

<b>Report to:</b>	<b>Cabinet</b>
<b>Date:</b>	<b>19 July 2023</b>
<b>Title:</b>	<b>Provisional Revenue and Capital Outturn 2022/23</b>
<b>Report of:</b>	<b>Homira Javadi, Director of Finance and Performance (Chief Finance Officer)</b>
<b>Cabinet Member:</b>	<b>Councillor Robin Maxted, Cabinet Member for Finance and Resources</b>
<b>Ward(s):</b>	<b>All</b>
<b>Purpose of report:</b>	<b>To update Members on the provisional outturn for 2022/23</b>
<b>Decision type:</b>	<b>Key</b>
<b>Officer recommendation(s):</b>	<p><b>(1) Note and approve the revenue and capital provisional outturn for 2022/23 subject to final accounting adjustments;</b></p> <p><b>(2) Note and approve the housing revenue account provisional outturn for 2022/23 subject to final accounting adjustments; and</b></p> <p><b>(3) To give delegated authority to Cabinet member for finance and resources in consultation with chief finance officer to make final accounting adjustments.</b></p>
<b>Reasons for recommendations:</b>	<b>To enable Cabinet members to consider specific aspects of the Council's financial performance for 2022/23</b>
<b>Contact Officer(s):</b>	<p><b>Name: Homira Javadi</b>  <b>Post title: Director of Finance and Performance (Chief Finance Officer)</b>  <b>E-mail: <a href="mailto:homira.javadi@lewes-eastbourne.gov.uk">homira.javadi@lewes-eastbourne.gov.uk</a></b>  <b>Telephone number: 01323 415512</b></p>

## **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 Eastbourne Borough Council is an overall adverse variation of £14k (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 downturn. 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 Provisional Out-turn 2022-23	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Corporate Services	4,693,467	5,115,121	421,654
Service Delivery	8,732,350	10,361,321	1,628,971
Regeneration and Planning	(98,355)	821,362	919,717
Tourism and Culture	2,732,502	2,414,733	(317,770)
Net Cost of Services	16,059,964	18,712,536	2,652,572
Other Operating Income & Expenditure	237,450	249,393	11,943
Capital Financing	2,203,400	601,291	(1,602,109)
Net Budget	18,500,814	19,563,220	1,062,406
Transfer from Reserves	(1,602,622)	(1,803,466)	(200,844)
Revenue Grant Fund	0	(909,000)	(909,000)
Cultural Development Fund	0	(455,000)	(455,000)
Government Grants	(1,465,150)	(1,406,569)	58,581
Business Rates	(5,419,100)	(5,764,808)	(345,708)
Council Tax	(9,221,300)	(9,210,004)	11,296
Better Care Fund	(792,642)	0	792,642
Total Financing	(18,500,814)	(19,548,847)	(1,048,033)
Over/ (under) budget	(0)	14,372	14,372

Eastbourne Borough Council Provisional Outturn 2022-23 £14k (subject to final accounts adjustments)

The key highlights are as follows:

- Net overall position is an adverse variation of £14k which is proposed to be funded from general fund balances;
- Net cost of services reflects net additional cost pressures of £2,652k mainly due to increased housing needs £1,618k, inflationary energy costs of £639k, other supplies and staffing costs £395k.
- These are offset mainly by planned and additional use of set aside earmarked reserves, grants and funds (£1,565k), contingency (£250k), higher than expected interest income (£350k), savings on interest payments (£642k) and savings on (MRP) Minimum Revenue Provision (£611k); and
- Delivery of savings built into the budget.

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 Team	77,939	104,040	26,101
Business Planning and Performance	510,345	569,252	58,907
Financial Services	893,747	898,054	4,307
Corporate Finance	650,669	670,862	20,193
Human Resources	379,690	477,683	97,992
Business Transformation	1,328,254	1,452,919	124,665
Legal and Local Democracy	938,572	966,556	27,983
Local Land Charges	(85,750)	(24,244)	61,506
Corporate Services	4,693,467	5,115,121	421,654

#### Corporate Management net adverse variation of £26k

This is mainly due to additional inflationary costs.

#### Business Planning and Performance net adverse variation of £59k

Additional cost of service relating to procurement activities – off set by procurement savings elsewhere within the services.

#### Financial Services & Corporate Finance net adverse variation of £24k

Partly due to higher cost of interim staffing offset by use of vacancy savings . Other higher than planned Corporate Finance costs relating to bank and brokerage of £50k, insurance premium costs of £68k and additional provision for debts £59k were also contributing factors. These are offset by reduced requirements on unfunded pensions contributions (£32k) and use of corporate contingency .

