

## Statement of Accounts for 2019-20

Analysis of major variations

The outturn position for 2019-20 is a surplus of £1.448m against the original budget that is transferred to the General Fund Reserve.

Reconciliation of the outturn position to the financial statements

	<u>£000</u>	<u>£000</u>
<b>(Surplus) or Deficit on Provision of Services</b>		
Comprehensive Income and Expenditure Statement (CIES) on page 22, and shown as Total Comprehensive Income and Expenditure in the Movement in Reserves Statement on page 26		2,387
<b>Adjustments between accounting basis &amp; funding under regulations</b>		
The reversal of accounting transactions contained within the CIES required in accordance with proper accounting practice but under statutory provisions not met by the resources of the Council. As per Note 10 on page 46, and shown as Adjustments between accounting basis & funding under regulations in the Movement in Reserves Statement on page 26		<u>(6,159)</u>
<b>In Year (Increase) / Decrease on the General Fund Reserve</b>		
Agrees to Movement in Reserves Statement on page 26		<u>(3,772)</u>
<b>Represented by:</b>		
Net transfers to Earmarked Reserves As per the Note 9 on page 44 (Net Transfers)	(3,837)	
Less transfers to Earmarked Reserves from the General Fund Reserve	<u>1,513</u>	
		(2,324)
<b>Surplus for the year</b>		<u>(1,448)</u>
In Year (Increase) / Decrease on the General Fund Reserve		<u>(3,772)</u>

The main variances between the General Fund latest approved budget and the outturn position in 2019-20 are as follows:

Ref	Overspends / Shortfall in Income	£000
a	Car Parking Income	186
b	Housing Benefits	98
c	Bad Debt Provision	98
d	Vehicle workshop materials	93
e	Leisure services management contract	74
f	Building Control Income	56
g	Museum & Guildhall Income	45
h	Staffing	39
i	Recruitment	36
j	Farmers Market Income	31
k	Land Charges Income	27
l	Recycling Credits	21
m	Contract Services Vehicle Hire	21
	<b>Sub-total</b>	<b>825</b>
Ref	Underspends / Additional income	£000
n	Business Rates Retention Scheme (BRRS)	(456)
o	Planning Application Income	(275)
p	Interest & Investment Income	(263)
q	Housing Contingency Fund	(113)
r	Green Waste Income	(109)
s	IT Infrastructure Equipment & Telecommunication	(96)
t	Rental Income Estates	(94)
u	Building Works	(83)
v	Taxi Licence income	(75)
w	Trade Waste Income	(73)
x	Members Allowances	(72)
y	Contract Services professional services	(65)
z	Revenues and Benefits Court cost Income	(61)
aa	Energy Costs	(53)
bb	Non ring fenced government grants	(49)
cc	CCTV service	(45)
dd	Homeless Hostel surplus income	(39)
ee	Voluntary sector grants underspend	(36)
ff	Environmental Protection Litter fine Income	(35)
gg	Business Rates ( NNDR) on council property	(31)
hh	PPP Management Fee	(31)
ii	Bank charges, treasury, and external audit underspend	(30)
jj	Green Waste Advertising	(30)
kk	Development Management Consultancy	(26)
ll	NNDR & Council Tax credits	(25)
	Minor Variations	(8)
	<b>Sub-total</b>	<b>(2,273)</b>
	<b>(Surplus) / Deficit for the year –</b>	<b>(1,448)</b>

The following paragraphs provide an explanation by the budget manager for the main variances:

### **Overspend / Shortfall in Income**

a. **Car Parking income – Shortfall in income of £186,200**

The reduction in parking income represents less income to the council than CDC had budgeted for. The budget was based on past usage behaviour which does not reflect the current situation. We believe this to be related to a number of factors which includes the uncertainty around Brexit, increasing home working and changing shopping habits with a significant shift to online. A number of key retail outlets have closed during the past year which has impacted on the footfall in the city. The use of car parks is also heavily influenced by the weather, with the general trend being that when the weather is particularly good the (lower priced) car parks in the rural areas are well used and the city centre sees a decline. Parking transactions have reduced across the district although the duration of stay has increased.

