

## Statement of Accounts for 2020-21

Analysis of major variations

The outturn position for 2020-21 is a surplus of £1.635m 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 24, and shown as Total Comprehensive Income and Expenditure in the Movement in Reserves Statement on page 28		(7,747)
<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 47, and shown as Adjustments between accounting basis & funding under regulations in the Movement in Reserves Statement on page 28		<u>(8,203)</u>
<b>In Year (Increase) / Decrease on the General Fund Reserve</b>		
Agrees to Movement in Reserves Statement on page 28		<u>(15,950)</u>
<b>Represented by:</b>		
Net transfers to Earmarked Reserves As per the Note 9 on page 45 (Net Transfers)	(14,685)	
Less transfers to Earmarked Reserves from the General Fund Reserve	<u>370</u>	
		(14,315)
<b>Surplus for the year</b>		<u>(1,635)</u>
In Year (Increase) / Decrease on the General Fund Reserve		<u>(15,950)</u>

The main variances between the General Fund latest approved budget and the outturn position in 2020-21 are as follows:

Ref	Overspends / Shortfall in Income	£000
1	Car Parking Pay and Display Income	2,776
2	Leisure Centre Management Fee	627
3	Recovery of Housing Benefit Overpayments	505
4	Car Parks Season Tickets income	410
5	Leisure Centre Management Support	409
6	Trade Waste - Net shortfall of income & disposal cost	184
7	Rent Rebates	154
8	Building Control income shortfall	152
9	Agency Staff	143
10	Chichester TIC/Novium income	123
11	Revenues and Benefits Court Cost Income	114
12	Corporate Management - Contribution to bad debt provision	98
13	Council Vehicles Maintenance costs	92
14	Street Trading Licences	65
15	Investment property shortfall in rents	62
16	Parking Enforcement Fines	51
	<b>Sub-total</b>	<b>5,965</b>
Ref	Underspends / Additional income	£000
17	Planning Application Income	(287)
18	Green waste income	(276)
19	Bad Debt Provision Housing	(232)
20	Rent Allowances (Net)	(226)
21	Business Rates (NNDR) on council property	(187)
22	Staffing	(168)
23	Leisure Centre Car Parking Refunds	(166)
24	Housing Contingency Fund	(102)
25	Furlough Grants	(91)
26	Parking Enforcement	(85)
27	Staff Mileage expenses	(70)
28	Building works - Car Parks	(61)
29	Postage Expenses	(55)
30	East Pallant House additional rental income following 2019 rent review	(55)
31	Insurances	(54)
32	Training	(52)
33	CCTV Telecommunications	(51)
34	Domestic waste	(50)
35	Tourism Support Grant	(50)
	Other variations less than £50,000 (net)	(328)
	<b>Sub-total</b>	<b>(2,646)</b>
	<b>Total Service Variations</b>	<b>3,319</b>
	<b>Corporate Variations</b>	
36	Business Rates Retention Scheme	546

37	Council tax and NNDR Credits	30
38	Pooled Funds Investment Interest	(197)
39	Budgeted Surplus on General Fund	(433)
	<b>Total Corporate variations</b>	<b>(54)</b>
	<b>Total variation before additional Government Support</b>	<b>3,265</b>
	<b>Additional Government Support</b>	
40	Sales, Fees and Charges Compensation Scheme	(2,707)
41	Emergency funding for Local Government	(1,672)
42	New Burdens Grants	(521)
	<b>Total additional government support</b>	<b>(4,900)</b>
<b>(Surplus) / Deficit for the year –</b>		<b>(1,635)</b>

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

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

1. Car Parking Pay and Display income – Shortfall in income of £2,776,200  
Parking charges were suspended between April and June 2020 and income was reduced for the rest of the year, due to Covid restrictions nationally impacting the level of use of the car parks, along with the cancellation of key events across the district which impacted the use of car parks.
2. Leisure Centre Management Fee - Additional Cost £626,600  
Covid restrictions meant the leisure centres were closed for long periods of 20-21, therefore the management fee for 20-21 was not collected.
3. Recovery of Housing Benefit Overpayments – Shortfall in income of £504,700  
Housing benefit overpayments are considerably lower this year, generally claimant's income is going down not up, which will mean underpayments are being generated as opposed to overpayments. Also, fewer overpayments are being made with direct access to HMRC for verifying claimant's earnings improving accuracy.
4. Car Parks Season Tickets income - Shortfall in income £409,700  
Parking charges were suspended between April and June 2020, and demand for season tickets was reduced for the rest of the year due to the effect of Covid restrictions resulting in an increase in the level of commuters working from home.
5. Leisure Centre Management Support – Additional Cost £409,100  
The council agreed to support the leisure centre management provider in 2020-21 to cover costs of retained staff, and any building issues that may arise during periods when our three leisure centres have been closed.
6. Trade Waste - Net shortfall of income & disposal cost £184,500  
Service demand was impacted by Covid restrictions throughout 2020-21

