



## CABINET

Tuesday, 13 July 2021

<b>Subject</b>	East Suffolk Council Outturn Report 2020/21
<b>Report by</b>	Councillor Maurice Cook Cabinet Member with responsibility for Resources
<b>Supporting Officer</b>	Brian Mew Chief Finance Officer and Section 151 Officer Brian.Mew@eastsoffolk.gov.uk 01394 444571

Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	Not applicable
<b>Wards Affected:</b>	All Wards

## Purpose and high-level overview

### Purpose of Report:

This report provides Cabinet with an overview of the Council's unaudited financial performance for 2020/21 in respect of the General Fund, Reserves, Housing Revenue Account (HRA), the Capital Programme and the Collection Fund.

Specific coverage of the financial implications of the Covid-19 pandemic during 2020/21 is also included in the report.

For 2020/21 the Council's General Fund realised a surplus year end position of £1.107m and this report seeks approval for this to be transferred to the Transformation Reserve. This will provide additional funding to support the delivery of the Strategic Plan. This report also seeks approval of the year end movements to and from reserves as shown in **Appendix C**.

### Options:

The year-end outturn surplus could be transferred to a different earmarked reserve. The most suitable alternative would be the In-Year Savings Reserves - its purpose is to provide funding to address future budget pressures. It was anticipated for this reserve to be used (£1.728m) to balance the General Fund budget for the year. However, given the surplus position this was not required, placing the Council in a stronger than expected financial position going into 2021/22. It is therefore considered an opportunity to set aside funds in the Transformation Reserve for projects and initiatives to support the delivery of the Strategic Plan.

### Recommendation/s:

Cabinet is recommended to:

1. Note the Council's draft outturn position for 2020/21 together with reserves and balances as at 31 March 2021.
2. Approve the transfers to and from reserves shown in **Appendix C**, including transfer of the £1.107m General Fund outturn surplus to the Transformation Reserve.

## Corporate Impact Assessment

### Governance:

The process for approval and publication of the Statement of Accounts is set out in the Accounts and Audit Regulations 2015.

Statutory amendments to the process for approval and publication of the Statement of Accounts for 2020/21 have been made in acknowledgement of the impact Covid-19 has had on Local Authorities. The date for signing and dating the draft 2020/21 Statement of Accounts is by 31 July 2021, for publication on 1 August 2021. Under normal circumstances this would have been by 31 May 2021, for publication on 1 June 2021. The deadline for the publication of the final audited accounts is 30 September 2021 (usually 31 July). On completion of the audit, the audited Accounts are reported to the Audit and Governance Committee for its consideration. The Council is currently on course for the

draft Statement of Accounts to be considered by the Audit and Governance Committee on 28 June 2021, and for the accounts to be published on 2 July 2021.

The outturn position will feed into the review and update of the Medium Term Financial Strategy, the Capital Programme and the Housing Revenue Account in the 2022/23 budget process. This will inform decisions for the 2022/23 budget which will be presented to Members for their approval and consideration during 2021/22.

As set out in the Council's Finance Procedure Rules, requests to carry forward an individual revenue budget at the end of the year of up to £0.030m, can be approved by the Chief Finance Officer. Request in excess of £0.030m require Cabinet approval.

**ESC policies and strategies that directly apply to the proposal:**

- East Suffolk Strategic Plan
- East Suffolk Medium Term Financial Strategy
- Capital Programme
- Housing Revenue Account
- East Suffolk Treasury Management Strategy and Treasury Management Policy
- Annual Governance Statement
- Finance Procedure Rules
- Financial Management Code

**Environmental:**

There are no environmental implications identified.

**Equalities and Diversity:**

An Equality Impact Assessment is not required as the recommendations of this report do not require changes in policy and service delivery.

**Financial:**

The financial implication of the proposal is to increase the funds set aside in the Transformation Reserve by £1.107m. This will provide a balance of £3.327m on this Reserve as at 31 March 2021.

**Human Resources:**

There are no Human Resource implications identified.

**ICT:**

There are no ICT implications identified.

**Legal:**

There are no legal implications identified.

**Risk:**

There are no risks identified.

<b>External Consultees:</b>	None.
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## Strategic Plan Priorities

Select the priorities of the <a href="#">Strategic Plan</a> which are supported by this proposal: (Select only one primary and as many secondary as appropriate)		Primary priority	Secondary priorities
<b>T01</b>	<b>Growing our Economy</b>		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T02</b>	<b>Enabling our Communities</b>		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
<b>T03</b>	<b>Maintaining Financial Sustainability</b>		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P12	Being commercially astute	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input type="checkbox"/>
<b>T04</b>	<b>Delivering Digital Transformation</b>		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
<b>T05</b>	<b>Caring for our Environment</b>		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education, and influence	<input type="checkbox"/>	<input type="checkbox"/>
<b>XXX</b>	<b>Governance</b>		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>How does this proposal support the priorities selected?</b>			
The proposal to transfer the year end surplus into the Transformation Reserve is to ensure funding is available to support the delivery of the Strategic Plan.			