In April 2019 a number of amendments to the parking charges and tariff structure were made which were set to be in place for two years until 31<sup>st</sup> March 2020. This included enabling customers to get the amount of parking paid (i.e. if the tariff was 80p and the customer paid £1.00 then previously no change would be given and they would only receive 80pence worth of parking. Under the new linear tariff structure the customer receives the extra proportion of the tariff to include the 20p). Other changes were made to the season ticket costs and pay and display prices. Whilst assumptions can be made prior to introducing charges as to the resultant impact it is not possible to predict exactly how user behaviour might change as a result of the increased charges.

The impact of Covid-19 on the Council's parking income has been significant, and this impact was seen during the last weeks of the 2019-20 financial year, with a significant drop in the use of car parks being experienced prior to lockdown being implemented, and then the decision to suspend all parking charges from 23 March having added to this. Unfortunately it is anticipated this this reduction in income against budget will continue for some time in 2020-21.

Parking Charges were reviewed in late 2019 and early 2020. A decision was taken to amend the tariffs from 1 April 2020; to increase the tariffs by the rate of inflation and to introduce a flat rate of parking in two of the most well used car parks in the Chichester city centre where issues of congestion and queuing traffic had been seen. The Parking Services team closely monitor income and car park transactions on a monthly basis and will continue to assess this in order to make proposals to members on the tariffs which will come into effect from April 2021.

b. **Housing Benefit – net increase in costs of £98,100**

The components of this variance are:

**Rent Allowances (underspend of £135,000)**

Rent Allowances are paid to claimants living in housing association and private sector accommodation. The net impact of Housing Benefit payments after the receipt of government subsidy is extremely difficult to predict as it is influenced by caseload volume, changing economic conditions and also government initiatives

that affect the value of payments made and also the levels of subsidy provided. Forecasts made during the financial year predicted that housing benefit payments made to claimants would fall from the budget estimate of £30.5m to £29.9m. The actual outturn was some 27.5m. As a consequence reduction in expenditure the amount of subsidy that the Council can claim back from the government is also reduced from a budgeted estimate of £29.8m to an outturn of £27.0m. This underspend of some £0.2m represents 0.7% of total rent allowances expenditure in 2019-20.

In addition following the outcome of the external audit of the Council's Housing Benefit Subsidy Claim, a sum of £70k was charged back to the General Fund for subsidy that was over claimed in 2018-19.

#### Rent Rebates (overspend of £121,100)

Rent Rebates are paid to claimants that are housed in the Council's own temporary accommodation and also in bed and breakfast accommodation when the either Council's units are full to capacity, or where it is deemed more appropriate. The budgeted cost of these payments was £587k, however the outturn exceeded this estimate by some £73k (12%) at £660k as a result of increased demand for this type of accommodation. The Council budgeted to recover some 90% (£529k) of its estimated expenditure as Housing Benefit subsidy from the government, however the final amount reclaimable (£483k) is only 73% of the actual expenditure incurred. This resulted in a net overspend of some £119k.

The primary reason for the reduction in subsidy is that Housing Benefit for bed and breakfast accommodation is claimed and paid based on the cost of the accommodation, minus any ineligible service charge. However the amount that is claimed back by the Council from the Department for Work and Pensions is limited to the Local Housing Allowance rate (as at January 2011) for one bed self-contained accommodation in the area the accommodation is in. As an example, in the 2019-20 subsidy year, a total of £297,413 was paid in housing benefit for bed and breakfast accommodation, however the Council is only able to claim subsidy on this of £120,864, meaning that the Council covers the loss of £176,549.

