

# Governance and Audit Committee



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL



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Wednesday, 12 July 2023 at 2.00 pm  
Council Chamber - Council Offices, St. Peter's Hill,  
Grantham. NG31 6PZ

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**Committee Members:** Councillor Tim Harrison (Chairman)  
Councillor Paul Wood (Vice-Chairman)

Councillor Patsy Ellis, Councillor Bridget Ley, Councillor Charmaine Morgan,  
Councillor Rob Shorrocks, Councillor Peter Stephens, Councillor Ian Stokes and  
Councillor Sue Woolley

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## Agenda

This meeting can be watched as a live stream, or at a later date, [via the SKDC Public-I Channel](#)

- 1. Apologies for absence**
- 2. Disclosure of interests**  
Members are asked to disclose any interests in matters for consideration at the meeting.
- 3. Minutes of the meeting held on 14 June 2023** (Pages 3 - 16)
- 4. Internal Audit Progress Report** (Pages 17 - 27)
- 5. Provisional Outturn Position Report 2022-2023** (Pages 29 - 73)  
This report provides the Governance & Audit Committee with the details of the Council's provisional outturn position for the financial year 2022/23.
- 6. 2021/22 and 2022/23 Statement of Accounts Update** (Pages 75 - 78)  
To update the Committee on the progress of the audit of the 2021/22 Statement of Accounts and the delayed publication of the draft unaudited Statement of Accounts for 2022/23.

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☎ 01476 406080

**Karen Bradford, Chief Executive**

[www.southkesteven.gov.uk](http://www.southkesteven.gov.uk)

- 7. 2023/24 Quarter 1 Treasury Management Activity** (Pages 79 - 86)  
The Council is required by regulations issued under the local Government Act 2003 to produce regular reports on treasury and debt management operations during the financial year. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code).
- 8. Work Programme 2023 - 2024** (Pages 87 - 90)  
To consider the Committee's Work Programme for 2023 – 2024.
- 9. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

## Meeting of the Governance and Audit Committee



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

Wednesday, 14 June 2023, 2.00 pm

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### Committee Members present

Councillor Tim Harrison (Chairman)  
Councillor Patsy Ellis  
Councillor Bridget Ley  
Councillor Charmaine Morgan  
Councillor Peter Stephens  
Councillor Mark Whittington  
Councillor Sue Woolley

### Cabinet Members present

Councillor Richard Cleaver (Leader of the Council)  
Councillor Ashley Baxter (Deputy Leader and Cabinet Member for Finance and Economic Development)  
Councillor Phillip Knowles (Cabinet Member for Corporate Governance and Licensing)

### Other Members Present

Councillor Emma Baker  
Councillor Phil Gadd  
Councillor Graham Jeal  
Councillor Virginia Moran  
Councillor Ian Selby

### Officers present

Richard Wyles (Chief Finance Officer and Section 151 Officer)  
Alison Hall-Wright (Assistant Director of Finance and Deputy Section 151 Officer)  
Craig Spence (Acting Director of Housing)  
Graham Watts (Monitoring Officer and Assistant Director of Governance)  
Anne-Marie Coulthard (Assistant Director of Operations and Public Protection)  
Karen Whitfield (Assistant Director of Culture and Leisure)  
Debbie Roberts (Head of Corporate Projects, Policy and Performance)  
Tracey Elliott (Governance and Risk Officer)  
Sarah Downs (Democratic Services Officer)

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## **1. Apologies for absence**

Apologies for absence were received from Councillors Rob Shorrocks, Ian Stokes and Paul Wood.

Councillor Mark Whittington substituted for Councillor Paul Wood.

## **2. Disclosure of interests**

No interests were disclosed.

## **3. Minutes of the meeting held on 15 March 2023**

The minutes of the meeting held on 15 March 2023 were proposed, seconded and **AGREED** as a correct record.

## **4. Updates from previous meeting**

The action sheet from the previous meeting was noted.

## **5. Market Service Operational Review**

The report on the operational practice of the Markets was introduced by the Deputy Leader of the Council.

Weekly markets were held in the market towns of Grantham (Saturday), Stamford (Friday and Saturday), and Bourne (Thursday and Saturday) and operated by the Council utilising directly employed staff. Following a change in the operational management arrangements for the markets service, an external review of processes and procedures was undertaken. A significant number of issues were identified which emanated from a history of poor management of the service over a significant period of time. The review was divided into four areas – Employment, Income, Waste Collection and Operations (including Health and Safety). An action plan had been developed, supported by a number of corrective measures.

All market trader fees were collected in cash on the day of trading. This exposed the Council to avoidable risks. Where possible, cash was to be avoided and card payments encouraged in future. There was an opportunity to introduce a direct debit or standing order system.

Traders at the Saturday markets at Stamford and Bourne (one trader only) were required to remove their own waste. A supplementary fee for waste disposal for excess waste was detailed in the fees and charges but only charged to fruit and vegetable stalls. As such, the costs associated with the collection and disposal of waste from traders were effectively being subsidised. As a Council, charging for waste removal would discourage the amount of waste generated.

Operational and health and safety issues were outlined in the action plan. Risk assessments were to be updated to reflect a number of issues.

Employment practices were to be updated in line with current HR policies and to address the fact that the service lacked resilience and the operatives were employed on a casual basis and therefore not contractually obliged to attend work, often relying on the goodwill of a number of dedicated individuals.

Members raised the following points during discussion:

- The inconsistencies and security issues around cash collection was cause for concern and left staff vulnerable to potential accusations as well as the lack of basic procedures and compliance with job descriptions.
- Had all monies due historically, been collected?
- Grantham Market in particular was widely reported as losing money – was that due to such anomalies mentioned within the report?
- The nature of the frequency of a direct debit payment option could have enabled stallholders to amass several weeks debt. Card payments were instant.
- Safety of the working practices was an urgent consideration. There was an understanding that due to the nature of the work and lack of guarantee of staff numbers on the day, the team generally took on whatever roles were required.
- The anti-social hours of the work had to be acknowledged.
- Was there an option to store equipment at the new Depot if rent was being charged on the Grantham store?
- An internal audit was completed in 2021, did the scope of this include operational practices?
- Lessons were to be learnt from the findings of the review.
- Officers were commended for their work in completing the action plan and Members wanted to look forward to an improvement in market operations.

The Chief Finance Officer confirmed that the proposed action plan was there to provide assurance to Members that the identified issues were being addressed, some already completed and the updated action plan would be presented at a future meeting. The Council needed to operate within the parameters of its recruitment policies and procedures with robust internal procedures and governance. Fees and charges were agreed by the Council on an annual basis and should not set at a local level between officers and stallholders. Members were to consider that the timelines stated within the action plan were appropriate to facilitate its completion. The Grantham store was owned by South Kesteven District Council so there was no rental charge and its close location to the market area was an important consideration when considering alternative storage arrangements. It was recognised that the store was underutilised currently. An audit into cash-handling practices had been completed in 2021 and some weaknesses in market cash collection procedures had been captured. This was rectified and actions agreed by Governance and Audit Committee within the same year.

The Chief Finance Officer continued that Grantham had to pay a market fee to hold the market in Grantham whereas Bourne and Stamford did not and the markets were not wholly comparable in terms of costs as which operated differently.