## Background and Justification for Recommendation

1 Background facts	
1.1	The Council's accounts for the year ended 31 March 2021 (2020/21 year) have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21(the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In England and Wales, the local authority Code constitutes "proper accounting practice" under the terms of Section 21(2) of the Local Government Act 2003.
1.2	The Statement of Accounts for 2020/21 is subject to external audit review and therefore the outturn position for the Council as presented in this report is a draft position. The external auditors are due to commence their audit in October 2021. On completion of the audit, the audited Statement of Accounts will be recommended to the Audit and Governance Committee.
1.3	The Narrative Report which is a key accompanying document to the Council's Statement of Accounts provides an easy-to-follow communicating platform to engage with stakeholders. The Narrative Report assists the Council to demonstrate its achievements over the year and how well the authority is equipped to deal with the challenges and opportunities ahead. The Council's Narrative Report is published as an integral part of the Council's Statement of Accounts, a draft of which will be presented to the Audit and Governance Committee in June 2021.
1.4	<p>2020/21 has been an unprecedented year due to the Covid-19 pandemic with significant financial demands placed on the Council to support its response to the pandemic and the loss of income. However, due to the level of funding that has been received over the course of the year, the financial net impact has been significantly reduced from original estimates in the first quarter of 2020/21.</p> <p>During the year the Council was responsible for the administration of various grants and relief to business and individuals on behalf of Central Government. The Council was awarded a total of £157.8m for such schemes and paid out a total of £107.5m in 2020/21. For the majority of the schemes, the balance of funding is returned to Central Government once the scheme is closed and reconciled. The Council did also receive funding towards administration of the schemes, which exceeded £0.600m.</p>
1.5	The careful management of reserves is central to the Council's strategic financial planning process, to be able to manage expected and unforeseen events and circumstances and to ensure adequate balances are in place for East Suffolk Council.

2 Current position	
2.1	<p><b>General Fund Revenue Outturn 2020/21</b></p> <p>The General Fund is the main revenue fund from which the Council's services are met. The Council's net expenditure is financed from council tax and business rates income and Government Grants. The table below shows the outturn position for 2020/21, actual compared to the revised budget.</p>

	Original Budget 2020/21 £'000	Revised Budget 2020/21 £'000	Actual Outturn 2020/21 £'000	Variance 2020/21 £'000
<b>Service Area</b>				
Senior and Corporate Management	2,582	2,698	2460	(238)
Economic Development and Regeneration	1,777	3,638	728	(2,910)
Financial Services, Corporate Performance and Risk	637	2,191	1,956	(235)
Revenue and Benefits	2,322	2,460	690	(1,770)
ICT	2,596	2,894	2674	(220)
Internal Audit & Corporate Investigations	501	484	430	(54)
Human Resources	655	797	771	(26)
Legal and Democratic Services	2,312	2,259	1988	(271)
Planning and Coastal Management	2,659	2,585	1543	(1,042)
Customer Services, Communications & Marketing	2,016	1,891	1725	(166)
Operations	10,455	18,728	14,417	(4,311)
Communities	1,963	2,145	(1,689)	(3,834)
Environmental Services and Port Health	683	801	29	(772)
Housing Services	2,893	1,662	1,520	(142)
<b>Net Cost of Service</b>	<b>34,051</b>	<b>45,233</b>	<b>29,242</b>	<b>(15,991)</b>
<b>Non-Cost of Service Expenditure Adjustments</b>				
Direct Revenue Financing (DRF)	1,928	5,727	4,760	(967)
Revenue provision for the repayment of debt (MRP)	1,100	821	821	0
Recharges to the Housing Revenue Account (HRA)	(1,377)	(1,337)	(1,337)	0
Bad Debt Provision	0	5	121	116
Other Accounting Adjustments	35	25	27	2
<b>Other Operating Expenditure</b>				
Town & Parish Precepts	6,381	6,381	6,381	0
Levies	240	246	252	6
<b>Financing and Investment Income and Expenditure</b>				
Interest Payable	363	415	428	13
Interest Receivable	(800)	(800)	(1,151)	(351)
HRA Share of Interest Payable & Receivable	(104)	(61)	7	68
Investment Property Income & Expenditure	(139)	(171)	(235)	(64)
Other Financing Charges	450	450	450	0
<b>Non-Specific Grant Income</b>	<b>(7,222)</b>	<b>(31,617)</b>	<b>(25,927)</b>	<b>5,690</b>
<b>Net Budget Expenditure before Reserve Movements</b>	<b>34,906</b>	<b>25,317</b>	<b>13,839</b>	<b>(11,478)</b>
<b>Net Movements on Reserves</b>	<b>4,126</b>	<b>15,139</b>	<b>27,300</b>	<b>12,161</b>
<b>Net Budget Expenditure After Reserve Movements</b>	<b>39,032</b>	<b>40,456</b>	<b>41,139</b>	<b>683</b>
<b>Financed By:</b>				
Council Tax Income (District Council)	(15,053)	(15,053)	(15,053)	0
Council Tax Income (Town & Parish Precepts)	(6,381)	(6,381)	(6,381)	0
Share of (Surplus)/Deficit on Collection Fund - Council Tax	(537)	(537)	(537)	0
Business Rates Income	(11,308)	(12,732)	(12,872)	(140)
Share of (Surplus)/Deficit on Collection Fund - Business Rates	(5,177)	(5,177)	(5,720)	(543)
Revenue Support Grant	(328)	(328)	(328)	0
Rural Services Delivery Grant	(248)	(248)	(248)	0
<b>Total Financing</b>	<b>(39,032)</b>	<b>(40,456)</b>	<b>(41,139)</b>	<b>(683)</b>