In addition following the outcome of the external audit of the Council's Housing Benefit Subsidy Claim, a sum of £2k was charged back to the General Fund for subsidy that was over claimed in 2018-19.

#### Overpayments (reduction in income of £513,700)

The level of identified Housing Benefit overpayments prior to the 2018-19 financial year had been significantly higher due to a number of DWP initiatives, the impact of which saw a significant downturn in the previous financial year. In addition, the introduction of new working practices to prevent overpayments from increasing further has resulted in a reduction of identified overpayments against the base budget forecast by some £500k in 2018-19. This has been ongoing through 2019-20, and the impact of this change was not apparent at the time of setting the 2019-20 base budget. The actual outturn in 2019-20 was a reduction in income from the identification of overpayments of £513k. A sum of £584k was built into the 2020-21 base budget to accommodate for this income reduction.

Provision for bad debts ( a reduction in expenditure of £401,700)

As at 31 March 2020 the Council has debt of some £3.1m (£3.5m at 31 March 2019) relating to the overpayment of housing benefit payments of which £1.5m is being recovered from ongoing benefit entitlement payments and some £1.6m via the Council's debt recovery procedures.

The base budget for 2019-20 included an allowance for an increase in the bad debts provision for housing benefit overpayments of £196k, however following a detailed assessment of the likelihood of recovery of the debt outstanding and taking into consideration the potential impact of the Covid-19 pandemic on a claimant's ability to repay the amount outstanding, the provision required was calculated at £1.8m (57.7% of the total debt outstanding), a reduction of some £206k on the provision already held. This reduction of £206k has been credited back to the General Fund creating a variance of £402k against the base budget position.

c. Bad Debt Provision (excluding Benefits) increase in cost of £97,600

- Corporate debts £44,545
- Council Tax and NDR debt £53,100

Both the Corporate and the Council Tax bad debt provisions have been increased due to the economic impact of Covid-19.

d. Vehicle Workshop materials purchased – increase in cost of £93,400

Maintenance costs for waste collection vehicles increases with the fleet age. The majority of the domestic fleet is now nearing 8 years old and is due for replacement in the next 12 -18 months.

e. Leisure Services Management Contract – shortfall in income of £73,500

Due to the Covid-19 lockdown of Leisure Centres on 20 March 2020, it was agreed that the leisure management fee for March be cancelled. The capital repayment and fees was also cancelled but it has been agreed that this will be repaid over the remaining term of the contract from April 2021.

f. Building Control fee earning – shortfall in income of £55,700

There was an economic slowdown due to Brexit which affected application numbers, in particular domestic alterations and extensions and this had a negative impact on income. The team continue to explore ways to secure business from the private sector by highlighting the unique selling points of a local authority service. The budget split between fee earning and statutory work has been reviewed to ensure the correct budget is set and this work continues post Covid-19.

g. Novium and Guildhall – Shortfall in income of £44,500

A number of areas did not hit their income target this year including sleepovers, Guildhall hire and external hire of the Novium. The Wedding bookings have not increased as previously predicted. This is believed to be partly due to the uncertainty on whether the ice rink was going to return to Priory Park and the announcement regarding the potential relaxation of the law to enable people to get married outdoors. The sleepovers are very popular but the capacity for this is limited due to staff resources. The income for external hire of the Novium is currently over budgeted for and is based on a historic income target when a lease was provided for the full time usage of the Woolstaplers by the developers of the adjacent housing development.

h. Net Staffing overspend – increase in cost of £39,100 (net of vacancy saving)  
During the financial year staff vacancy savings of £482,400 accrued in the following areas;

- Planning Policy (£111,800)
- Building Services (£71,300)
- Estates (£69,700)
- Planning (£58,300)
- Licensing (27,800)
- Economic Development (£27,600)
- Democratic services (£21,200)
- Building Control (£15,500)
- Car parks (£15,200)
- Post room (£14,400)
- Health Protection (£14,300)
- Corporate Management (£13,000)
- Emergency Planning (£11,500)
- Vehicle Workshop (£10,800)