The Deputy Leader informed Members that maintaining popularity of the markets had been a struggle due to the changes in retail practices, particularly during the pandemic. The Stamford market, however, was one of the most popular in the East Midlands and the Council should recognise this achievement.

*(Councillors' Emma Baker, Phil Gadd and Ian Selby left the meeting at 15:00)*

The Assistant Director for Operations and Public Protection confirmed that the market traders had to abide by a code of practice. The supervisor role was currently vacant which had an impact on the working practices of the team. Changes had already been implemented in the collection of fees. As an example, the majority of stallholders in Stamford paid by card along with all but one at Bourne Market.

The Chief Finance Officer clarified that the independent review found no evidence of fraud or misappropriation of funds.

**It was proposed, seconded, and AGREED that the Governance and Audit Committee:**

- a) Approved the Action Plan.**
- b) Agreed to receive an update on the actions undertaken in three months**
- c) Recommended that the review of the market service be passed to the relevant Overview and Scrutiny Committee for consideration.**

## **6. Timing of Full Council Meetings**

The Cabinet Member for Corporate Governance and Licensing introduced the report.

At the Annual Meeting of the Council held on 18 May 2023 consideration was given to the authority's committee structure. During this item, discussion ensued on the subject of the start time of meetings of Full Council and it was agreed that the matter be referred to the Governance and Audit Committee for further consideration.

The Council's Constitution stated that the time and place of meetings was to be determined by the Chief Executive. The Chief Executive was the Council's Head of Paid Service and had responsibility for the authority's management structure which included the deployment of Officers. Meetings of Full Council had traditionally commenced at 1pm at South Kesteven District Council.

During discussion the following points were made by Members:

- A survey was proposed to identify preferences from all Members of the Council.
- A later start time of 2pm was proposed.
- It was acknowledged that later start times for meetings would have implications for staff through impact on working hours and discussions with Trade Unions would be required.
- A preferred end time was suggested as a consideration.

It was proposed that the Monitoring Officer would arrange a questionnaire for all Members and the feedback was to be heard at a future meeting of the Governance and Audit Committee meeting.

**It was proposed, seconded, and AGREED that a survey to all Members of the Council be undertaken to seek their preferences in respect of start times for meetings of Full Council, together with starts times for meetings of other public meetings and that the results be reported back to the Governance and Audit Committee.**

## **7. Members' Allowances Scheme - distribution of Special Responsibility Allowance for Opposition Leaders**

The Committee heard a verbal report on the Members' Allowances Scheme and the distribution of Special Responsibility Allowance for Opposition Leaders. The Cabinet Member for Corporate Governance and Licensing introduced the report.

The Monitoring Officer clarified that when considering Members' remuneration, the Independent Remuneration Panel had to be involved and provide advice and recommendations to Full Council. The Independent Panel was due to undertake a mini-review of the Members' Allowances Scheme in July 2023 at a date yet to have been confirmed. The Officer recommended that the item be deferred to the Independent Remuneration Panel, particularly as the Council being under no overall political control had brought about some anomalies regarding the distribution of the Opposition Group Leaders' Special Responsibility Allowance

A Member asked what happened in the situation where two Cabinet Members were Green Party Members but the Leader of the Council belonged to a different group. It was suggested that that the letter of the law was in direct contradiction to the spirit of the law regarding the definition of 'opposition'. Members were reminded that the Leader was appointed by the Council, but that he individually selected Members to sit on his Cabinet. Cabinet Members were therefore appointed on an individual basis and not representative of their respective political group. One group outside of the formal South Kesteven Coalition Group did not have a Member on the Cabinet and that group leader had expressed a wish that this issue be referred to the Independent Remuneration Panel.

The Monitoring Officer informed the Committee that no Members were currently in receipt of the Opposition Group Leaders' Special Responsibility Allowance. The payments were suspended until confirmation had been received as to how it should be distributed.. The current scheme was introduced in political circumstances that were very different to how the no overall political control position that the Authority was now in..

The Leader reminded the Committee that the Council's Constitution did not explicitly define what the Opposition was, or similarly, who the Leader of the Opposition was. He added that the Leader of the Council was appointed at Full Council but was not necessarily the Leader of the largest political group as had been the case with his appointment.

It was proposed, seconded and **AGREED that the Governance and Audit Committee:**

- a) **Refer consideration of the distribution of the Opposition Group Leaders' Special Responsibility Allowance to the Independent Remuneration Panel for its consideration.**

## **8. Cabinet and Overview & Scrutiny Protocol**

The Cabinet Member for Corporate Governance and Licensing introduced the report.

The Centre for Governance and Scrutiny conducted a review of the Council's overview and scrutiny function, further to which an action plan based upon recommendations from the review was developed. The Governance and Audit Committee endorsed the action plan at its meeting on 28 September 2022. The Monitoring Officer presented the report, informing that one of the recommendations from the Centre for Governance and Scrutiny was the development and publication of a Cabinet and Overview & Scrutiny Protocol, setting out the relationship between the two functions and associated roles and responsibilities.

A draft Cabinet and Overview & Scrutiny Protocol had been developed, taking into account the content of the Council's Cabinet Procedure Rules and Overview and Scrutiny Procedure Rules, as well as good practice from other authorities. The Protocol set out the relationship between the Council's Cabinet and its Overview and Scrutiny Committees, including the processes that both bodies followed, where they were to interact with each other and how they expected the other to conduct itself.

During discussion, Members raised the following points:

- A Member queried reference within the protocol which seemingly indicated a legal right of the Council to review and scrutinise the performance of other appropriate public bodies.

- The Deputy Leader encouraged Members to look outside the walls of the Authority and informed Members that he welcomed valuable contribution from external sources as part of the scrutiny procedure.
- There were organisations such as the NHS where the Local Authority had an essential role in the decision-making process as consultees.
- More effective work programming was to be considered when submitting decisions to Cabinet to allow sufficient scrutiny.

The Monitoring Officer confirmed that the list of responsibilities included in the protocol was from the Terms of Reference for the Overview and Scrutiny Committees in the Council's Constitution. In the case of joint partnership collaboration, it was appropriate that performance of public bodies be scrutinised, particularly where that work was in relation to residents effected by the services offered. The emphasise with these organisations was that they would be invited to contribute to a scrutiny review as opposed to the Committee having any legal right to demand their participation.

At least once a year the Council was under an obligation for one of its Overview and Scrutiny Committees to consider crime and disorder. The Council used this opportunity to invite a senior representative from the Police to conduct a question and answer session with all Councillors at the designated Overview and Scrutiny Committee.

The Officer continued that effective agenda-setting from the Chairman and senior officers would enable sufficient time to scrutinise decisions, adding that both Key Decisions and Non-Key Decisions were to be included on the Cabinet Forward Plan which offered greater transparency than solely including Key Decisions.

**It was proposed, seconded and AGREED that the Governance and Audit Committee:**

**Recommended to Full Council to adoption of the Cabinet and Overview & Scrutiny Protocol as part of the Council's Constitution under Part 5 (Codes of Protocols).**

## **9. Appointment of Directors of Council-Owned Companies**

*(Councillor Charmaine Morgan and the Assistant Director of Finance left the meeting at 15:40, declaring an interest in the report as respective nominees).*

The Cabinet Member for Corporate Governance and Licensing introduced the report.

A number of vacancies had arisen on the Boards of Council-owned companies. The Governance and Audit Committee was requested to consider making appointments to fill these vacancies.