2.2 The summary in **Appendix A** provides details of the key budget variances for 2020/21. The movement from the original budget to revised is as reported to Full Council in February 2021. The additional column, shows further movements from revised budget to actual, giving the surplus outturn position of £1.107m.

The most significant variance from revised budget to actual is in relation to the financial impacts of the pandemic. This was an area of significant uncertainty and fast moving developments, and was extremely difficult to forecast, especially the economic impact on Council income streams. In addition, these impacts were ultimately significantly alleviated in-year by unprecedented levels of Government

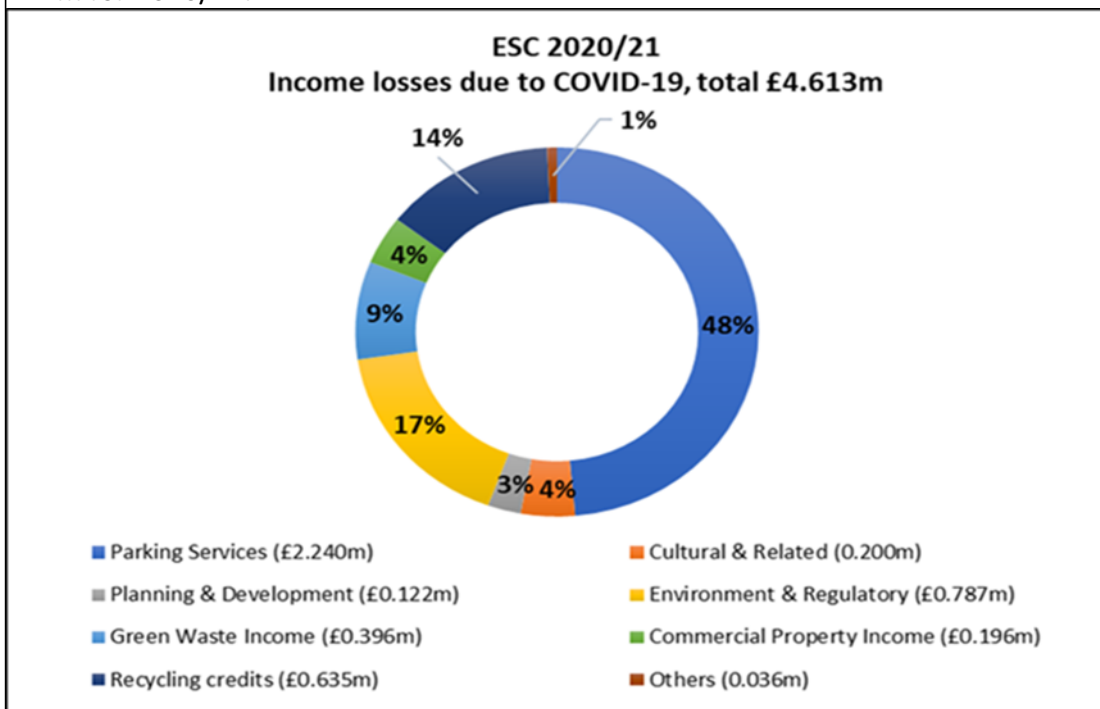
	support to businesses, individuals, communities, and local authorities themselves.																										
2.3	<p><b>Year End Revenue Budget Carry Forwards</b> For 2020/21 there are no individual revenue budget carry forward requests in excess of £0.030m which require Cabinet approval.</p> <p>Individual carry forward requests of £0.030m or less are approved by the Chief Finance Officer. These total £0.103m for 2020/21 and are detailed in <b>Appendix B</b> for information.</p>																										
2.4	<p><b>General Fund Reserves and Balances</b> The Council holds a number of earmarked revenue reserves which have been established to meet known or predicted commitments, and to hold balances of grants and external funding which is committed to future year spend. The Council reviews these reserves to ensure the levels continue to be appropriate and if no longer required, are returned to the General Fund.</p> <p>The total balance on the Council's General Fund earmarked reserves at 31 March 2021 is £73.814m. This is an increase of £27.3m on the position as of 31 March 2020. However, it should be noted that as part of the year balance on reserves, over £16m has been placed in a Covid Specific Reserve which will be drawn down from 2021/22. The General Fund balance remains at £6m. Reserve balances are summarised below and are shown in more detail in <b>Appendix C</b>.</p> <table border="1" data-bbox="284 1003 1050 1639"> <thead> <tr> <th>General Fund Reserves</th> <th>31 March 2021 £'000</th> </tr> </thead> <tbody> <tr> <td colspan="2"><b>Earmarked Reserves:</b></td> </tr> <tr> <td>Business Rate Equalisation</td> <td>13,239</td> </tr> <tr> <td>Capital Related Reserves</td> <td>7,237</td> </tr> <tr> <td>Community Projects &amp; Initiatives</td> <td>10,902</td> </tr> <tr> <td>Corporate - Contingency, Service Requirements</td> <td>7,163</td> </tr> <tr> <td>COVID</td> <td>16,032</td> </tr> <tr> <td>Housing &amp; Homelessness</td> <td>4,227</td> </tr> <tr> <td>Port Health</td> <td>5,597</td> </tr> <tr> <td>Regeneration &amp; Economic Development</td> <td>5,930</td> </tr> <tr> <td>Service