7. Rent Rebates – Additional Cost £153,600  
Due to the increase in demand for Bed & Breakfast accommodation due to the pandemic.
8. Building Control – Shortfall in income £151,900  
Inspections were taking place, but remotely where possible, and initially the service slowed down dramatically where the construction industry was affected by Covid 19.
9. Agency Staff – Additional Cost £143,100  
Additional costs incurred of £70,000 at the depot, due to staff absences caused by Covid. Agency staff use was increased to maintain service levels. A further £97,000 in the housing team due to additional demand on staff due to covid 19. Offset by underspends of £16,000 in Health Protection Team and £4,500 in the Development Management Team.
10. Chichester TIC/Novium income net of payments to operators – Shortfall in Income £123,400  
The Novium, and the Guildhall were closed for long periods due to covid restrictions in 20-21.
11. Revenues and Benefits Court Cost Income – Shortfall in income £114,100  
Due to the pandemic, no court hearings took place until December 2020.
12. Corporate Management - Contribution to bad debt provision – Additional Cost £97,800  
Due to the impact of the pandemic on general economic conditions resulting in the temporary suspension of debt recovery.
13. Council Vehicles Maintenance costs – Additional Cost £91,700  
Due to the age of the fleet of council waste services vehicles, maintenance costs have been higher in 20-21. Vehicles are due to be replaced in 22-23.
14. Street Trading Licences – Shortfall in income £65,300  
As a result of Covid related government restrictions there were no markets held in North & East Street, Chichester in 20-21.
15. Investment property rents – shortfall in income £62,200  
There was a shortfall in rental income at the Old Bakery £29,300, Crane Street £45,400, with additional rent income at the Woodruff Centre, compared to budgets estimated.
16. Parking Enforcement Fines – shortfall in income £50,000  
Emphasis was placed on On-Street enforcement therefore tickets issued erred more towards this and thus the income shortfall was a reflection of this directive.

### **Underspends / Additional Income**

17. Planning Application Income – Additional income £287,500  
Additional income generated from a major planning application.

18. Green waste – Additional income £276,200

Increased demand continued throughout 20-21 resulting in the service reaching its operational capacity of 18,600 customers.

19. Bad Debt Provision for housing benefit overpayments – additional income £232,000

As at 31 March 2021 the Council has debt of some £2.6m (£3.1m at 31 March 2020) relating to the overpayment of housing benefit payments of which £1.4m is being recovered from ongoing benefit entitlement payments and some £1.2m via the Council's debt recovery procedures.

The base budget for 2020-21 anticipated that there would be a reduction in the level of housing benefit overpayments identified during the year, and this was also influenced by the decision to temporarily suspend the recovery of outstanding debt due to the economic impact of the pandemic. A detailed assessment of the likelihood of recovery of the debt outstanding has been undertaken, taking into consideration the impact of the Covid-19 pandemic on a claimant's ability to repay the amount outstanding debt. After taking into account the value of write-offs during the year of some £120k, the resulting provision required was calculated at £1.45m (55.3% of the total debt outstanding), a reduction of some £232k on the provision already held. This reduction of £232k has been credited back to the General Fund.

20. Rent Allowances (Net) – Additional income £226,000

The net cost to the Council of rent allowances set in the budget for 2020-21 was £499k. This provided for a £23.651m budget for the payments to claimants, and subsidy grant recovered from the government of £23.152m estimated at a rate of 97.89% of qualifying expenditure. Actual payments made to claimants during 2020-21 amounted to some £25.351m, and the subsidy grant reclaimable from the government was £25.078m which was at a marginally higher rate of 98.92% of qualifying expenditure. This resulted in a net cost to the Council of £273k, a reduction of £226k on the base budget.

21. Business Rates (NNDR) on council property – Underspend £187,000

East Pallant house and the East Pallant car park business rates have been merged, resulting in a reduction, as well as other significant reductions in rateable values across all council owned car parks. These reductions have been backdated to 2017 and refunded, giving a net underspend of NDR for car parks and East Pallant house of £200,000. This in turn has been reduced by £12,000 due to an overspend on NDR on estates properties that have had vacant units for six months or more.

22. Staffing – Net underspend £167,600

Largest overspend;

- Contract Services £178,900.
- Development Management £40,200.
- Revenues and Benefits £28,400.

Largest underspend;

- Property & Growth £163,400.
- Health Protection £126,400.
- Environmental Protection £57,000.
- Planning Policy £50,300.
- Legal & Democratic £22,800.