Following the resignation of Directors from Aubers Ridge Management Company Limited and Gravitas Housing Limited, the Board of each company currently consisted of Richard Wyles (Chief Finance Officer at South Kesteven District Council). Both companies were no longer operational and Mr Wyles was continuing his role as Director to assist in the process of their dissolution given the extensive knowledge he had in respect of both entities.

A minimum of two additional Directors were recommended for appointment to the Board on each company to ensure that they were quorate, could take decisions and operated in accordance with their articles of association. A key element of their work as newly appointed Directors will be to oversee dissolution of the respective companies.

Councillor Elvis Stooke had been nominated as a Director for both Aubers Ridge Management Company Limited and Gravitas Housing Limited. Alison Hall-Wright, the Assistant Director of Finance had also been nominated as a Director for both companies.

Councillors James Denniston and Charmaine Morgan had been nominated as Directors of LeisureSK Limited. In terms of the Officer vacancy, it was recommended that Craig Spence as the Council's Acting Director of Housing be appointed onto the Board of LeisureSK Limited. A remaining vacancy for an elected Member had been offered to the South Kesteven Coalition Group. The Leader of the Group confirmed that, subject to the Committee granted a delegation, that he would nominate an appropriate member from his Group.

It was proposed, seconded, and **AGREED:**

**That the Governance and Audit Committee:**

- a) **Approved the appointment of Councillor Elvis Stooke and Alison Hall-Wright as Directors to Aubers Ridge Management Company Limited with immediate effect.**
- b) **Approved the appointment of Councillor James Denniston, Councillor Charmaine Morgan and Craig Spence as Directors to LeisureSK Limited with immediate effect, and granted Councillor Graham Jeal as Leader of the South Kesteven Coalition Group with delegated authority to nominate and appoint a Member from his Group onto the Board**
- c) **Approved the appointment of Councillor Elvis Stooke and Alison Hall-Wright as Directors to Gravitas Housing Limited with immediate effect.**

*((Councillor Charmaine Morgan and the Assistant Director of Finance rejoined the meeting at 15:47))*

## 10. Proposed Amendments to Constitution

The Governance and Audit Committee was required to consider any proposed amendments to the Council's Constitution before Full Council was able to approve them, unless there was alternative provision elsewhere in the Constitution. A number of proposed amendments to the Constitution were included within the report for the Committee's consideration.

The Cabinet Member for Corporate Governance and Licensing introduced the report which proposed five changes to the Constitution. One of these changes sought to reintroduce the right of members of the public to ask a supplementary question should they have registered their intention to ask a question at any meeting of the Council. Additionally, a proposed amendment to Procedure Rules for all meetings would enable all members of the Council who were not members of particular bodies the right to speak, without this being at the discretion of the person presiding the meeting.

The Monitoring Officer informed the Committee that a supplementary report had been published which set out proposed changes to the Licensing Procedure Rules to align the Council's procedures with the Licensing Act.

Members discussed the report and made the following points:

- The report was welcomed as an improvement to existing procedure and gave a voice to all backbench Councillors.

It was proposed, seconded and **AGREED**:

### 1. That the Governance and Audit Committee recommended the following Constitutional amendments to Full Council:

a)The inclusion of an additional paragraph to the Officer Scheme of Delegation under Paragraph 26(f) of Part 3(c) (Responsibility for Functions) in respect of lettings of land and property to read: "To arrange lettings (in excess of seven years) of land and property not immediately required for other purposes at rent/license fees fixed by the Section 151 Officer, providing that the total cost of the lease in its entirety does not exceed £100,000."

b)The amendment of paragraph 14.14 of Contract Procedure Rules under Part 4 (Rules of Procedure) in respect of the common seal of the Council to reflect that this should only be used for those contracts where the total cost exceeds a value of £500,000.

c)The amendment of Council Procedure Rules and Overview and Scrutiny Committee Procedure Rules to reflect that members of the public be entitled to ask a supplementary question without notice when having registered to speak.

**d)The amendment of Procedure Rules for all meetings of the Council to entitle any Member of the Council to speak at meetings without requiring the discretion of the person presiding the meeting.**

- 2. That the Monitoring Officer be authorised to amendment the Licensing Procedure Rules to ensure that they were consistent with the requirements of the Licensing Act 2003, as set out in the report.**

## **11. Internal Audit Draft Plan 2023-2024**

The Internal Audit Manager and Principal Auditor introduced themselves to Members.

This Internal Audit Manager presented the proposed Internal Audit Plan for 2023/2024. The plan detailed the activities to be audited and the indicative scope for each audit. The draft plan gave Members an opportunity to comment on the plan and the priorities that had been established. The audit plan delivered assurance within agreed resources. For 2023/24 this was 142 days and was to be amended throughout the year to reflect changing assurance needs.

It was recognised that the Council was to be flexible and prepared to revise audit activity, responding to changing circumstances or emerging risks. Liaison meetings with senior management were to enable the Auditors to firm up audit activity during the year and deliver the audits included in the plan in accordance with the schedule once the plan was agreed. Resources would then be allocated accordingly to the audits at the specified times. The areas covered in the plan were to be reported to the Governance and Audit Committee and enable the Head of Internal Audit to provide an annual internal audit opinion.

The report included details of the audits that were to be conducted as well as suggestions of areas where more assurance may have been sought.

Compliance with the required protocol and framework were confirmed.

The Auditor invited Members to arrange several meetings with Internal Audit within the year as detailed in the terms of reference as Members required.

During discussion, Members raised the following points:

- It was acknowledged that a complete change of administration was a highly unusual situation. Were the plans decided prior to the current administration?
- Housing Repairs and related compliancy issues were a particular concern within Members communities. Could this be added?
- Was there enough time to complete all the audit work planned within the timescale given?

The Auditor confirmed discussions around the plan had included officers and managers from across the organisation, with a focus on key risk areas informing the work as well as the view of Assurance Lincolnshire. There was an emphasis on determination to complete the work whilst accepting that the implementation of further pieces of work would cause another area to become delayed.

The Chief Finance Officer clarified that the plan was not necessarily focussed on performance issues but the assessment of internal framework issues. The plan was flexible and was likely to be adapted and modified during the year with the support of Members. The Committee had to consider that resources were finite if changes were to be made to the plan.

The Governance and Audit Committee **NOTED** the report.

## 12. Treasury Management Annual Report 2022-2023

The Deputy Leader introduced the report, informing Members that work had been done to improve the scope of environmental and ethical issues within the Strategy. The Council had received criticism in the past for investing in Qatar.

The Assistant Director of Finance confirmed that there were no current investments in Qatar Bank.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022-2023. This report met the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

For the financial year 2022-2023 the Council adhered to the suggested minimum reporting requirements and members received the following reports:

- An annual treasury management strategy in advance of the year which was approved by Council on 3 March 2022
- A mid-year treasury update report which was approved by Governance and Audit Committee on 30 November 2022
- An annual review following the end of the year describing the activity compared to the strategy

The Strategy for 2022/23 was approved by Council on 3 March 2022. A key element of daily operations focused on comparing current market conditions in conjunction with the Link (the Council's treasury advisors) credit rating list, using this as a tool for guidance, with the option to deviate from this guidance only when there were clear alternative options available to the Council. Any decision of this nature was clearly documented for audit purposes.