Transformation</td> <td>3,488</td> </tr> <tr> <td><b>Total Earmarked Reserves</b></td> <td><b>73,815</b></td> </tr> <tr> <td><b>General Fund</b></td> <td><b>6,000</b></td> </tr> </tbody> </table>	General Fund Reserves	31 March 2021 £'000	<b>Earmarked Reserves:</b>		Business Rate Equalisation	13,239	Capital Related Reserves	7,237	Community Projects & Initiatives	10,902	Corporate - Contingency, Service Requirements	7,163	COVID	16,032	Housing & Homelessness	4,227	Port Health	5,597	Regeneration & Economic Development	5,930	Service Transformation	3,488	<b>Total Earmarked Reserves</b>	<b>73,815</b>	<b>General Fund</b>	<b>6,000</b>
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2.5	<p>Earmarked Reserves to highlight include:</p> <ul style="list-style-type: none"> <li>• <b>COVID-19 Response Reserve (£16.031m)</b> – Mainly consisting of Section 31 Grants to fund Covid related Business Rate Reliefs, Covid emergency funding, test and trace and various community support funding streams. This reserve will be utilised in 2021/22 to deal with accounting timing differences related to the pandemic, and to fund the ongoing impacts of Covid and recovery initiatives.</li> <li>• <b>Business Rates Equalisation Reserve (£13.239m)</b> – This is income from Business Rates which is set aside to equalise the fluctuations in recognising Business Rate income due to timing differences, in relation to Business Rates appeals and for</li> </ul>																										

year-end surpluses/deficits. This reserve increased by £7.358m, which was assisted by the further delay to the reform of the Business Rate system.

- **In-Year Savings Reserve (£4.319m)** – This is in-year savings set-aside to support future year budget pressures. £0.6m of the reserve was drawn down this year to support the leisure service contract review.
- **Business Rate Pilot Reserve (£2.194m)** – £0.479m was utilised in-year on various approved projects, notably the Felixstowe south beach & Martello Café project.
- **Capital Reserve (£6.012m)** – This reserve provides a source of funding for capital investment projects. £2.543m was used in 2020/21.
- **New Homes Bonus Reserve (£6.064m)** – The Council received NHB funding of £2.303m and spent £1.681m supporting various community initiatives - enabling communities project and community and strategic partnerships.
- **Port Health (£5.596m)** – This reserve provides a source of finance to support the future investment and development of the authority’s infrastructure at the Port of Felixstowe. Port health underwent significant expansion in preparation for and immediately following the UK’s exit from the EU. The Council received over £1m in Brexit funding which was added to the reserve and will be utilised from next year. £0.8m was drawn down in the year for ICT refresh projects, including the PHILIS system which will generate future revenue from other port authorities.

