

Report to: Cabinet

Date: 22 September 2022

Title: Finance update – Performance Quarter 1 2022/23

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Deputy Leader of Council,
Cabinet Member for Finance and Assets

Ward(s): All

Purpose of report: To update members on the Council’s financial performance
in Quarter 1 2021/22

Decision type: Non-Key

Officer recommendation(s): Cabinet is recommended to

(1) Note the General Fund, HRA and Collection Fund
financial performance for the quarter ended June 2022.

(2) Note the capital programme as set out in Appendix 2.

Reasons for recommendations: To enable Cabinet members to consider specific aspects of
the Council’s financial performance.

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1 Introduction

- 1.1 It is essential to ensure that the Council has a sound financial base from which to respond to changing activity levels and demand for statutory services and to ensure that, when appropriate, its finances are adjusted in response to reducing income levels and inflationary pressures on expenditure.
- 1.2 A report on the financial performance following the end of each quarter is made to Cabinet to ensure that the financial health of the General Fund, Housing Revenue Account and Capital Programme activities are kept under continual review.

1.3 The budget approved by Council in February 2022 was balanced over the medium term and was set based on a number of key assumptions including pay and cost inflation. Inflation had been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government. Whilst there were concerns about the rapidly rising levels of inflation, the advice at that time indicated a short term and sharp spike rise in inflation followed by a return to previously experienced levels by early spring.

The CPI has since nearly quadrupled which when coupled with the proportion of use and demand for consumables such as utilities, fuel, goods and services has created and continues to give rise to significant budgetary concerns.

UK CPI table

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2022	5.4%	6.1%	7.0%	9.0%	9.0%	9.4%	10.1%						
2021	0.7%	0.5%	0.7%	1.5%	2.1%	2.5%	2.0%	3.2%	3.0%	4.1%	5.1%	5.4%	2.6%
2020	1.8%	1.7%	1.5%	0.8%	0.6%	0.6%	1.1%	0.2%	0.6%	0.7%	0.4%	0.6%	0.9%

1.4 The Council operates Directorate cash limited budgets and Corporate Management Team/Directors are responsible for ensuring that appropriate action is taken to contain both revenue and capital spending in line with the directorate's overall budget limit. The challenges facing local residents as a result of the cost of living crisis are very real and very urgent. There has been a wave of authorities at every level that have revealed their budget plans are in pieces due to the huge spike in costs since April 2022 and authorities across the country are not immune to the national financial pressures while facing increasing demand and increasing cost pressures.

1.5 Various authorities are dealing with a very difficult set of circumstances currently and face a real challenge to balance the budget this year, while forecasting a significant overspend with the main causes being record inflation levels, soaring energy prices, pay deal for staff, etc. This is the reality for councils across the country at the moment and it has been widely reported that inflation, energy costs and other current challenges are predicted to lead to £2.4bn in extra cost pressures to councils this year alone, rising to £3.6bn in 2024-25.

1.6 Through the Priority Based Budgeting approach, each area of the Council's expenditure was scrutinised, and a range of budget reduction options prepared for members' consideration. Some of the proposals will deliver a level of budget reduction in the current financial year, whilst others will yield savings, or increased income generation, from 2022/23. The Council has a robust governance process for tracking delivery of agreed savings through the Recovery and Stabilisation Programme meetings, whilst work is still underway to assess developed savings plans.

2 General Fund

2.1 The projected out-turn for 2022/23 as advised by budget holders as of 30 June 2022 is an overspend of £108,060, as shown in table 1 below:

Summary Table:

Table 1: Summary of projected out-turn as at Quarter 1	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Corporate Services	4,919,850	(511,122)	4,921,200	1,350
Service Delivery	10,533,950	(2,482,542)	11,013,086	479,136
Regeneration and Planning	1,783,450	376,930	1,791,274	7,824
Tourism and Enterprise	508,950	218,700	478,700	(30,250)
Recharges to the Housing Revenue Account	(4,356,300)	0	(4,356,300)	0
Net Cost of Services	13,389,900	(2,398,034)	13,847,960	458,060
Other Operating Income & Expenditure	350,000	0	0	(350,000)
Capital Financing	550,000	73,326	550,000	0
Transfer to (from) reserves	841,000	0	841,000	0
Proposed transfer (from) reserves*(661,500)	0	0	0	0
Net Budget	15,130,900	(2,324,707)	15,238,960	108,060
			0	
Financing	(15,130,900)	0	(15,130,900)	0

2.2 Some of the provisions from 2021/22 were carried forward due to reprofiling and alignment of budget. Where applicable these have been incorporated into relevant budgets. These are for noting at this point and will be formerly updated as part of the mid-year revision and budget setting process.