#### Human Resources net adverse variation of £98k

This is due to increased costs relating to the new occupational health contract £32k and provision of corporate training of £79k. These are partly offset by staffing savings of (£13k).

#### Business Transformation net adverse variation of £125k

Additional charge of £100k to revenue due to business transformation expenditure not qualifying for capitalisation and additional cost of I.T. licences of £92k offset by savings in staffing costs (£67k).

### Legal and Local Democracy net adverse variation of £28k

This variation is mainly due to additional staffing costs.

### Local Land Charges net adverse variation of £62k

This adverse variation is mainly due to land charges staffing costs and licensing fees.

## 2.4 **Service Delivery**

Service Delivery	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Director of Service Delivery	295,214	308,080	12,866
Customer First Retention Team	1,032,309	1,963,193	930,884
Neighbourhood First	2,078,103	2,219,229	141,126
Environment First	4,426,483	4,282,864	(143,619)
Homes First	900,241	1,587,954	687,714
Internal Transfers			
Service Delivery	8,732,350	10,361,321	1,628,971

The key areas of overspends are driven increased demand for services relating to 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.

### Customer First Retention Team and Homes First net adverse variation of £1,618k

- Rising volumes in the number of statutory & rough sleeper placements, impact on housing benefit payments and ineligible housing costs £842k
- Agency costs to backfill customer first team and housing needs team vacancies and welfare reform funded in part by grant reserves £574k and taxi licencing staff costs to be met from taxi trading account £25k.
- Reduced Income: bereavement £105k, backlog in HMO Licence renewals £30k and council tax arrears summons £16k.
- Cost of financing housing loan debt £67k, compensation & legal costs for complaints £30k and wellbeing service met by grant reserves £75k.
- A timing difference on better care fund which is expected to be received in 2023/24 £404k, one contribution to Eastbourne Homes Investment Company (EHIC) to finance housing need pressures £150k, offset by grant funding of (£700k).

### Neighbourhood First net adverse variation of £141k

- Town Hall and College Road additional staffing for office cleaning contract budgets £185k although efficiencies had been achieved in the regeneration and planning budget and further efficiencies will be delivered through the Neighbourhood First operations team, the need for increased security in the Town Hall due to increased customer contact and the need to protect staff and visitors, increased repairs and facilities maintenance £144k and shortfall in Town Hall room hire income £80k.
- Managing Ash die back & Cliff Watch safety patrol service at Beachy Head £111k offset by underspends on seasonal Parks & Gardens works (£91k) and underspend on replacement of Dog Litter Bins (£44k).
- Additional income received: Car Parking and Fixed Penalty Notice income (£138k), Lawn Tennis Association contributions towards Devonshire Park Grounds Maintenance (£60k) and Asylum Dispersal grant contribution towards Community activities (£46k).

### Environment First net positive variation of (£144k)

- Tipping away income contributions from ESCC including prior year (£90k), underspends on SEESL management fee (£79k) offset by legal fees and shortfall in bulky waste income £25k.

## 2.5 Regeneration and Planning

Regeneration and Planning	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Director of Regeneration & Planning	42,229	49,291	7,061
LDC EHL Rechargeable Salaries	0	0	0
Head of Commercial Business and Property	43,441	51,955	8,514
Planning	613,031	848,888	235,856
Estates and Property	(1,097,282)	(458,252)	639,030
Housing Delivery	78,375	110,004	31,630
Regeneration	221,850	219,477	(2,373)
Regeneration and Planning	(98,355)	821,363	919,717

Regeneration and Planning has significant pressures within its service delivery, mainly due to the economic climate and high inflation levels, particularly on energy costs.

### Planning net adverse variation of £236k

This relates mainly to additional consultancy costs for Local Plan 2 £132k, planning appeal costs £40k and staffing costs £64k.

Please note this is after the planned use of reserves of £204k.

### Estates and Property net adverse variation of £639k

This is mainly due to Corporate landlord increased energy costs £639k, reduced rental income £248k and one-off rent refund to B&Q £387k. These are offset by reduced repairs and maintenance costs of (£68k), increased recharges to sovereign centre for relevant energy costs (£371k) and a contribution from reserves towards energy costs (£250k).

Farms and Lands letting £54k pressure includes reduced lettings income and increased maintenance costs.

Housing Delivery adverse variation of £32k due to costs not eligible for capitalisation.