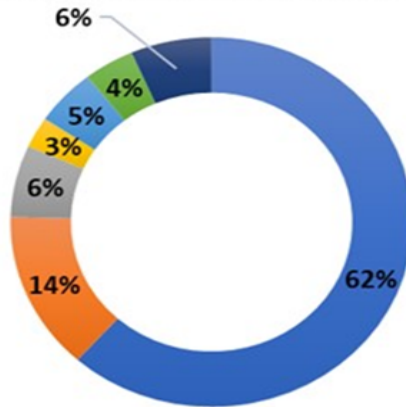
2.6 **Financial Impact of Covid-19**

The following two charts outline the impact of Covid-19 on the Council’s income and the additional cost pressures during the financial year. The Council also redeployed staff from business-as-usual work to assist with activities such as supporting communities and the administration and processing of business grant schemes. The value of this redeployed work is estimated to be in the region of £1m for 2020/21.





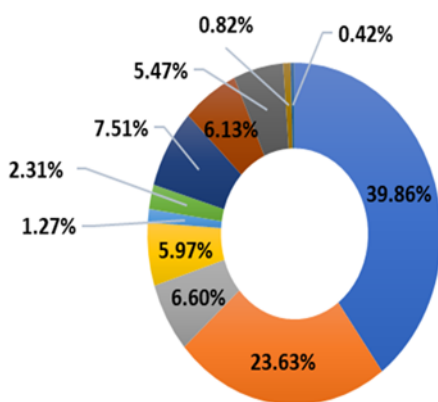
**ESC 2020/21  
Additional cost pressures due to COVID-19, total £4.090m**



- Cultural & Leisure (£2.520m)
- Community Support (£0.566m)
- Public Health/Re-opening Costs (£0.257m)
- Unachieved Savings/Delayed Projects (£0.110m)
- Finance & Corporate (£0.203m)
- Environment & Regulatory (£0.166m)
- Housing/Homelessness (£0.267m)

Over the course of the year, various funding streams have been made available to the Council from Central Government to support the financial pressures of Covid-19. The Council has received a total of £3.917m (£0.121m in March 2020) of Government emergency funding. Of this, £1.5m has been transferred to the Covid-19 Reserve for use in 2021/22. Over £0.620m of Government funding has been received towards the administration of the various grant schemes the Council has administered on behalf of Government. A further £2.250m has been claimed from Government for compensation for the loss of income from Sales, Fees and Charges. This support is to continue for the first quarter of 2021/22. Funding was also received from other bodies, included Suffolk County Council and Ipswich and East Suffolk Clinical Commissioning Group (CCG). In total, the Council received over £9.5m of funding which is presented in the chart below.

**ESC 2020/21  
Sources of COVID-19 funding, total £9.520m**



- MHCLG emergency funding (£3.795m)
- MHCLG compensation for income loss (£2.250m)
- MHCLG grant scheme administration (£0.628m)
- MHCLG homelessness/rough sleepers (£0.568m)
- MHCLG compliance & enforcement (£0.121m)
- ERDF re-opening the High Street (£0.220m)
- Suffolk County Council (0.715m)
- National Leisure Recovery Fund (£0.584)
- Internal budgets (£0.521m)
- NHS Ipswich & East Suffolk CCG (£0.078m)
- Other funding sources (£0.040m)

Of the above funding received in the year, £2.6m has been carried forward into 2021/22.

Savings of over £0.320m have been realised in 2020/21 due to Covid, with £0.293m arising from savings on staff and member mileage and travel costs. Due to the level of funding that has been received, the financial net impact of the pandemic on the Council has been significantly reduced from original estimates in the first quarter of 2020/21, which was in the region of £8.6m. A summary of the overall impact of Covid-19 on the Council is set out in the table below and shows a net impact for the year of £1.461m.

<b>Covid-19 Impact 2020/21</b>	<b>£'000</b>
Covid funding received for cost and income pressures	(9,520)
Savings realised	(322)
Income loss due to Covid	4,613
Additional expenditure due to Covid	4,090
Covid ring-fenced funding carried forward to 2021/22	2,600
<b>Total net impact on the General Fund</b>	<b>1,461</b>

During 2020/21 to date, the financial impact of Covid has been monitored and reported regularly – internally to officers and Members; to central Government via monthly returns; county-wide through the Suffolk Finance Recovery Sub Group; and through information sharing with other Suffolk Local Authorities.

**2.7 Capital Programme 2020/21 – General Fund**

Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. Costs of maintaining assets (repairs and maintenance) are funded through the General Fund revenue expenditure.