Staffing overspends of £221,200 were also experienced in the following service area;

- Trade Waste £71,900
- Legal £38,500
- Director £34,500
- Domestic Waste £33,000
- Novium £32,400
- IT Services £10,900

This net underspend of £260,000 was £39,100 lower than the £300,000 vacancy saving that forms part of the base budget.

i. Recruitment – additional cost of £36,000

Recruitment costs were incurred in the IT Services, Development Management and Planning Policy teams.

j. Farmers Market – shortfall in income of £31,400

This income shortfall is simply associated with the impact of the current and historic uncertain economic climate. The Farmers Market has seen a reduction in the number of traders attending which has resulted in the Farmers Market Co-ordinator offering incentives as well as the Council funding promotions to attract and retain local growers and producers. During the year the service has reviewed and consulted on the delivery of the Farmers Market to drive efficiencies wherever possible to ensure its longevity.

k. Land Charges – Shortfall in income of £26,600

Although income is down against budget, due to the uncertainties of Brexit and the general election in December, actual income has still increased by £18,800 from the previous year due to a higher number of optional enquires being requested on searches.

l. Recycling Credits – shortfall in income of £21,300

Recycling credit payments were reduced by West Sussex County Council for 2019-20. The additional shortfall accounts for further reduction in payments for

contaminated recycling which was not factored into 2019-20 budget setting and not previously included in recycling payment model.

m. Contract Services Vehicle Hire – additional cost of £21,000

Since the fire at the Westhampnett Household Waste and Recycling Centre last year it has not been possible to take domestic recycling there. Instead recycling has had to be delivered to Ford which adds 1.5hrs to our domestic collection rounds. In some cases this prevents completion of our collection rounds so additional vehicles were hired to provide additional capacity and prevent service disruption.

**Underspends / Additional Income**

n. BRRS – a decrease in costs of £456,000

- (£257,000) Adverse variance in retained business rates – this variance is not controllable by the Council and mainly results from additional reliefs granted during the year under mandatory schemes (small business, empty property and charitable reliefs). Part of this shortfall is compensated for by additional Section 31 grants (see variance below).
- £646,000 Favourable variance – No levy payable. This is a one-off effect of the Business Rates pooling pilot scheme for 2019-20.
- £67,000 Favourable variance- Additional Section 31 grants received to compensate the council for reliefs awarded.

o. Planning applications – additional income of £275,300

Fee income in 2019-20 has been in excess of the budgeted position primarily due to a greater number of Major applications than that received in the previous two financial years, including applications for the largest of the Council's Strategic Development Land allocations. It is likely that fee income will be lower than budgeted for in the first half of 2020-21 due to Covid-19 impacts, but that this will increase in the latter half of 2020-21.

p. Interest and Investment income – additional income of £263,400

This variation is as a result of the Council's decision to make additional investments in external pooled funds that increased from £7.95m to £24m from November 2019.

q. Housing Contingency fund – a decrease in cost of £112,900

This was a new budget to help fill gaps in housing support, resulting from WSCC's reduction in the funding of supported housing. At a county-wide level negotiations with existing service providers and development of new frameworks and service level agreements have yet to be concluded. The budget has been essential to funding the extended opening hours of Stonepillow's day centre hub for rough sleepers, the continuation of the provision of emergency furniture for homeless clients, and funding of the Think Family Coordinator.

r. Green Waste – additional income of £109,600

CCS continues to focus on meeting the saving targets set out in the Council's five year financial model for the Garden Recycling Service. Customer base has increased by 10% against previous year. This is due to natural growth via word of mouth of the service, plus promotional activity that took place in summer 2019-20 whereby certain areas in the district were targeted based on the operational capacity of certain rounds.

s. IT Infrastructure Telecommunications and Equipment – a decrease in cost of £96,400

During the financial year additional savings were identified such as contracts renegotiated for mobile phones etc. and immediate action taken to realise the cashable benefits in year. Subsequently these reductions were included in the following year's budget setting process as formal reductions. Savings were made as per the target from the service review and were then built into the 2020-21 base budget.

t. Estates rental income – additional income of £93,700

Rent received exceeded Estates budgeted estimates, the largest being Plot 12 (£28,800), Quarry Lane industrial estate (£24,600), Terminus Road industrial estate (£14,000), St. James industrial estate (£13,000) and Ridgeway shops (£12,500).