## 2.6 **Tourism and Culture**

Tourism and Culture	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Towner	420,400	427,737	7,337
Tourism and Culture	940,217	1,184,923	244,706
Events	226,296	232,736	6,440
Theatres	408,633	248,376	(160,257)
Sports Delivery	679,619	303,410	(376,209)
Seafront	57,337	17,550	(39,787)
Internal Transfers			
Tourism and Culture	2,732,502	2,414,733	(317,770)

The overall net position after the planned use of £633,622 reserves is a favourable variation of £318k. Please note only the required reserves are drawn down.

### Tourism and Culture net adverse variation of £245k

This pressure predominantly relates to unachieved catering income for Golf £179k, Theatres £139k, The Stage Door £99k and Cafes £49k. This is magnified by the closure of the Pavilion £61k and Bandstand £58k for a substantial period during the year. However, this is partially offset from underspends in staffing costs (£39k).

This is partially funded by a contribution from reserves of (£301k)

### Theatres net favourable variation of (£160k)

Theatres adverse variation of £172k mainly due to cleaning and staffing costs being higher than budgeted £146k, ticket sales less than anticipated resulting in overall reduced income of £26k (Congress Theatre favourable £160k, Devonshire Park Theatre adverse £186k).

These are offset by a contribution from reserve of (£332k).

### Sports Delivery net favourable variation of (£376k)

This is mainly due to the Sovereign Centre attracting higher than anticipated monthly memberships (additional 2,500) resulting in additional income of (£922k), offset by £371k energy costs and other operational costs including staffing to deliver the increased demand £175k.

### Seafront net favourable variation of (£40k)

This is mainly due to Beach Huts experiencing exceptional demand resulting in higher than planned rental income.

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

Other Operating Income, Capital Financing & Financing including Reserve movements	Revised Budget 2022-23	Actuals	Provisional Outturn Variation 2022-23
	£	£	£
Contingencies	0	0	0
Precepts and Levies	237,450	249,393	11,943
<b>Other Operating Income &amp; Expenditure</b>	<b>237,450</b>	<b>249,393</b>	<b>11,943</b>
<b>Capital Financing</b>	<b>2,203,400</b>	<b>601,291</b>	<b>(1,602,109)</b>
Transfers to / (from) Reserves	(1,602,622)	(1,803,466)	(200,844)
Revenue Grant Fund	0	(909,000)	(909,000)
Cultural Development Fund	0	(455,000)	(455,000)
Government Grants	(1,465,150)	(1,406,569)	58,581
Business Rates	(5,419,100)	(5,764,808)	(345,708)
Council Tax	(9,221,300)	(9,210,004)	11,296
Better Care Fund	(792,642)	0	792,642
<b>Total Financing</b>	<b>(18,500,814)</b>	<b>(19,548,847)</b>	<b>(1,048,033)</b>

The contingency of £250k has been transferred to corporate services to meet additional cost pressures (refer to section 2 above).

Capital financing and Interest (£1,602k) due to additional (£350k) interest income received on investments, savings on interest payment (£642k) and savings on minimum revenue provision of (£611k).

Contributions from reserves (£200k) mainly due to financing emergency cost of living payments.

Revenue grant fund (£909k) to cover increased energy costs, local plan and better care fund timing differences.

Cultural Development Fund (£455k) to cover pressures in Tourism and Culture.

Net £516k funding (government grants, business rates, council tax, better care fund) mainly due to a timing difference on the better care fund conversion, which is expected in 2023/24, offset by additional business rates income (£346k).

### 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 £353k to a revised budget of £3,446k, 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 £2,171k has been incurred compared to the revised budget of £3,446k, resulting in a favourable variation of £1,275k as summarised in the table below. This is mainly due to increased costs relating to EHL inflation and backlog repair costs, offset by savings on supervision and management and reduced depreciation charges. A slippage in capital projects has reduced the revenue contribution to finance capital expenditure in the current financial year. However, it should be noted that this funding will be required once the projects are completed in future years.