As of 31 March 2023, the Council had a fixed rate debt of £86.2 million which related to the self-financing of the Housing Revenue Account which took place in 2012 and there were total investments of £69.6 million. There was a reduction of investments of £20 million over the past year which related to the repayment of the balances of the COVID-19 business grants which the Council was responsible for distributing to eligible businesses. The Council received a grant of £8.2 million in March 2022 which related to the energy rebate that was distributed to eligible households.

Of the £86.2 million, £3.2 million was short-term debt repaid annually and the balance was considered long-term debt. There were no liquidity issues. The Council complied with the policy to not retain more than 35% of investments long-term (over 365 days). This totalled £3.8 million.

As part of the Prudential Code, the Council set out a number of Prudential and Treasury indicators as part of the treasury strategy. Treasury Management functions had operated effectively over the year. All deposits placed had been repaid in a timely manner. Investment income levels had exceeded the amended budget by £1.4 million which had been higher than anticipated. Performance indicator levels had all been achieved.

Members raised the following points during discussion:

- What amount was reserved as cash liquidity?
- There was £3 million in the local authority property fund, the value of which had temporarily reduced due to performance challenges within the commercial property market. It was acknowledged that this was a factor to monitor closely.
- A Member asked for an explanation on the investments in other Local Authorities.
- Officers were commended for their treasury management investment performance which had produced significantly increased income levels

The Assistant Director of Finance confirmed that a maximum of £19 million was kept in overnight investments as it ensured the Council could meet cashflow liquidity requirements. The Local Authorities investment had a maturity date attached and was similar to investing in a bank. Prior to such investments, advice was taken from treasury advisors and such investments were considered amongst the most secure to make. It was clarified that Local Authorities benefitted from supporting each other.

The Chief Finance Officer added that a long-term view was established when considering the property market and the risk profile was considered robust enough to withstand the current volatility.

It was proposed, seconded, and **AGREED:**

**That the Governance & Audit Committee:**

- a) **Approved the content of the annual report on the Treasury Management activity for 2022/2023.**

### **13. Draft Annual Governance Statement 2022-2023**

The Chief Finance Officer presented the report.

On an annual basis the Leader of the Council and the Chief Executive publish an Annual Governance Statement.

The 'Delivering Good Governance in Local Government; Framework' set the standard for local authority governance in the UK. The concept underpinning the Framework was to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

Ensuring compliance to the code was important and several key principles were adhered to so as ensure this. There was an element of forward planning in the production of an action plan as well as looking back over the year. The Committee were to be kept informed on the implementation of those actions.

Assurance Lincolnshire were to add their work on the internal audit and there were some external audit work to be completed on the statement of accounts and returned at a later date.

During discussion, the following points were raised:

- If the Statement of Accounts were delayed, there would be an impact on the work in the coming year. What effect would this have on the governance for 2023-2024?
- What were the parameters for confirming when stakeholders were consulted?

The Chief Finance Officer confirmed that a delegation was agreed at the Governance and Audit Committee in November 2022 for the accounts to be signed off by the Chairman and the Chief Finance Officer. There had been further audit work undertaken and nationwide influences that required modifications to the Council's accounts. It was an unfortunate position and outside of the Council's control. External Audit resources are due to be returned in July and Officers will keep Members informed. Consultation was a key principle within the Framework with due process in place to seek engagement when necessary. Response was on a service-by-service basis.

The Assistant Director of Culture and Leisure informed Members that a consultation was underway involving Wyndham Park and the Green Flag status.

#### **The Governance and Audit Committee:**

- a) **Considered the contents of the report and provided feedback on the Draft Annual Governance Statement**

**14. Work Programme 2023 - 2024**

The Committee noted the Work Programme 2023 – 2024.

The Chief Finance Officer confirmed that the Market Review update would be scheduled for the September Committee and a statement of accounts update at the July meeting.

**15. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

There was no other business raised.

**16. Close of Meeting**

The Chairman closed the meeting at 16:40.

# Internal Audit Progress Report



**South Kesteven  
District Council  
July 2023**

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Progress & Delivery

## Appendices

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2 - Internal Audit Plan – Progress to Date  
3 – Audit Tracker of due actions

**Claire Goodenough** – Head of Internal Audit & Risk Management  
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The matters raised in this report are only those that came to our attention during the course of our work— there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

# Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 1 March 2023 – 30 June 2023
- Advise on progress of the 2022/23 plan
- Raise any other matters that may be relevant to the Audit Committee role

## Key Messages

### Assurances

Since our last update report presented to the Governance & Audit Committee in March 2023, we have completed the following work:

| Audit                                  | Audit Type  | Assurance Level |
|--|-------------|-----------------|
| Combined Assurance / Service Assurance | Consultancy | N/A             |

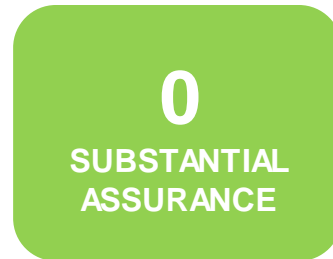
### Progress

We have one audit remaining from the 2022/23 plan, Debtors, which is at draft report stage awaiting a closure meeting and management agreement.

The Capital Programme and Creditors reports are being finalised at the time of issuing this report. We will include the details in our next progress report to the committee. We can confirm the audit opinion is substantial assurance for both these areas.

Following agreement of the 2023/24 Audit Plan at Committee in June we are now in the process of liaising with managers to schedule the audits. We will also be carrying out a review of the audit plan and the remaining time available to provide a revised plan. This will be reported to a future Committee meeting.

Appendix 2 details the work to be completed this year.



## **Combined Assurance / Service Assurance**

We have worked with the Senior Leadership Team to produce a service assurance report. This process involved discussion across the Council and provides management with an overview of the Council's assurance across critical activities, key projects, key partnerships and key risks.

As this was the first year of completing this work, we focused on mapping the activities and obtaining Management assurance. In future to support a combined assurance approach we will gather more intelligence from second and third line (e.g., performance, complaints, external inspections/reviews, Internal Audit etc) to support the assurance provided by Management.

A report has been provided to CMT and the work has been used to support our annual opinion and audit planning

## **Implementation of agreed actions**

We have tracked the actions made by ourselves since starting with the Council in 2022/23.

Progress in implementing the recommendations made to date has been obtained from the responsible officers and recommendations have been closed off where advised. All but eight of the actions due by 31st May have been actioned, the eight have had their due date extended.

Full details of the eight outstanding actions along with reasoning as to why they are not fully complete and a new proposed target date can be found at Appendix 3.

Recommendations prior to 2022/23 are tracked through the Councils 4action system which is updated automatically by management. We have requested access to this system for the current team to access and monitor older recommendations.

We will provide full details on pre 2022/23 overdue actions in a future audit committee report.

**High**

Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

**Substantial**

Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.

**Limited**

Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and/or performance.

The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.

**Low**

Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.

