Part B

Financial Performance Outturn 2017/18

1.0 General Fund

1.1 The final outturn for service expenditure for the year 17/18 was £15.7m and is analysed as follows:

	Original Budget £'000	Revised Budget £'000	Actual 31.3.18 £'000	Variance £'000
Corporate Services	5,288	5,264	5,095	(169)
Community Services	5,896	5,444	5,305	(139)
Regeneration, Planning Policy and Assets	(336)	572	600	28
Tourism & Enterprise	3,763	3,125	3,130	5
Other Operating Income and Expenditure	(767)	(152)	-	152
Service Total	**13,844**	**14,253**	**14,130**	**(123)**
Capital Financing costs	1,833	1,959	1,648	(311)
TOTAL EXPENDITURE	**15,677**	**16,212**	**15,778**	**(434)**
Council Tax	(8,031)	(8,031)	(8,007)	24
Business Rates	(4,365)	(4,365)	(4,733)	(368)
Government Grants	(2,138)	(2,228)	(2,102)	126
TOTAL FUNDING	**(14534)**	**(14624)**	**(14842)**	**(218)**
Transfer to Reserves	1,143	1,588	936	(652)

Service outturn shows a favourable variance of £123,000 which resulted in a reduced sum required to be transferred from the General Fund reserve to support expenditure.

1.2 The table at **Appendix 2** shows the Council's financial outturn compared to the agreed budget at service level. A more detailed breakdown at code or transactional level is available from Financial Services.

1.3 Service expenditure variance for the year is principally as a result of:

Farms and land lettings – additional income over target	(£134k)
Solorbourne income increase from feed in tariff	(£122k)
Refuse collection contract variations	(£107k)
IT systems savings against budget	(£91k)
Bed and Breakfast lower spending than anticipated	(£72k)
Car parking income – achievement over budget target	(£68k)

These have been offset in part by the following negative variances:

Development control additional costs plus income shortfall	£92k
Buccaneer under achievement of income target	£149k
Re-profiling of savings target	£175k
Housing Benefits overpayments and subsidy	£286k

1.4 Any future financial implications arising from the variances will be taken into account as part of the Service and Financial Planning process.

1.5 The General Fund summary figures include the transfers to and from reserves as shown in **Appendix 3**. In many cases these transfers reflect items previously agreed, or at the very least where the principle of a transfer from reserves had been established as part of the overall budget strategy.

1.6 The balances as at 31.3.18 for usable general fund revenue reserves are as follows:

Reserve	**31.3.18 £'000**
General Fund	3,033
Repairs and Maintenance (Capital Programme) Reserve	1,306
Regeneration Reserve	532
Devonshire Park Reserve	1,488
Earmarked Reserves	472

2.0 HRA

2.1 HRA performance for the year 17/18 is as follows:

	Original Budget £'000	**Revised Budget £'000**	**Actual 31.3.18 £'000**	**Variance £'000**
HRA				
Income	(15,551)	(15,587)	(15,602)	(15)
Expenditure	12,717	12,653	12,449	(204)
Capital Financing & Interest	1,885	1,885	1,831	(54)
Contribution to Reserves	500	600	500	(100)
Total HRA	**(449)**	**(449)**	**(822)**	**(373)**

A further breakdown is shown at **Appendix 4.**

2.2 HRA performance shows a favourable variance of (£373,000), which is mainly due to:

Reduction in provision for Bad Debt requirement	(£112)
Take up of under occupation scheme	(£63k)
Average interest rates lower than budgeted	(£50k)

Depreciation lower than budget (£32k)

2.3 The balance as at 31.3.18 on the usable Housing Revenue Accounts Reserves are as follows:

Reserve	31.3.18 £'000
HRA	5,188
Housing Regeneration and Investment Reserve	2,883
Major Repairs Reserve	510

3.0 Capital Expenditure

3.1` A summary of capital expenditure for the year is shown in **Appendix 5.**

3.2 The revised capital for 2017/18 was £51.6m and the outturn was £51.2m, a variance of £0.4m. A summary of the schemes is shown at Appendix 5.