2.3 The residual projected overspend of £108k is due to the anticipated impact of price inflation for energy costs and good and service.

2.4 Inflation is currently at over 10% and is expected to rise to over 13% by October 2022, fuel prices continue to be the main contributor to this. The bank of England has increased base rates to the highest they have been in over 13 years impacting the cost of borrowing and impacting mortgage interest rates.

2.5 The impact on consumer spending power, and bad debts is uncertain, however due to careful planning in 2021/22 we have been able to mitigate against this impact of inflation.

2.6 We afforded and set aside reserves as at 2021/22-year end to provide resilience and as a result we have been able to bring into position £661,500 of one of funds to support 2022/23 position, this could be offset by the plan to transfer to reserves £841k and further consideration will be proposed at the mid-year revision and budget setting. Regeneration will have the support of S31 grants and reserves set aside to fund activity in this year.

2.7 The budget includes savings targets of £1.2m, which have been deducted from the relevant service.

2.8 Key variances are set out in the following table:

2.9 Corporate Services slight overspend of £1,350:

Corporate Services	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Corporate Management	460,250	(414,687)	459,450	(800)
Emergency Planning	40,850	0	42,850	2,000
Financial Services Team	838,650	0	838,650	0
Internal Audit and Corporate Fraud	243,400	(56,450)	243,400	0
Corporate Finance	42,000	15,900	42,000	0
Corporate Finance - Pension Costs	70,400	10,946	70,400	0
Human Resources	343,950	(66,831)	343,950	0
Information Technology	1,760,150	0	1,760,300	150
Local Land Charges	(74,850)	0	(74,850)	0
Legal Services	397,900	0	397,900	0
Democratic Services	797,150	0	797,150	0
Recovery and Stabilisation	0	0	0	0
Corporate Services	4,919,850	(511,122)	4,921,200	1,350

There are small variances to budget that are manageable by the year end.

2.10 Service Delivery projected overspend of £479,136:

Service Delivery	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Customer First	200,100	(83,797)	255,265	55,165
Homes First	51,850	0	51,850	0
Specialist Advisors	397,700	(1,196,456)	580,553	182,853
Specialist Advisors	870,150	134,798	875,207	5,057
Specialist Advisors - Building Control	57,600	(158,453)	92,078	34,478
Specialist Advisors	20,000	0	20,000	0
Account Management	1,109,600	(251,180)	1,095,163	(14,437)
Case Management	(23,850)	28,767	(23,700)	150
Neighbourhood First	765,450	(216,079)	766,450	1,000
Customer Contact	943,450	(126,552)	925,291	(18,159)
Waste & Recycling	3,766,000	(21,494)	3,852,004	86,004
Homes First - Housing Property Services	786,150	0	786,150	0
Homes First - Neighbourhood Management	887,750	0	887,750	0
Homes First - Customer Experience	165,850	0	165,850	0
Homes First - Housing Needs & Standards	161,000	0	161,000	0
Homes First - Housing Needs and Standards	375,150	(592,097)	522,175	147,025
Service Delivery	10,533,950	(2,482,542)	11,013,086	479,136

Main variances include:

Customer First, £55k due to staff cost pressures

Specialist Advisors £182k. The majority £140k is due to shortfall in anticipated collection of overpayments for housing benefit payments & £42k of increased staff costs due to agency staff within regulatory services.

Building Control £34k due to anticipated reduced income receivable for inspection fees

Waste and Recycling £86k due to vehicle hire

Housing Needs & Standards £147k due to £85k of staff agency costs, £53k due to increased costs of accommodating the homeless and £9k for rough sleepers

2.11 Regeneration and Planning, projected overspend of £7,824:

Regeneration and Planning	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Estates & Property	(125,500)	39,601	(31,350)	94,150
Solar Panel Trading Account	(74,200)	17,780	(74,200)	0
Planning	531,300	(229,211)	647,773	116,473
Regeneration	529,700	222,985	326,901	(202,799)
North Street Properties	128,400	123,392	128,400	0
Business Planning & Performance	793,750	202,383	793,750	0
Regeneration and Planning	1,783,450	376,930	1,791,274	7,824

The service is anticipating a lot of pressures and the projected out-turn includes reserve movements of £661k to support it, the main variances are as follows:

Estates and Property £94k, this includes a proposed release of £50k from reserves for the marine workshop pending business case and review, £112k pressure for industrial vacant units, delayed letting of Lewes house £60k, £40k energy and telephone costs on Southover House, reduced parking income £121k, which is being offset by positive EBC staff recharge of £289k, overall, the budget and savings target need to be reviewed with the budget holder.