There are either gaps in the control framework managing the key risks, or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore, the risk of the activity not achieving its objectives is high.

| Audit                       | Scope of Work  | Start Planned Date | Start Actual Date | End Actual Date | Rating   |
|-----------------------------|--|--------------------|-------------------|-----------------|--|
| 2022/23 Key Control Testing | <p>Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.</p> <p>Terms of Reference which include scope and focus on key risks will be determined with the appropriate senior manager.</p>                                  | 15/02/23           | 30/01/23          |                 | <p><b>Accounts Receivable</b> – responses to queries provided, awaiting management response</p> <p><b>Accounts Payable</b> – Awaiting closure meeting</p> <p><b>Capital Programme</b> – Final report to be issued.</p> |
| Payroll                     | Management request – The Council has brought payroll back in house – audit to be undertaken in Q3/4 to provide support and assurance that the service is being effectively managed.  | TBC                |                   |                 |  |
| Asset Management            | Provide assurance on the Council's processes and systems to effectively manage its assets. Issue raised in assurance mapping by the Chief Finance Officer.   | TBC                |                   |                 |  |
| Recruitment and Retention   | Key issue raised by managers during the assurance mapping process, it is also a key national issue. We will provide assurance on the Council's approach to recruitment, succession planning and retention. To mitigate the risk of capacity and capability shortfalls to deliver the Council priorities. | TBC                |                   |                 |  |
| Housing Income Management   | Management request<br>Review of the governance and procedures in place to monitor, manage and report housing income. Postponed from the 22/23 plan.  | TBC                |                   |                 |  |

| Audit             | Scope of Work  | Start Planned Date | Start Actual Date | End Actual Date | Rating   |
|-------------------|--|--------------------|-------------------|-----------------|--|
| S106              | Management request – provide assurance on the management, oversight and controls for recording and delivering Section 106 monies.  | Jan – Mar 2024     |                   |                 |  |
| Operations        | Management request – Provide assurance on the compliance to the parts contract for vehicles to include operational aspects, contract management and financial management.                              | TBC                |                   |                 |  |
| Public Protection | Management request – Review and assess compliance with the Food Standards Agency requirements for food hygiene inspections and consistency of rating under the Food Hygiene Scheme.                    | TBC                |                   |                 |  |
| Risk Management   | Test the mitigations in place to address key strategic and operational risks. To provide assurance that documented controls provide a robust level of control and assurance on the management of risk. | TBC                |                   |                 |  |
| Follow Ups        | To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.  | Ongoing            |                   |                 | Tracked with mgmt. quarterly – follow up low / limited assurance opinion / high priority actions |

| Audit                     | Scope of Work   | Start Planned Date | Start Actual Date | End Actual Date | Rating |
|---------------------------|---|--------------------|-------------------|-----------------|--------|
| <b>Combined Assurance</b> | Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in February / March 2023.  | Quarter 4          |                   |                 |        |
| <b>Cyber Security</b>     | A key element and potential weakness in cyber security is people. Provide assurance on staff awareness, training, cyber culture and how the Council effectively manages the continuous risk of staff error or misunderstanding in regard to cyber threats and security. | TBC                |                   |                 |        |

**Summary of the number of outstanding Agreed Actions for all audits as at 31 May 2023**

| Audit Title             | Issue Date | Assurance   | Total Agreed actions | Agreed actions imp | Agreed actions overdue | Priority of overdue actions | Actions not due* |
|-------------------------|------------|-------------|----------------------|--------------------|------------------------|-----------------------------|------------------|
| Risk Management         | Sept 22    | Substantial | 2                    | 1                  | 0                      | N/A                         | 1                |
| Cyber Security          | Nov 22     | Substantial | 18                   | 15                 | 0                      | N/A                         | 3                |
| Health & Safety         | March 2023 | Substantial | 9                    | 3                  | 0                      | N/A                         | 6                |
| Housing Void Management | March 2023 | Limited     | 8                    | 2                  | 0                      | N/A                         | 6                |
| <b>Totals</b>           |            |             | <b>37</b>            | <b>21</b>          | <b>0</b>               |                             | <b>16</b>        |

\*This includes the actions which have extended their original due date, please see following page.

Please find below details of the overdue/extended actions along with reasoning as to why they are not fully complete. These will be tracked in future progress reports.

| Audit Title             | Priority | Agreed Action   | Owner                     | Due date               | Comments  |
|-------------------------|----------|---|---------------------------|------------------------|---|
| Risk Management 2022/23 | Medium   | Risk Management E Learning will be implemented  | Governance & Risk Officer | 31/10/23<br>(31/10/22) | In Progress - E Learning will not be implemented but training will be provided to CMT/SLT as part of the review of Strategic Risks and approach to Risk Management including the Framework. |
| Cyber Security 2022/23  | Medium   | An action plan is being developed in order for an application for certification to be made  | IT Services Manager       | 31/03/24<br>(01/01/23) | Planned for current year 2023/24. An assessment has been completed which has raised a lot of actions to complete before certification can be applied for.                                   |
| Cyber Security 2022/23  | High     | A plan is being created for removal or upgrade of unsupported servers.  | IT Services Manager       | 30/11/23<br>(01/12/22) | In progress – All 2003 servers have been removed. Further servers to be replaced in due course. The new live date for Housing is Nov 23 at which point the old servers can be removed.      |
| Cyber Security 2022/23  | Medium   | Change control procedures are being enabled on the corporate IT support software system to ensure change management is carried out and documented | IT Services Manager       | 30/09/23<br>(01/12/22) | In progress - Change control module is being implemented with helpdesk software supplier  |

Please find below details of the overdue/extended actions along with reasoning as to why they are not fully complete. These will be tracked in future progress reports.

| Audit Title                     | Priority | Agreed Action  | Owner   | Due date                 | Comments  |
|---------------------------------|----------|--|---|--------------------------|---|
| Housing void management 2022/23 | High     | Utilise the new reporting capability of IHMS to monitor each void stage and identify opportunities to improve and champion good performance. | Repairs Manager<br>Housing Technical Services | 31/07/2023<br>(01/05/23) | The last post of Void Inspector was filled on 9th May. The backlog of inspections has not been completed as the new staff member is completing the training.  |
| Housing void management 2022/23 | Medium   | Weekly exception reports to identify any data inaccuracies to be introduced until the implementation of the new IHMS system in May 2023.     | Repairs Manager<br>Housing Technical Services | 20/10/2023<br>(20/02/23) | In progress. Discussions on all aspects of the Void Audit have been held in the team. The Void and Responsive Repairs Manager has been heavily involved in the implementation of the IHMS system, however the delay in delivery is impacting this target. |
| Housing void management 2022/23 | Medium   | Utilise the post inspection outcome report from new IHMS post launch to understand the level of additional work required post inspection.    | Repairs Manager<br>Housing Technical Services | 31/10/2023<br>(01/05/23) | The implementation of IHMS was expected by the end of May and the delay in delivering the new IHMS system is impacting this target. We continue to record post inspection data manually in the interim.   |
| Housing void management 2022/23 | Medium   | Ensure this report is monitored by the Voids Contract manager to inform contract meetings and drive performance improvement.                 | Repairs Manager<br>Housing Technical Services | 31/10/2023<br>(01/05/23) | The delay in delivering the new IHMS system is impacting this target. We continue to record post inspection data manually in the interim.   |

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**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



## Governance and Audit Committee

12 July 2023

Report of  
Councillor Ashley Baxter  
The Deputy Leader of the Council

## Provisional Outturn Position Report 2022/23

### Report Author

Alison Hall-Wright Assistant Director of Finance (Deputy S151 Officer)