The majority of this additional income was from new lettings or rental increases following rent review negotiations, so is anticipated to be recurring annual income and has been reflected in 2020-21 Budget. A smaller element (around £33,600 in total) was received as 'one off' income from the collection of 'back rent' due following rental increases.

u. Building Works – a decrease in cost of £82,400

Across the whole authority building works were generally underspent. The largest underspends relate to Estates properties £31,000, of which £19,000 was attributable to St. James Industrial Estate where expenditure has not been incurred on units (other than urgent health and safety works) pending the redevelopment project. The remaining £12,000 underspend relates to an aggregate amount made up of a number of smaller underspends, including a £3,000 underspend on getting buildings ready for re-letting, £1,600 at Midhurst Area Office and a £1,000 refund at Hardham Road for works not completed.

A reactive budget for grounds maintenance works was underspend by £18,700 as no significant repairs were necessary during the year. External redecoration works at the Old Bakery in Midhurst have been delayed resulting in an underspent budget of £9,100. Other smaller budgets that were unspent at the year-end include The Novium (£6,200), Cemeteries (£5,900), Street Naming and Numbering (£5,800), and at Westward House Homeless Hostel (£5,700).

v. Taxi Licencing Income – additional income of £74,700

The Licensing Team continued to experience a high demand for its services particularly in relation to the work of private hire driver licensing applications and delivery of the associated in-house Knowledge Tests. This has resulted in an increase of taxi related income. In view of the increased income and it being ring-fenced by statute for the delivery of the taxi and private hire licensing regime, the surplus has been built into the budget process to secure a valued additional resource in the post of Licensing Assistant on an initial one year temporary contract to service the anticipated continued high demand.

w. Trade Waste – additional income of £73,000

2019-20 was the first year of Chichester Contract Service's increased commercialisation plan and the increase in income seen during the year was caused by a better customer retention rate and modest improvement in new sales.

- x. Members Allowances – decreased costs of £71,700  
The Boundary changes in the last local election saw the number of council members drop from 47 to 36. This has led to a fall in the amount of allowances paid out. This was reported to Cabinet in March 2020, and it was agreed to reduce the 2020-21 annual budget by £35,400 to £296,800.
- y. Contract Services professional services – decreased costs of £65,400
- Trade Waste Disposal costs (£48,000) - The budget for trade waste disposal reduced by £102,000 in 2019-20 to reflect a new disposal contract which commenced in October 2018. The reduction in costs reflects full year benefit of the new disposal route alongside a higher than estimated reduction in the continued use of additional disposal route available to the service which are used on an ad hoc basis in line with operational demands.
  - Domestic Waste Initiative (£10,100) - Recycling Project Officer role became vacant mid-year which paused spend on major waste initiatives. Vacancy is currently on hold whilst the Council reviews financial position in response to Covid-19.
  - Grounds Maintenance (£7,900) – Underspend as a result of reduced grass cutting frequency of some areas to promote biodiversity.
  - Chichester Cemetery Grave Digging (£7,500) - A reduction in the number of graves required than anticipated enabled graves to be dug by the in house team rather than contracted out.
- z. Revenues and Benefits court cost income – additional income of £60,800  
The value of court costs awarded to the council as a result of legal action to recover council tax and business rates arrears exceeded the estimated budget. The actual sum awarded was £262,190 (£250,290 for council tax and £11,900 for business rates).
- aa. Energy costs– a decrease in costs of £52,700  
Across the whole authority energy costs were generally underspent. The largest underspends were at The Novium £18,500, the Westhampnett depot £12,000, East Pallant House £9,800 and Homeless Hostel £7,300. Throughout 2020-21 energy costs will be monitored, and if this trend continues the budget will be reduced in 2021-22.
- bb. Non Ring fenced Government Grants – additional income of £49,400  
The Council received a number of unanticipated government grants during 2019-20. This included a Council Tax Annexe Discount grant of £31,300 and other smaller miscellaneous grants totalling £18,100.
- cc. CCTV Running Costs – decrease in costs of £45,200
- Monitoring contractors (£11,900) - Currently underspending against budget. The 2020-21 budget hasn't been reduced in line with this because the contract was to be renewed through 2020-21 and it was considered that the full budget would be required. It is now unlikely however to be renewed in 2021-22.
  - Telecommunications (£32,000) - Underspend is due to a budgeting error that will be corrected in 2021-22.
- dd. Homeless Hostels – increase in income of £38,800  
Freeland close hostel rental income was unbudgeted for in 2019-20 resulting in this surplus income.

