 **Open Spaces (Biodiversity)** – Support local biodiversity projects, the purchase of land for biodiversity and the creation of wildflower and green spaces within the community.
- 9.14 **Information Technology** – Relates to a block allocation to refresh the council's stock of laptops and maintain the council's IT infrastructure.
- 9.15 **Digital Transformation** - Reflects the council's contribution to joint LEC projects designed to maximise service efficiency across both councils.

9.16 Corporate - Is an allocation to support upgrade of LEC financial systems.

10.0 Capital Expenditure – Housing Revenue Account (HRA)

HRA CAPITAL PROGRAMME	Original Budget 2024-25	2023/24 Carry Forward	Other Variations	Revised Budget 2024-25	Q1 Spend	Variance Q1 to Revised Budget
New Acquisitions & New Build	8,200	9,247	-	17,447	4,554	12,893
Major Works & Improvements	8,720	1,971	-	10,691	647	10,044
Housing Estates Recreation and Play Areas	53	29	-	82	2	81
Lifeline Replacement	50	-	-	50	-	50
Total HRA	17,023	11,247	-	28,270	5,203	23,068

10.1 The total original budget for the 2024/25 HRA Capital Programme is £17.023m. The revised 2024/25 budget assumes the carry forward of prior year allocations due to slippage against the HRA Capital Programme 2023/24 of £11.247m. There are no other variations. The total revised HRA capital budget for 24/25 now being £47.188m.

10.2 New Acquisitions & New Build - During 2023/24 several large acquisitions were delayed have now taken place in Q1 therefore the prior year slippage will be required to cover these. General needs acquisitions to replace units being disposed will also take place, funded from disposal receipts and the third round Local Authority Housing Funds. The acquisitions will take place in second half of the financial year.

10.3 Major Works & Improvement - Spend this year is currently lower as it is match-funding Social Housing Decarbonisation Fund Wave 2.2. Work is currently waiting on completion of Retrofit Assessments before it can go ahead. This area also includes capital works for disabled tenants.

10.4 Housing Estates Recreation and Play Areas – Only minor spend occurring in Q1.

10.5 Lifeline Replacement – No spend to date.

11.0 Funding

The Council's net service budget is funded from the following areas: Council Tax income, Business Rates income, Government grants and reserves. A breakdown of the funding budget is detailed below.

Table 11: Financing Quarter 1 Forecast Outturn 2024/25

Financing Budgets Forecast Outturn	23/24 Provisional outturn	Current Budget	Forecast	Variation
	£000			
Council Tax Income	(8,919)	(8,885)	(8,884)	1
NNDR	(4,977)	(5,732)	(5,541)	191
Grants and Contributions	(1,180)	(2,229)	(1,986)	243
Reserves Transfers	(527)	360	673	313
Net Position	(15,603)	(16,486)	(15,738)	748

Financing budgets are expected to underachieve by £748k largely due to an anticipated transfer from Reserves to support Emergency Accommodation costs no longer being needed. Whilst this shows a pressure it does mean that Reserves will be correspondingly higher than expected.

12.0 Financial appraisal

12.1 The report reflects the position on 30th June 2024. Services have an early awareness of their pressures and as a result can take positive steps to mitigate the overspend in their areas.

12.2 The capital programme will continue to be reviewed with regard to the prior year slippage that is routinely added to the Original Budget to ensure that only those amounts required are allocated within the revised Capital Programme going forward.

13.0 Legal implications

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

14.0 Risk management implications

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

15.0 Equality analysis

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

16. Appendices

Appendix 1 – LDC Capital Programme Monitoring

Appendix 2 – Glossary of Items

17.0 Background Papers

LDC General Fund Revenue Budget 2024/25 and Capital Programme