The General Fund Capital Programme outturn and financing for 2020/21 is summarised below. Internal borrowing was the main source of financing in 2020/21, providing over half the funding required.

General Fund Capital Programme Outturn				
Service Area	2020/21 Original Budget £'000	2020/21 Revised Budget £'000	2020/21 Outturn £'000	2020/21 Variance £'000
Economic Development & Regeneration	0	518	468	(50)
Environmental Services & Port Health	11	200	454	254
Financial Services, Corporate Performance & Risk Mgt	5,000	7,400	3,630	(3,770)
Housing Improvements	1,716	1,000	1,101	101
ICT Services	400	785	329	(456)
Operations	19,889	9,166	6,297	(2,869)
Planning & Coastal Management	14,552	8,093	9,832	1,739
<b>Total General Fund Capital Expenditure</b>	<b>41,568</b>	<b>27,162</b>	<b>22,111</b>	<b>(5,051)</b>
<b>Financed By:</b>				
<i>External:</i>				
Grants	16,940	10,191	6,845	(3,346)
Contributions	0	0	0	0
Borrowing	1,000	0	0	0
<i>Internal:</i>				
Capital Receipts	0	785	193	(592)
Borrowing	21,422	11,269	10,313	(956)
Reserves	2,206	4,917	4,760	(157)
<b>Total General Fund Capital Financing</b>	<b>41,568</b>	<b>27,162</b>	<b>22,111</b>	<b>(5,051)</b>
2.8	<p>Capital budgets are approved for the life of the project which can span more than one financial year. Any capital budgets for a project that remain unspent at the end of the financial year are carried forward to the following year. Similarly, with projects that are ahead of the original profile, budgets can be brought forward. The key variances on the General Fund Capital Programme (actual compared to the revised budget) are set out in the table below.</p>			

<b>General Fund Capital Programme 2020/21</b>	
<b>Summary of Key Variances</b>	
	<b>£'000</b>
<b><u>Economic Development &amp; Regeneration</u></b>	
Ness Point Regeneration Project - additional works 21/22	(50)
	<b>(50)</b>
<b><u>Environmental Services</u></b>	
Port Health Dunlin House brought forward	254
	<b>254</b>
<b><u>Financial Services, Corporate Performance and Risk Management</u></b>	
Commercial Investment- uncommitted budget	(3,770)
	<b>(3,770)</b>
<b><u>Housing Improvement</u></b>	
Disabled Facilities Grants (DFG's) Improvements - additional works	101
	<b>101</b>
<b><u>ICT Services</u></b>	
Corporate IT - rephasing to 2021/21	(577)
Parking Services IT set up	121
	<b>(456)</b>
<b><u>Operations</u></b>	
Bungay Leisure Centre -slippage to 2021/22	(306)
Cemeteries - budget rephased - slippage to 2021/22	(395)
East Point Pavilion - slippage to 2021/22	(678)
Former Deben High School - slippage to 2021/22	(600)
Lowestoft Beach Huts - slippage to 2021/22	(260)
Norse Vehicles - slippage to 2021/22	(456)
Other minor variations - slippage to 2021/22	(174)
	<b>(2,869)</b>
<b><u>Planning and Coastal Management</u></b>	
Lowestoft Flood Risk Management Project - advanced expenditure	1,739
	<b>1,739</b>
<b>Total Variance on the General Fund Capital Programme (underspend) / overspend</b>	<b>(5,051)</b>

2.9

**Capital Programme 2020/21 - Housing Revenue Account (HRA)**

A summary of the HRA Capital Programme for 2020/21 is provided in the table below. The largest area of variance against budget was in respect of the new build programme due to delays with the development of sites and the purchase of sites for development.

<b>Housing Capital Programme Outturn</b>				
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>Original</b>	<b>Revised</b>	<b>Outturn</b>	<b>Variance</b>
	<b>Budget</b>	<b>Budget</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>		
Housing Repairs	2,865	1,574	1,693	119
Housing Project Development	3,967	860	866	6
New Build Programme	6,535	2,100	1,593	(507)
<b>Total HRA Capital Expenditure</b>	<b>13,367</b>	<b>4,534</b>	<b>4,152</b>	<b>(382)</b>
<b>HRA Capital Financing</b>				
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Capital Receipt	0	0	987	987
Grants & Contributions	909	661	207	(454)
Revenue / Revenue Reserves	12,458	3,873	2,958	(915)
<b>Total HRA Capital Financing</b>	<b>13,367</b>	<b>4,534</b>	<b>4,152</b>	<b>(382)</b>

2.10

Key variances on the HRA Capital Programme are set out below.