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

HRA Summary	Original Budget	Revised Budget	Provisional Outturn	Provisional Outturn Variation
	£000's	£000's	£000's	£000's
Income	(16,355)	(16,311)	(16,359)	(48)
Expenditure	14,797	15,414	15,518	104
Capital Financing	1,717	1,616	1,593	(23)
Contribution to Capital Expenditure	2,934	2,727	1,419	(1,308)
Total	3,093	3,446	2,171	(1,275)

## 4 Capital Programme Outturn

4.1 The original capital programme set in February 2022 totalled £35.48m (including £17.27m General Fund (GF) schemes and £18.21m 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 £24.43m (GF £11.44m and HRA of £12.99m)

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	11,784	7,723	7,463	(260)
Improvements to Stock	5,816	4,816	4,852	36
Adaptations	450	450	534	84
Sustainability Pilot	160	-	-	-
<b>Total HRA Expenditure</b>	<b>18,210</b>	<b>12,989</b>	<b>12,849</b>	<b>(140)</b>

GENERAL FUND CAPITAL PROGRAMME	Original Budget 2022/23	Revised Budget 2022/23	Actual Spend 2022/23	Variance to Budget
	£'000	£'000	£'000	£'000
General Fund Housing	1,200	1,856	823	(1,033)
Loans to Housing Companies	1,460	1,638	1,033	(605)
Community Services	945	1,322	932	(390)
Tourism & Leisure	150	198	248	50
Corporate & Core Services	935	1,443	761	(682)
Regeneration	8,817	2,431	1,458	(973)
Asset Management	3,765	2,554	1,600	(954)
<b>Total General Fund Expenditure</b>	<b>17,272</b>	<b>11,442</b>	<b>6,855</b>	<b>(4,587)</b>

<b>Total Capital Programme</b>	<b>35,482</b>	<b>24,431</b>	<b>19,704</b>	<b>(4,727)</b>
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GF Financing				
Capital Receipts	606	1,354	696	(658)
Grants & Contributions	7,717	4,790	2,701	(2,089)
Revenue Contribution	667	-	-	-
Unfinanced/Borrowing	8,282	5,298	3,458	(1,840)
<b>Total GF Financing</b>	<b>17,272</b>	<b>11,442</b>	<b>6,855</b>	<b>(4,587)</b>

- 4.3 The actual capital outturn for 2022/23 is £19.704m which represents 81% delivery compared to the revised budget (£24.431m) and a 56% delivery compared to the original programme (£35.482m). 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 The largest general fund underspends for the year are under Housing of £1.03m due mainly to a low spend on Disabled Facility Grants and also £0.85m under Regeneration for the Levelling Up Fund. 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. The Council applied for funding in Round One and £19.85m in total was awarded to Black Robin Farm, Towner Centenary Project and Victoria Place Pedestrianisation.
- 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:

	<b>Council Tax £'000</b>	<b>Business Rates £'000</b>
<b>Actual Balance 1 April 2022 - (Surplus) / Deficit</b>	(890)	12,450
(Recovery) / Distribution of Prior Year Deficit or Surplus	908	(9,952)
Total Collectable Income for year*	(78,602)	(32,449)
Hardship Funding	(265)	-
Payments to Preceptors	76,440	34,202
Write offs, provisions for bad debts and appeals	1,162	2,194
<b>Actual Balance 31 March 2023 – (Surplus) / Deficit</b>	<b>(1,247)</b>	<b>6,445</b>
<b>Allocated to:</b>		
Central Government	-	3,222
East Sussex County Council	(915)	580

Eastbourne Borough Council	(147)	2,578
Sussex Police & Crime Commissioner	(129)	-
East Sussex Fire Authority	(56)	65
<b>Total</b>	<b>(1,247)</b>	<b>6,445</b>

\* 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 £1.247m at Q4 March (forecast £1.029m at Q3 December). The Council's share of the actual surplus is £0.147m (£0.121m at Q3). With the cost of living crisis and the threat of recession, bad debt provisions have been reviewed and increased at Q4.
- 5.4 Business Rates has ended the year with a deficit of £6.445m at Q4 March. The increase in the deficit is a result of the appeals provision being increased from £0.5m to £1.4m at Q4. The Council's share of the deficit is £2.578m. 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 change.

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

	Opening Balance		Provisional Closing Balance
	01/04/2022	Movement	31/03/2023
	£'000	£'000	£'000
<b>Total General Fund Earmarked Reserves</b>	<b>(8,792)</b>	<b>2,958</b>	<b>(5,834)</b>
s31 Grant Business Rates	(4,530)	4,530	-
*General Fund Balances	(3,998)	14	(3,984)
<b>Total HRA Earmarked Reserves</b>	<b>(3,172)</b>	<b>(15)</b>	<b>(3,187)</b>
*HRA Balances	(4,884)	2,171	(2,713)
*Subject to final accounts adjustments			

6.2 It is recommended that the provisional outturn position on general fund (adverse 14k) be transferred to 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