23. Leisure Centre Car Parking Refunds – Underspend £165,600  
With the leisure centres closed for periods of 20-21 due to covid restrictions, not as many car parking refunds were given as fewer customers parking.
24. Housing Contingency Fund – Underspend £102,400  
There were delays in commissioning services, and it has taken longer to get the Crisis furniture packages in place due to Covid.
25. Furlough Grants – Additional Income £90,900  
Government compensation scheme for staffing affected by Covid restrictions; Museum £38,700, TIC £10,700, Trade waste £5,300, Domestic waste £27,400, Car parking £8,700.
26. Parking Enforcement – Additional income £84,900  
Additional income was received as the cost of On Street enforcement increased given that the directive to carry out enforcement patrols was more focussed towards this service area that WSCC are responsible for funding.
27. Staff Mileage expenses – Underspend £69,900  
Due to pandemic, and staff working remotely, not so many physical visits have taken place, and therefore staff have claimed back a lot less in mileage claims.
28. Building works - Car Parks – Underspend £61,600  
Due to the pandemic, less works was carried out throughout 20-21, than budgeted for.
29. Postage Expenses – Underspend £55,000  
Due to the pandemic and staff remote working, other methods of communication have taken precedence instead of posting mail.
30. East Pallant House Rental – Additional income £54,800  
Following the 2019 rent review, back rent received for period May 2019 to June 2021.
31. Insurances – Underspend £53,600  
Lower insurance premium of £22,300, and self-insured claims £31,300 than anticipated.
32. Training – Underspend £52,600  
Due to the pandemic and staff remote working less training occurred in 20-21.
33. CCTV Telecommunications – Underspend £51,200  
This variation is due to a budgeting error of £29,000 whereby a duplication has occurred over two codes. Additionally, a budget for the use of contractors was underspent by £11,500 and administrative building costs were less than anticipated by £10,700.
34. Domestic waste - additional income £50,000  
Bin sales surplus owing to new housing development purchases. Purchasing cannot be predicted. Bulky waste revenue increased activity was caused by covid, with more residents staying at home.

35. Tourism Support – Underspend £50,000

This underspend has arisen because of a timing issue relating to funding provided to Visit Chichester. Budget support was originally built into the council's base budget in 2017-18, however it took almost a year to put in place a service level agreement. When the first payment was made at the end of March 2018, this related to the agreement set up from 2018-19 and therefore should have been accounted for within the accounts for that year. This continued in the subsequent two years with the payments being made in March in fact relating to the agreement for the forthcoming financial year. This timing issue was disguised as the amount paid matched the budget provided for each year. It came to light during 2020-21 when a top up payment was made and a new funding agreement was being put in place increasing the council's support, and with a revised payment timetable.

### **Corporate Variations**

36. Business Rates Retention Scheme – Additional cost £545,600

- Net favourable variance in NDR income recognised in 20-21 £354,000
- Net Adverse year-end adjustments – Business Rates retention scheme (£97,000)
- Additional grants paid in 20-21 by MHCLG to cover COVID NDR relief schemes £11,762,000
- Amounts carried forward to fund deficits to be recognised in future periods under statute (£12,565,000)

37. Write off of CTAX and NNDR Credits – Loss of income £30,000

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 a refund have failed, these sums are transferred to the general fund. This task is performed annually with an estimate of £30,000 being provided in the base budget for these transactions. In 2020-21 this work was not undertaken as staff resource was focussed on the Council's response to the pandemic. This work will now be carried out during 2021-22.

38. Pooled Funds Investment Interest – Additional income £196,500

Actual distributions from investments exceeded forecasted returns for pooled funds. Income estimations proved too pessimistic.

39. Budgeted Surplus on General Fund – Underspend £432,700

When the base budget was agreed by Council in March 2020, it included a sum of £521,800 that was to be transferred to the council's general fund to provide for forecasted budget deficits in future years. During the year this sum was reduced to £432,700 as commitments to and from the general fund changed. This budgeted surplus is therefore included within the overall surplus on the fund for the financial year.

### **Additional Government Support**

40. Sales, Fees and Charges Compensation Scheme – Additional income £2,707,200

As a consequence of lock downs, government restrictions and social distancing measures the government set up a scheme to compensate local authorities for irrecoverable and unavoidable lost income from sales, fees and charges generated in the delivery of services that was provided for in their 2020-21 budgets. Under the scheme authorities must absorb losses of up to 5% of its planned 2020-21 income

from sales, fees and charges, with the government compensating them for 75p of every pound of relevant loss thereafter.

41. Emergency funding for Local Government – Additional income £1,671,600

The government provided emergency funding to local authorities to assist them in their response to the pandemic, providing services and supporting their communities. Chichester received £1.672m paid in four tranches during the year.

42. Non ringfenced government grants – Additional income £520,800

The government provided the council with additional funding to support the roll out and administration of the various grant schemes made available to provide financial assistance to qualifying businesses in the district. This includes:

- New Burdens for Local Authority Discretionary Grant Fund - £170k
- New Burdens for Local Restrictions Support Grant – £77k
- New Burdens for Local Authority Discretionary Grant Fund 1 August 2020 to 31 March 21 - £229k

The council also received a Council Tax Annexe Discount grant of £36k, and a Transparency code set up grant of £8k.

These grants have been used to support the general fund in 2020-21.