<b>HRA Capital Programme 2020/21</b>	
<b>Summary of Key Variances</b>	
	<b>£'000</b>
<b>Housing Repairs</b>	
Bathrooms variance	10
Central Heating - boilers	160
Demolitions	(40)
Disabled adaptations variance	56
Door Entry	(30)
Energy efficiency works variance	16
Kitchen replacement variance	73
Other small variances	(18)
Re-roofing variance	44
Re-wiring	34
St Peters Court variances	(186)
	<b>119</b>
<b>Housing Project Development</b>	
Minor small variance	6
	<b>6</b>
<b>New Build Programme</b>	
Rephasing of a development site	(507)
	<b>(507)</b>
<b>Total Variance on the HRA Capital Programme (underspend) / overspend</b>	<b>(382)</b>
<b>2.11</b>	<p><b>Housing Revenue Account (HRA) 2020/21</b></p> <p>The HRA is the statutory account to which the revenue costs of providing, maintaining, and managing the Council dwellings are charged. The HRA is financed by rents charged to tenants and charges for related services and facilities. The table below summarises the HRA outturn position for the year against the revised budget. The financial position of the HRA was generally impacted less by the Covid -19 pandemic than the General Fund, although rent arrears at year end have shown an increase compared with 2019/20.</p>

<b>Housing Revenue Account Outturn Summary</b>				
	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>	<b>2020/21</b>
	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Income</b>				
Dwelling rent	(19,157)	(19,237)	(19,284)	(47)
Non-dwelling rents	(175)	(178)	(183)	(5)
Service charges and facilities	(1,239)	(1,265)	(1,242)	23
Leaseholders charges for services	(10)	(14)	(14)	0
Contributions towards expenditure	(34)	(48)	(48)	0
Reimbursement of costs	(285)	(341)	(341)	0
Interest income	(106)	(133)	(201)	(68)
<b>Total Income</b>	<b>(21,006)</b>	<b>(21,216)</b>	<b>(21,313)</b>	<b>(97)</b>
<b>Expenditure</b>				
Repairs & maintenance	4,318	4,889	4,969	80
Supervision and management	3,456	3,123	3,037	(86)
Special services	2,109	2,034	1,990	(44)
Rents, rates and other charges	102	141	146	5
Movement in bad debt provision	37	254	189	(65)
Contribution to CDC*	87	95	99	4
Capital charges	3,539	3,495	3,457	(38)
Interest charges	2,265	2,194	2,180	(14)
Revenue contribution to capital	5,410	1,743	1,159	(584)
Transfers to earmarked reserves	0	2,500	3,300	800
<b>Total Expenditure</b>	<b>21,323</b>	<b>20,468</b>	<b>20,526</b>	<b>58</b>
<b>Net movement on the HRA for the year</b>	<b>317</b>	<b>(748)</b>	<b>(787)</b>	<b>(39)</b>
<i>* Corporate and Democratic Core (CDC)</i>				

2.12 The Housing Revenue Account has ended the year with a £0.039m net movement to the HRA working balance. The key variances on the HRA are provided below.

<b>Housing Revenue Account 2020/21</b>	
<b>Summary of Key Variances</b>	
	<b>£'000</b>
<b>Description</b>	
Rephasing on the housing development programme - Direct Revenue Financing (DRF)	(584)
Reduced number of dwelling rent debts written off (dwelling rents)	(99)
Reduced consultancy costs relating to the development programme (special services)	(90)
Reprofiling of IT consultancy fees (supervision and management)	(87)
Increased return on investment income	(67)
Increase to the bad debt provision was not necessary	(64)
Decreased depreciation charge (capital charges)	(30)
Saving on interest payable and similar charges	(14)
Additional income for other rents and wayleaves (Non dwelling rents)	(6)
Additional income for Gains and Losses (Capital Charges)	(5)
Other minor variances (supervision and management/special services)	(1)
Transfer to the Debt Repayment Reserve	500
Transfer to new housing development reserve for rephased development programme	300
Material cost for repair and maintenance services * <sup>1</sup>	80
Reduced income on dwelling rents (dwelling rent/service charges)	58
Increased utility charges on sheltered schemes (special services)	30
Reduced income on RTB sales (dwelling rents/service charges)	23
Redundancy costs	12
Increased rents, rates and other charges	5
<b>Total variance to in-year forecast</b>	<b>(39)</b>
<i>*<sup>1</sup> The increased costs relate to unrecoverable cost relating to COVID.</i>	

2.13 The below table, supported by **Appendix C**, provides the HRA Reserve balances as at the 31 March 2021.

<b>HRA Reserves</b>	<b>31 March 2021 £'000</b>
<b>HRA Earmarked Reserves:</b>	
Hardship Reserve	500
Debt Repayment Reserve	12,500
Impairment/Revaluation Reserve	255
Municipal Mutual Insurance Limited (MMI) Reserve	60
Acquisition & Development Reserve	6,300
<b>Total Earmarked Reserves</b>	<b>19,615</b>
<b>HRA Balance</b>	<b>6,021</b>

2.14 **Collection Fund 2020/21**

The Collection Fund records the income from business rates and council tax and its distribution, net of an allowance for cost of collection paid to the Billing Authority (East Suffolk Council).