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### Purpose of Report

This report provides the Governance & Audit Committee with the details of the Council's provisional outturn position for the financial year 2022/23. The report covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and Housing Revenue Account
- Reserves overview – General Fund and Housing Revenue Account

### Recommendations

#### Governance & Audit Committee is asked to:

1. Review and approve the provisional Revenue and Capital Outturn position and associated appendices for the financial year 2022/23.
2. Note the budget carry forwards (appendices D and H).
3. Review and approve the following reserve movements in respect of the General Fund:
  - a) £1.5m of the Business Rates Volatility reserve to be transferred to the:
    - ICT Reserve increase by £0.150m
    - Property Maintenance Reserve increase by £0.400m
    - Invest To Save Reserve increase by £0.150m
    - Climate Change Reserve increase by £0.300m
    - Creation of a Pay Award Reserve of £0.500m
  - b) The balance of the Inflation Reserve of £0.500m to be transferred to the:
    - Budget Stabilisation reserve increase by £0.250m
    - Street Scene reserve increase by £0.250m

## Decision Information

|   |   |
|---|---|
| Does the report contain any exempt or confidential information not for publication? | No  |
| What are the relevant corporate priorities?   | Growth and our economy<br>Housing that meets the needs of all residents<br>Healthy and strong communities<br>Clean and sustainable environment<br>High performing Council |
| Which wards are impacted?   | All   |

## 1 Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance and Procurement***

1.1 The financial implications are included within the report.

Completed by: Richard Wyles, Chief Finance Officer

### ***Legal and Governance***

1.2 The terms of reference of the Governance and Audit Committee require the Committee to consider for approval the annual revenue and capital outturn report, including the movement of reserves.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

## 2 Background to the Report

2.1 This report provides the Governance & Audit Committee with the detail of the Council's provisional outturn position for the financial year 2022/23.

2.2 Members will recall that 2022/23 was a turbulent financial year which required the Council on 24 November 2022 to approve a series of amendments to the budget framework in order to respond significant volatility to the budgets resulting from the pressures on utilities, fuel, pay and inflation. Following this, budgets were amended accordingly and the variances in this report are in relation to those amended budgets.

2.3 This report focuses on the more significant variances, a financial threshold of £20k has been followed in order to focus on those variances that are considered material. An overview of the provisional outturn is presented in the main report and there are a number of supporting appendices that provide greater detail in respect of:

- General Fund (GF) – Revenue, Capital and Reserves
- Housing Revenue Account (HRA) – Revenue, Capital and Reserves

In order to comply with International Financial Reporting Standards, a number of technical accounting entries are required to be made which can create significant variances. These entries are removed at table 4 to provide a more meaningful comparison. The report ensures that, through explanation and presentation, the final account figures can be reconciled back to the budget set by the Council. All the information shown in the following tables are provisional and may be subject to change upon completion of the external audit. Table 1 shows the overall summary outturn.

**Table 1 – 2022/23 Overall Provisional Summary**

| <b>Heading</b>                      | <b>2022/23 Budget<br/>(not including<br/>proposed<br/>budget C/F)<br/>£m</b> | <b>2022/23<br/>Provisional<br/>Outturn<br/>£m</b> | <b>Variance<br/><br/>£m</b> | <b>Commentary</b>                               |
|-------------------------------------|--|---|-----------------------------|---|
| <b>General Fund Revenue Account</b> | 22.209   | 20.690  | (1.519)                     | Details shown at section 2 and Appendices A & B |
| <b>General Fund Capital</b>         | 18.217   | 5.209   | (13.008)                    | Details shown at section 3 and Appendix C       |
| <b>Housing Revenue Account</b>      | (3.986)  | (5.279)   | (1.293)                     | Details shown at section 5 and Appendix F       |
| <b>HRA Capital</b>                  | 15.719   | 6.673   | (9.046)                     | Details shown at section 6 and Appendix G       |

### **Carry Forwards**

2.4 Due to timing differences in grants and budgets being approved, it is proposed to carry a number of budgets forward into 2023/24 to fund specific and previously approved projects. The details are shown at Appendix D (General Fund) and Appendix H (HRA).

- 2.5 Commentary and review of reserves are detailed at sections 5 (General Fund) and 8 (HRA). Reserves statements are shown at Appendix E (General Fund) and Appendix I (HRA).

### 3 Revenue Budget 2022/23 – General Fund

The amended budget set by Council on 24 November 2022 was £22.148m. Budgets have been amended as projects have commenced and these changes increased the 2022/23 budget to £22.209m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budget for comparative purposes to £20.249m. Table 2 provides a summary of the budget amendments.

**Table 2 – General Fund Revenue Budget Amendments**

| Date of Approval | Revenue Budget amendment | £'000         |
|------------------|--------------------------|---------------|
|                  |                          | 22,148        |
| January 2023     | SEA Reserve              | 12            |
| January 2023     | Regeneration Reserve     | 49            |
| <b>Total</b>     |                          | <b>22,209</b> |

- 3.1 The forecast outturn position as at Quarter 3 was reported to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 21 February 2023. At this time, a reduction in the forecast spend, additional projected investment interest and Minimum Revenue Provision (MRP) reduction resulted in a forecasted balanced position.
- 3.2 The General Fund outturn position is shown in Table 3 and Appendix A provides a detailed breakdown of the funding of the revenue expenditure. Appendix B provides details of the variances per service area along with supporting information explaining the main variances.

**Table 3 – General Revenue Outturn Position including accounting adjustments within Net Cost of Service**

|   | Description        | 2022/23<br>Current<br>Budget<br>£'000 | 2022/23<br>Current<br>Budget<br>(less<br>proposed<br>Budget C/F)<br>£'000 | 2022/23<br>Provisional<br>Outturn<br>£'000 | Variance<br>to<br>Current<br>Budget<br>£'000 | 2022/23<br>Outturn<br>Variance<br>% |
|---|--------------------|---------------------------------------|---|--|--|-------------------------------------|
| 1 | Corporate          | 9,843                                 | 9,504   | 9,575                                      | 71   | 0.7%                                |
| 2 | Finance            | 5,095                                 | 4,957   | 4,368                                      | (589)  | (11.9%)                             |
| 3 | Growth & Culture   | 6,979                                 | 6,554   | 7,164                                      | 610  | 9.3%                                |
| 4 | Housing & Property | 3,079                                 | 2,021   | 2,370                                      | 349  | 17.3%                               |
| 5 | HRA Recharge       | (2,787)                               | (2,787)   | (2,787)                                    | 0  | -                                   |

|           |  |                 |                 |                 |                |               |
|-----------|--|-----------------|-----------------|-----------------|----------------|---------------|
| <b>6</b>  | <b>Net Cost of Service</b>                   | <b>22,209</b>   | <b>20,249</b>   | <b>20,690</b>   | <b>441</b>     | <b>2.2%</b>   |
| 7         | Removal of Accounting Adjustments            | 0               | 0               | (1,259)         | (1,259)        | -             |
| <b>8</b>  | <b>Re-stated Net Cost of Service</b>         | <b>22,209</b>   | <b>20,249</b>   | <b>19,431</b>   | <b>(818)</b>   | <b>(4.0%)</b> |
| 9         | Interest Payable and Receivable              | (101)           | (101)           | (691)           | (590)          |               |
| 10        | Minimum Revenue Provision                    | 291             | 291             | 131             | (160)          |               |
| 11        | Revenue Contribution to Capital              | 55              | 55              | 24              | (31)           |               |
| 12        | Drainage Rates                               | 792             | 792             | 803             | 11             |               |
| 13        | Depreciation                                 | (4,722)         | (4,722)         | (4,722)         | 0              |               |
| <b>14</b> | <b>Net Budget Requirement</b>                | <b>18,524</b>   | <b>16,564</b>   | <b>14,976</b>   | <b>(1,588)</b> |               |
| <b>15</b> | <b>Funding</b>                               | <b>(14,564)</b> | <b>(14,564)</b> | <b>(14,054)</b> | <b>510</b>     |               |
| 16        | Transfers to/(from) earmarked reserves       | (3,960)         | (2,205)         | (1,127)         | 1,078          |               |
| 17        | Budget Carry Forwards from 22/23 underspends | 0               | 205             | 205             | 0              |               |
| <b>18</b> | <b>Net Budget (Surplus)/Deficit</b>          | <b>0</b>        | <b>0</b>        | <b>0</b>        | <b>0</b>       |               |