ee. Voluntary Sector Grants – decreased costs of £35,700

The majority of this variation relates to a grant payment to a voluntary organisation was duplicated in 2018-19. This error was identified and reversed in 2019-20, and as a result the reversal will neutralise the impact of the 2019-20 grant payment, giving rise to an underspend of £29,900 in 2019-20. There is also a further minor variation of £5,800 that relates to the annual inflationary increases added to the voluntary sector grants budget that is only applied when the three year grant agreements are renewed.

ff. Litter Enforcement – increase in income of £35,300

The variance has come about by more Fixed Penalty Notices (FPN) being issued than predicted and no reduction in the rate of FPN payment. This increased level of income over what was the first estimated has been reflected in the 2010-21 budget.

gg. Business Rates (NNDR) on council owned properties - decrease in costs of £31,100

NNDR budgets were underspent largely due to changes to rateable values in the following areas - Properties £8,024, Car Parks £17,785, and Parks £5,229

hh. PPP Management Fee – additional income of £30,900

Charges levied to PPP Ltd for support during the transition period for the transfer of the Careline Service.

ii. Bank charges and External Audit fees – decrease in cost of £30,300

- As a result of a procurement exercise conducted by Public Sector Audit Appointments (PSAA) on behalf of the Council, the contract for agreed external audit fees has generated a reduction in cost of £12,900.
- Bank Charges – An underspend of £21,700 is due the budget provision for system upgrades of the various payment services not being required in 2019-20 and this situation will be reviewed during the next budget cycle to consider any opportunity for future ongoing savings.

jj. Green Waste Advertising – decrease in costs of £29,600

Funding for green waste advertising achieved from separate waste initiative budgets. In addition, targeted promotion undertaken in summer 2019-20 was low cost owing to the approach taken for targeting certain areas and utilising existing advertising streams such as Initiatives magazine and social media. The budget will continue to be utilised for 2020-21 as recycling credits have reduced for 2019-20 onwards and as CCS continues to expand its service offering.

kk. Planning Consultancy – decrease in costs of £26,200

A fewer number of appeals by Public Inquiry in 2019-20 resulted in less demand on the budget for engaging professional services. It is likely that in 2020-21 the demand for professional services will increase due to a number of likely appeals in relation to speculative housing developments.

ll. Write off of CTAX and NNDR credits – additional income of £24,800

Council tax and business rate accounts that are overpaid are monitored to ensure that all steps are taken to refund the account holder. If after a period of six years attempts to make refund have failed, these sums are transferred to the general fund. An estimate of £30,000 is provided in the base budget for these transactions, but in 2019-20 the actual sum transferred was £54,798 (£5,503 business rates and £49,295 council tax).