3.3 Where schemes are being delivered over more than one year the programme has been re-profiled. Members are asked to approve the re-profiled programme for 2018/19.

3.4 The Capital Programme for 2018/19 totals £92.2m compared to Capital Programme approved in March 2018 of £84.8m. The changes to the Capital Programme are shown in the table below.

Summary of Capital Programme 2018/19 to 2020/21	2018/19 £'000	2019/20 £'000	2020/21 £'000
Approved Budget at 21.3.18	84,766	36,073	14,774
Re-profiled from 17/18 to 18/19	404		
Allocations no longer required	53		
Devonshire Park increase agreed Cabinet 21.3.18	4,360		
DFG allocated to SHCC	(400)		
Bedfordwell Road – Pump House agreed Cabinet 23.5.18	3,000		
Current Programme	**92,183**	**36,073**	**14,774**

3.5 Detailed comments on larger schemes:

Line No.	Comment
2	Major Works – spend was £645k less than originally estimated due to works being completed later to due to adverse weather conditions.

23	Terminus Road Improvements - Contractor due to be appointed. Works have started on site. As part of this scheme we have commissioned a consultant to deliver a Wayfinding Strategy for the Town Centre alongside the Devonshire Park Wayfinding Strategy.
24	Sovereign Harbour Community Centre - Works on site are progressing well and contractor is on schedule to complete the building ready for opening in July 2018.
69	IT – Block Allocation - Significant investment has taken place this year in storage systems, additional server capacity and replacement laptops and mobile devices to replace ageing equipment purchased during the agile working programme in 2010/11. All the 2017/18 allocation was spent and some of the allocation for 2018/19 was re-profiled and spent in 2017/18.
72	EHIC Loans (Properties purchased from EBC) - Agreed facility of £4,173k to provide loans to purchase EBC properties. Two loans totalling £900k have been agreed of which £913k has been drawn down. The remaining facility of £2,958k is available for other properties to be identified.
73	EHIC loans (Properties purchased on the open market) - Agreed facility of £5m to provide loans to purchase private properties. 12 loans totalling £2,657k have been agreed of which £2,481k has been drawn down. The remaining facility of £2,343k is available for other properties.
77 & 78	Aspiration Homes LLP Loan – Agreed a facility of £10m to provide loans to build and refurbish properties. One loan of £1.7m has been agreed to develop the site at Northbourne Road. Site purchase was completed in December 2017 and £16k of the loan was drawn down. The balance of the loan is available for drawdown as required. Works have now commenced on site. The remaining facility of £8.3m is available for new schemes being considered
79	Bedfordwell Road – Land was purchased in 2016/17. This is the subject of separate Cabinet reports. Cabinet agreed an additional allocation of £3m in May 2018 to works to the Pump House.
81	Hampden Retail Park Refurbishment – Master plan in place with 3 additional units to increase income generation. ESCC has agreed sale of land required to enable some of the utilities and strategically important for the general scheme. Drain clearance has been completed across the estate as part of the scheme. Offsite drainage works to culvert complete.
83	JTP Programme - This scheme is the subject of regular update reports to Cabinet. The budget will be spent over three years from 2016/17 to 2018/19.

87	Devonshire Park Redevelopment - Progress currently as per construction programme agreed in main contract, expected completion Feb/Mar 2019 and opens for business Spring 2019. On 23.3.18 Cabinet agreed an increase of the allocation of £9.96m. This is the subject of a separate Cabinet report. Tennis player facilities construction complete.
99	Wish Tower Restaurant – design work is being finalised. Planning application expected to be completed by July 2018. Demolition of Western View and works on site planned to start September 2018 with construction completed January 2019 and fit out by April 2019 ready for opening.