Planning variance of £116k include the local plan that is being developed, which is an investment required every 4 years that will be funded as one-off from £255k reserves to support this activity.

Regeneration underspend of £202k, this is net of £157k anticipated to be funded from reserves carried forward from last year. The £202k positive variance is an underspend on salaries and will need to be reviewed as part of revised budget and budget setting.

2.12 Tourism and Enterprise projected underspend of £30,300

Tourism and Enterprise	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Arts Development	5,900	(11,886)	3,700	(2,200)
Tourism	279,500	62,535	283,000	3,500
Leisure Centres and Swimming Pools	121,200	65,136	90,000	(31,200)
Newhaven Fort	102,350	102,916	102,000	(350)
Tourism and Enterprise	508,950	218,700	478,700	(30,250)

The positive balance is an anticipated additional income from the solar panels at the swimming pools.

2.13 Other Operating Income and Capital Financing and Reserve movements positive variance of £350,000

Other Operating Income and Capital Financing & Reserve movements	Budget 2022-23	Actual & committed	Projected Outturn	Projected Variance at year end
	£	£	£	£
Contingencies	350,000	0	0	(350,000)
Capital Financing and Interest	550,000	73,326	550,000	0
Contributions to/(from) reserves Earmarked	841,000	0	841,000	0
Note contribution from reserves	0	0	(661,500)	0

There are no specific calls on the contingency budget which has been shown as contributing towards the bottom line.

2.14 Please note that due to re-profiling and carry forwards the position has required the transfer in from reserves of £661,500, this could be offset against the budget to transfer to reserves £841,000, it is embedded the projected position, and has been shown above pending revised budget setting.

3 Housing Revenue Account

3.1 HRA performance for the quarter is as follows:

HRA Summary Quarter 1	Original Budget	Projected Outturn	Variance
	£000's	£000's	£000's
Income	(17,752)	(17,752)	
Expenditure	16,047	16,046	(1)
Capital Financing	2,031	2,031	
Total	326	325	(1)

A further breakdown is shown at **Appendix 1**.

- 3.2 The position at the end of June shows a favourable variance in expenditure of £1k.
- 3.3 A full review of the 30-year Business Plan is underway and will provide a more comprehensive assessment of the overall position for the current and future years. This will be reported to Members as part of the budget setting process for 2022/23.

4 Capital Expenditure

4.1 Capital Expenditure – General Fund

- 4.2 The capital programme at Appendix 2 provides a detailed summary of spend for quarter 1 compared to the revised allocation for 2022/23. The Capital Programme (including slippages from 2021/22) for 2022/23 totals £35.7m compared to the original Capital Programme approved by Council 21 February 2022 of £26.5m. The summary of the General Fund Capital Programme movements are shown in the following table.

	Original	B/F	Other	Revised	Q1
	Programme		Variation	Programme	Expenditure
	2022/23	2021/22	2022/23	2022/23	2022/23
NON-HOUSING CAPITAL PROGRAMME	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Recovery and Stabilisation	430	622	-	1,052	-
Regeneration	16,660	5,865	-	22,525	2,066
Asset Management	1,920	453	-	2,373	49
Indoor Leisure Facilities	721	461	-	1,183	8
Energy Schemes	2,000	62	-	2,062	38
Community Inf. Levy	900	-	-	900	7
Service Delivery	227	90	720	1,037	23
Specialist Projects	136	57	-	193	-
Coastal Defence Works	100	394	-	494	-
Parks, Pavilions, Open Space- Biodiversity	3,142	104	-	3,246	-
IT Block Allocation	150	254	-	404	-
Finance Transformation	150	179	-	329	-
GENERAL FUND	26,536	8,541	720	35,798	2,190