**Council Tax**

Council tax income finances the expenditure of Suffolk County Council, the Police and Crime Commissioner for Suffolk, East Suffolk Council and its Town and Parish Councils. During 2020/21, the in-year movement on the Council Tax Collection Account was a deficit of £4.903m. The balance on the Council Tax Collection Account as of 31 March 2021 was a deficit of £1.498m (Surplus of £3.405m in 2019/20). Central government created a Hardship Fund to provide council tax relief to vulnerable people and households to help those affected most by the economic impact of the pandemic. This relief was granted under S13A discretionary reliefs and ESC was given a Hardship Grant to compensate for the relief granted. The impact of the pandemic on local council tax reduction scheme reliefs and the council tax base has not been as great as originally estimated, and it is currently forecast that the council tax deficit position will be recovered in 2021/22.

**Business Rates**

The Council as the Billing Authority collects all non-domestic rates from local businesses and distributes these to Central Government (50%), Suffolk County Council (10%) and East Suffolk Council (40%).

Each year, the Council must make several assumptions in January to produce the National Non-Domestic Rate (NNDR1) return, which provides an estimate for the forthcoming year. Key assumptions in arriving at the estimated amounts include the value of outstanding appeals and forecasts of growth or reduction in the business rates base of the area.

During 2020/21 the in-year movement on the Business Rate Collection Account was a deficit of £40.997m, changing the brought forward surplus of £6.866m to a deficit of £34.131m (including the Central Government and SCC shares) as of 31 March 2021. These extremely large movements resulted from the introduction of

	<p>very significant business rate reliefs by the Government in response to the impacts of the pandemic on businesses, particularly in respect of the retail, hospitality, and leisure sectors. The cost of these reliefs to ESC and SCC are funded by way of Section 31 Grant. Due to accounting timing differences, this funding is being carried forward in the Covid-19 Response Reserve referred to above, which will enable the Collection Fund deficits in 2021/22 to be met.</p> <p>To reduce the amounts paid as levies to Government, all the Suffolk councils have entered a pooling arrangement allowing them to retain a larger proportion of growth by reducing their individual rate of levy. For 2020/21, the benefit to the Council of participating in the Suffolk Business Rates Pool was £1.75m.</p>
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### 3 How to address current situation

3.1	The surplus year end position for 2020/21 needs to be transferred to a reserve. In previous years, a surplus position has been transferred to the In-Year Savings Reserve, to provide funding for future year budget gaps. In 2020 the Council launched the first Strategic Plan for East Suffolk Council, and the availability of financial resources will be fundamental to support its delivery across the five key themes. The proposal to transfer the £1.107m year-end surplus to the Transformation Reserve will assist with building a reserve for this purpose, and replenishing the reserve in respect of some significant use in 2020/21 which will generate leisure partnerships savings in the medium and long term.
3.2	The carry forward of revenue budgets will enable services to have sufficient budget available in the new financial year for commitments made in 2020/21. Revenue budget carry forward requests approved by the Chief Finance Officer will be transferred to a specific reserve to enable closer monitoring of their use throughout the year. Requests no longer required are released back to the General Fund.
3.3	The outturn position will feed into the review and update of the Medium Term Financial Strategy, Capital Programme and the Housing Revenue Account in the 2022/23 budget process. This will inform decisions for the 2022/23 budgets which will be presented to Members for their approval and consideration during 2021/22.

### 4 Reason/s for recommendation

4.1	To give Cabinet an update on the unaudited 2020/21 outturn for the Council's revenue and capital accounts, before the audited accounts are submitted for approval to the Audit and Governance Committee.
4.2	To provide members with financial information on the Council's reserves and balances to assist in formulating budget policies for 2022/23 and beyond.

## Appendices

### Appendices:

<b>Appendix A</b>	Summary of Key Budget Variances 2020/21
<b>Appendix B</b>	Individual revenue budget carry forward requests up to £0.030m
<b>Appendix C</b>	Movement on Reserves and Balance 2020/21



**Background reference papers:**

<b>Date</b>	<b>Type</b>	<b>Available From</b>
June 2021	Final Accounts Working Papers for 2020/21	Financial Services Team