4.0 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:

	Council Tax £'000	**Business Rates £'000**
(Deficit recovery)/Surplus distributed	978	(854)
Debit due for year	(61,998)	(33,321)
Payments to preceptors	60,709	35,730
Transitional Relief		(556)
Allowance for cost of collection		126
Allowance for appeals		(183)
Write offs and provision for bad debts	477	203
In year movement	**166**	**1,145**
Balance B/fwd 1.4.17	(1,433)	2,376
Balance c/fwd 31.3.18	**(1,267)**	**3,521**
Allocated to:		
MCLG	-	1,761
East Sussex County Council	(930)	317
Eastbourne Borough Council	(165)	1,408
Sussex Police	(109)	-
East Sussex Fire & Rescue	(63)	35
	(1,267)	**3,521**

4.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different basis under regulations. The distributions for the estimated balance calculated at quarter 3 will be made in 2018/19. Any changes in quarter 4 will be made in 2019/20.

4.4 Council Tax performance has resulted in a £812,000 surplus for the year. As the aim of the collection fund is to break even the surplus represents an overachievement. This is due to the result of a combination of factors including better performance against the collection allowance within the Council Tax base

and a reduction in the Council Tax Reduction scheme caseload. The balance as at 31.3.18 represents 2.04% of the gross debit.

4.5 The Business Rate deficit of £1,999,000 for the year represents an underachievement from business rate income. This is as a result of the on-going risk from the number of outstanding business rate for backdated appeals, and in particular a number of large backdated appeal refund made during the year of £2.8m. The deficit balance as at 31.3.18 represents 10.57% of the total debit for the year.

With the introduction of the new 2017 rating list the procedure for making appeals has been changed, which is intended to speed up the process, reduce the number of appeals and provide some certainty on the financial implications to local authorities. The valuation office has only just published data relating to these appeals, therefore until this has been evaluated an estimate has had to be calculated based on experience from the previous appeals system.

5.0 Treasury Management

5.1 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 2017/18. The Treasury Management Annual Report 2017/18 is being considered as a separate report on this agenda.

6.0 Statement of Accounts 2017/18

6.1 The Accounts and Audit Regulations 2015 require the Council to formally approve and publish its Statements for the financial year ending 31 March 2018 by 31 July 2018. The draft statement is available on the Council's Website and copies can be obtained from Financial Services.

6.2 It is the Chief Financial Officer's (CFO) responsibility to ensure the preparation of the Statement is in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The CFO is also responsible for certifying that the accounts represent a true and fair view of the authority's financial position at 31 March.

6.3 Key Points of Interest on the Balance sheet are

Item	31.03.17 £'000	31.03.18 £'000	Change £'000
Creditors (money we owe)	(9,578)	(10,870)	(1,292)
Debtors (money owed to us)	22,354	32,410	10,056
Fixed Assets	333,302	379,661	46,359
Pensions Liabilities/Reserve	(43,372)	(44,352)	(980)
Long Term Investments	238	323	85
Cash and Investments	1,857	3,609	1,752
Borrowings	(65,360)	(105,424)	(40,064)
Collection Fund	761	1,244	483

Earmarked Reserves	(8,976)	(8,702)	274
General Fund Balance	(2,661)	3,032	(371)
Housing Revenue Account	(4,366)	5,188	(822)

- Debtors has increased due to the long term loans awarded in the year to Eastbourne Housing Investment Company Ltd and DWP Rent Subsidy Allowance due to the Council as at 31.3.18.

- The value of fixed assets has increased due to capital expenditure during 2017/18 (£44.9m), and the annual inflation review at the end of the financial year (£12.9m) less the charge for depreciation (£8.3m) and the write off of disposals.

- Pensions liabilities increase is due to changes in actuarial assumptions and offset by an increase of discount rate

- Cash and investments increased due to timing of borrowing.

- Borrowing has increased due to the need to borrow to finance in year capital expenditure and lock into historically low interest rates. Whilst borrowing is not attributable to individual schemes, capital expenditure which was supported by borrowing included £3m in loans to EHIC, £21m for the acquisition of land and buildings, £0.9m for HRA schemes and £8m for Devonshire Park. Short term borrowing has increased as the Council is taking advantage of the very low short term rates by taking temporary borrowing.

6.4 The external auditor (BDO) commenced work on 4th June and the accounts are open for public inspection between 1 June and 12 July 2018. All queries and questions to the Auditor must be put in writing and sent directly to BDO's offices.