- 4.3 The total spends and commitments at the end of June 2022 totalled £2.2m against a revised budget of £35.7m. The revised programme includes a proportion of the £19.3 million Government funding award for Newhaven, following the successful bid that focused on five core themes.
- 4.4 Other variation relates to the waste and recycling services immediate purchase of second-hand recycling collection vehicles (RCVs), to replace six vehicles currently on hire, thus saving on significant hire costs that are presently being incurred. The Full Council at its meeting on 18 July 2002 approved the release of funding (£720,000) within this financial year (2022/23).
- 4.5 At the end of Quarter 1 the spend against year 1 of the programme was very low and it is too soon to forecast what level of slippage we might anticipate into future years, but it is unlikely that all aspects of the programme will be deliverable this

year and so this will be kept under continuous review by the Capital Programme Overview Board (CPOB).

4.6 Capital Expenditure – HRA

4.7 The detailed HRA capital programme at Appendix 2, provides a summary of spend for quarter 1 compared to the allocation for 2022/23. The HRA Capital Programme (including slippages from 2021/22) for 2022/23 totals £21.3m compared to the original Capital Programme approved by Council 21 February 2022 of 15.3m. The changes to the Capital Programme are shown in the following table.

HRA HOUSING

SUMMARY	Original	B/F	Revised	Q1
	Programme		Programme	Expenditure
	2022/23	2021/22	2022/23	2022/23
	£'000	£'000	£'000	£'000
Housing Investment	12,901	5,408	18,309	1,027
General Fund Housing	1,487	172	1,659	25
Housing Companies Loans	1,000	419	1,419	-
TOTAL HOUSING	15,388	5,999	21,387	1,052

4.8 The revised budget for the Housing Capital Programme for the year is £21.3m, with expenditure and commitments at the end of Quarter One of £1.05m. Capital budgets from the previous year have been carried forward to 2022/23, relating to the maintenance of the Council's housing stock, and the New Build programme.

4.9 Project team leaders will, as with every year, be encouraged to review scheme progress on an ongoing basis throughout the year and advise where there are significant revisions. Based on this information reprofiling will be undertaken where necessary to reflect these changes within the HRA Capital Programme.

4.10 At the end of Quarter 1 the spend against year 1 of the programme was very low and it is too soon to forecast what level of slippage we might anticipate into future years, but it is unlikely that all aspects of the programme will be deliverable this year and so this will be kept under continuous review by the Capital Programme Overview Board (CPOB).

5 Collection Fund

5.1 The Collection Fund records all the income from Council Tax and Business Rates and its allocation to precepting authorities.

5.2 The Collection fund for the year is as follows:

	Council Tax £'000	Business Rates £'000
Actual Balance 1 April 2022 - (Surplus) / Deficit	(3,692)	6,357
Recovery/Distribution of Prior Year Deficit or Surplus	2,950	(3,659)
Total Collectable Income for year*	(87,050)	(25,354)
Payments to Preceptors	83,789	24,270
Write offs, provisions for bad debts and appeals	420	690
Estimated Balance 31 March 2023 – (Surplus) / Deficit	(3,583)	2,304
Allocated to:		
Central Government	-	1,152
East Sussex County Council	(2,534)	207
Lewes District Council	(540)	922
Sussex Police & Crime Commissioner	(353)	-
East Sussex Fire Authority	(156)	23
Total	(3,583)	2,304

* 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 and Business Rate bases.

5.3 The allocation to preceptors reflects the operation of the Collection Fund for Council Tax and Business Rates which are distributed on different bases under regulations. The distributions have now been finalised for 2022/23 in line with the above allocations.

5.4 Council Tax has a forecast surplus for the year of £3.583m as at the end of June. The Council's share of the estimated surplus is £540k.

5.5 Business Rates has a forecast deficit for the year of £2.304m at the end of June. The Council's share of the estimated deficit is £922k.

5.6 The final surplus or deficit positions for Council Tax and Business Rates budget setting will be formalised in January 2023.

6 Financial appraisal

6.1 As set out in the report

7 Legal implications

7.1 None associated with the report.

8 Risk management implications

8.1 Continued monitoring of the Council's financial position is essential to ensure it remains within budget and can take necessary action if and when required.

9 Equality analysis

- 9.1 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.

10 Environmental sustainability implications

- 10.1 None associated with the report.

11 Appendices

- Appendix 1 – Housing Revenue Account
- Appendix 2 – Capital Programme

12 Background papers

- None