- Line 7 – removal of accounting entries, specifically:
  - o IAS19 (employee pension) - the cost of providing employee benefits should be recognised in the period in which the benefit is earned by the employee, rather than when it is paid or payable.
  - o Revenue Expenditure Financed from Capital under Statute (REFCUS) and REFCUS is capital expenditure, which is incurred on non-Council owed assets, for example, disabled facilities grants and the shop front grant scheme.
- Line 8 –shows the total net overall expenditure for the Council.
- Line 9 – additional interest income has been earned through investment of increased cash balances and interest rate changes. No external borrowing was required in 2022/23 so no interest charges have been incurred.
- Line 13 – in accordance with accounting requirements, depreciation is charged at the costs of services where relevant (lines 1-4) but then reversed out at line 13 to ensure there is not an impact on Council Tax and the General Fund.
- Once the accounting adjustments (line 7 of table 3) has been removed from the Directorate, the 'controllable' variance can be identified (line 8 of table 3).

3.3 Table 4 provides a breakdown of the accounting adjustments detailed at line 7 in table 3 and table 5 shows the outturn position with the accounting adjustments removed.

**Table 4 – Removal of Accounting Adjustments**

| <b>Accounting Adjustments</b> | <b>Corporate<br/>£'000</b> | <b>Finance<br/>£'000</b> | <b>Growth<br/>&amp;<br/>Culture<br/>£'000</b> | <b>Housing &amp;<br/>Property<br/>£'000</b> | <b>Total<br/>£'000</b> |
|-------------------------------|----------------------------|--------------------------|---|---|------------------------|
| <b>IAS 19</b>                 | (814)                      | 897                      | (337)   | (152)                                       | <b>(406)</b>           |
| <b>REFCUS</b>                 | 309                        | 0                        | (440)   | (457)                                       | <b>(588)</b>           |
| <b>Revaluations</b>           | 0                          | 0                        | 0   | (306)                                       | <b>(306)</b>           |
| <b>Accumulated Absences</b>   | 18                         | 7                        | 12  | 4   | <b>41</b>              |
| <b>Total</b>                  | <b>(487)</b>               | <b>904</b>               | <b>(765)</b>                                  | <b>(911)</b>                                | <b>(1,259)</b>         |

**Table 5 – General Revenue Outturn Position (excluding accounting adjustments)**

| <b>Description</b>             | <b>2022/23<br/>Current<br/>Budget</b> | <b>2022/23<br/>Current<br/>Budget<br/>(less<br/>Proposed<br/>Budget<br/>C/F)</b> | <b>2022/23<br/>Provisional<br/>Outturn</b> | <b>Variance to<br/>Current<br/>Budget</b> | <b>2022/23<br/>Outturn<br/>Variance</b> |
|--------------------------------|---------------------------------------|--|--|---|---|
|                                | <b>£'000</b>                          | <b>£'000</b>   | <b>£'000</b>                               | <b>£'000</b>                              | <b>%</b>                                |
| Corporate                      | 9,843                                 | 9,504  | 9,088                                      | (416)                                     | (4.4%)                                  |
| Finance                        | 5,095                                 | 4,957  | 5,272                                      | 315                                       | 6.4%                                    |
| Growth &<br>Culture            | 6,979                                 | 6,554  | 6,399                                      | (155)                                     | (2.4%)                                  |
| Housing &<br>Property          | 3,079                                 | 2,021  | 1,459                                      | (562)                                     | (27.8%)                                 |
| HRA<br>Recharge                | (2,787)                               | (2,787)  | (2,787)                                    | 0   | 0                                       |
| <b>Net Cost of<br/>Service</b> | <b>22,209</b>                         | <b>20,249</b>  | <b>19,431</b>                              | <b>(818)</b>                              | <b>(4.0%)</b>                           |

3.4 Appendix B provides further details of the outturn revenue position for each Directorate along with variance comments.

#### **4 General Fund Capital Programme 2022/23**

4.1 The budget set by Council on 3 March 2022 for the 2022/23 General Fund Capital programme was £19.608m. Table 6 shows a summary of the movements during the year.

**Table 6 – General Fund Capital Budget**

| Date of Approval               | Capital Budget amendment                     | £'000         |
|--------------------------------|--|---------------|
|                                |  | <b>19,608</b> |
| June 2022                      | Changing Places                              | 160           |
| July 2022                      | Additional Disabled Facilities Grant 2022/23 | 115           |
| July 2022                      | 2021/22 Budget Carry Forwards                | 990           |
| July 2022                      | Replacement Vehicles                         | (525)         |
| September 2022                 | Loan to Leisure SK Ltd                       | 137           |
| October 2022,<br>February 2023 | St Martins Park Stamford – site demolition   | 245           |
| <b>Total</b>                   |  | <b>20,730</b> |

- 4.2 Table 7 summarises the General Fund capital outturn position as at 31 March 2023. There is an underspend of £13.008m which includes an underspend of £308k Disabled Facilities Grant, Vehicle Replacement Programme £224k, deferral of works to the re-surfacing of Welham Street car park at £127k and £793k underspend on the Sustainable Warmth Grant which the Council received to assist with the upgrade of energy efficient homes for low income households.

**Table 7 – General Fund Capital Outturn Position**

| Heading                         | 2022/23 Amended Current Budget<br>£'000 | 2022/23 Budget (less C/F approved by Council March 2023)<br>£'000 | 2022/23 Provisional Outturn<br>£'000 | 2022/23 Outturn Variance<br>£'000 |
|---------------------------------|---|---|--------------------------------------|-----------------------------------|
| Corporate                       | 2,349                                   | 1,869   | 1,409                                | (460)                             |
| Finance                         | 164                                     | 164   | 165                                  | 1                                 |
| Growth & Culture                | 14,304                                  | 13,735  | 2,281                                | (11,454)                          |
| Housing & Property              | 3,913                                   | 2,449   | 1,354                                | (1,095)                           |
| <b>Total Expenditure</b>        | <b>20,730</b>                           | <b>18,217</b>   | <b>5,209</b>                         | <b>(13,008)</b>                   |
| <b>Financed By:</b>             |   |   |                                      |                                   |
| Capital Grant and Contributions | (4,277)                                 | (3,149)   | (2,093)                              | 1,056                             |
| Capital Reserve                 | (114)                                   | (114)   | (121)                                | (7)                               |
| Revenue Reserve Funding         | (4,287)                                 | (3,302)   | (2,024)                              | 1,278                             |

|                          |                 |                 |                |               |
|--------------------------|-----------------|-----------------|----------------|---------------|
| Useable Capital Receipts | (918)           | (518)           | (574)          | (56)          |
| Borrowing                | (11,134)        | (11,134)        | (397)          | 10,737        |
| <b>Total Financing</b>   | <b>(20,730)</b> | <b>(18,217)</b> | <b>(5,209)</b> | <b>13,008</b> |

Details of the individual capital schemes included in each directorate are detailed at Appendix C including variance comments. Additional General Fund capital budget carry forward requests are detailed in Appendix D.

## 5 General Fund Reserves 2022/23

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial statements reflect the proposed use of these and specific details of the significant balances and reserves are set out below and detailed at Appendix E.

5.2 A summary of the key observations and proposals are:

- £1.5m of the Business Rates Volatility Reserve to be transferred to the:
- ICT Reserve increase by £0.150m to replenish the level of the Reserve
- Property Maintenance Reserve increase by £0.400m to respond to the backlog in asset repair and improvement works
- Invest To Save Reserve increase by £0.150m
- Climate Change Reserve formation with £0.300m to pump prime initiatives that provide a response to the Council declared climate change emergency and reduce the Council's carbon footprint by 2030.
- Pay Award Reserve formation with £0.500m to fund any additional sums that may be required beyond the budgeted 3%.

The balance of the Inflation Reserve of £0.500m to be transferred to the:

- Budget Stabilisation Reserve increase by £0.250m in order to mitigate the impact of using the Budget Stabilisation Reserve during the year
- Street Scene Reserve increase by £0.250m in order to provide reserve funding for workshop spend pressures

### **Discretionary Reserves £10.873m (lines 1-11)**

5.3 These reserves have been established to financially support the delivery of the Council's Corporate Plan ambitions including both revenue and capital projects. Lines 1 to 11 set out the provisional balance on each reserve as at 31 March 2023 based on the specific requirements of the reserve use during the financial year. Commentary is provided below on the main movements during the course of the year:

5.4 Climate Change Reserve – this reserve is used to fund one-off climate initiatives. It is recommended that the balance on this reserve is increased by £300k to pump prime initiatives that provide a response to the Council declared climate change emergency and reduce the Council's carbon footprint by 2030.

- 5.5 Street Scene Reserve – this reserve is used to manage workshop spend pressures. It is recommended that the balance on this reserve is increased by £250k to ensure there is sufficient resource to manage future pressures.
- 5.6 ICT investment – during the year this reserve (£151k) has been used to fund the purchase of devices in readiness for the member ICT rollout, and the purchase of customer portal for the Revenues service.
- 5.7 Local Priorities Reserve – this is the Council's most significant discretionary reserve and as at 31 March 2023 has a closing balance of £5.543m increasing to £5.641m after commitments have been taken into consideration. During the year the Council received New Homes Bonus receipt of £0.924m which was credited to the reserve and the reserve was used to fund the Leisure SK Ltd management fee of £250k, £147k to fund the workshop budget increase approved by Council on 24 November 2022, £711k to fund the capital programme relating to vehicle replacement and property enhancement expenditure, a transfer of £600k to the Regeneration Reserve, £500k to fund the part repayment of grant to the Local Enterprise Partnership and to fund the 2021/22 budget carry forwards of £127k.
- 5.8 Invest to Save Reserve – this reserve is used to fund initiatives which once implemented will achieve an ongoing saving for the Council. During the year £643k of this reserve was used to fund the costs associated with invest to save projects this included the costs associated with staffing restructures (£117k) and the office accommodation move (£460k). The balance on this reserve has been increased by £0.5m which was approved as part of the 2022/23 Budget Report presented to Council on 3 March 2022.
- 5.9 Housing Delivery – this reserve is used to continue to respond to on-going demands for supporting residents adapt their properties to meet their specific requirements. A transfer of £308k was made to the reserve at year end.
- 5.10 Property Maintenance – this reserve is used to accelerate the backlogged maintenance programme across the Council's General Fund Corporate Property Assets. Due to the scale of the investment required it is recommended that the balance on this reserve is increased by £400k.
- 5.11 Regeneration Reserve – this reserve is currently being used to fund the costs associated with the St Martins Park site at Stamford and the Council contribution towards the Grantham Future High Street Fund and Heritage Action Zone projects. There has been a net movement on the reserve of £114k which reflects the £1.829m transferred to increase the balance on the reserve and the costs incurred during 2022/23.

**Governance Reserves £8.071m (lines 12-21)**

- 5.12 These reserves are maintained to mitigate risk, satisfy statutory and grant awarding bodies' requirements and support prudent financial management.
- 5.13 The Insurance Reserve - provides cover to meet unforeseen costs relating to insurance claims over and above the provisions made in year as part of managing

the 'in house risk' with an increased self-insured strategy. The balance on this reserve is £211k.

- 5.14 Pension Reserve - The former employees reserves funds the annual costs associated with these individuals. The balance on these reserves totals £277k at 31 March 2023.
- 5.15 Budget Stabilisation Reserve - To ensure there is minimum financial disruption to the funding of the General Fund in respect of the uncertainty regarding future funding, the Council has established a reserve to manage the budget deficit. For the financial year 2022/23 there has been no requirement to use this reserve as overall costs have been kept within the amended budget framework.
- 5.16 Section 31 Grant Reserve – the section 31 grants received to fund business rates reliefs are transferred to this reserve to manage the timing award of the grant with the funding requirement period. The commentary recommends that £1m is transferred from the reserve to replenish other discretionary reserves.
- 5.17 Special Expense Area Reserves (SEA) – this reserve holds the balance of the SEA income which had a balance of £342k at 31 March 2023. This is broken down as:
- Grantham SEA increase of £25k to £211k
  - Langtoft SEA reduction of £1k to £0k
  - Stamford SEA decrease of £11k to £131k (this does not include spend incurred during 2023/24)

**General Fund Working Balance £1.962m (line 23)**

- 5.18 The purpose of this working balance is to ensure there is sufficient financial resource available in order to meet unforeseen events during the course of the financial year. The proposed minimum balance is set at a level that reflects the financial risk the Council is currently exposed to. This objective is also being met from the Budget Stabilisation Reserve and therefore the two balances combined provide a robust financial cushion for the Council to access should there be further financial volatility or unexpected financial costs. This is a provisional balance as further work is being undertaken to determine the final outturn position.

**General Fund Capital Reserves £3.545m (line 29)**

- 5.19 General Fund - Capital Reserve - this is used to assist with the funding of the capital programme. It can be seen that the reserve is close to a zero balance which reflects the current Council objective of utilising its reserve to fund the capital programme in lieu of undertaking external borrowing.
- 5.20 Useable Capital Receipts Reserve - £573k of this reserve has been used to fund the General Fund capital programme. During the year the Council has received £1.612m capital receipts which relate to the repayment of the loan to Gravitas Housing Ltd, vehicle sales and the receipts from the sales of surplus land at Cattlemarket and Broad Street Stamford. The current policy is to dispose of

surplus land and buildings in order to generate capital receipts to minimise the need for borrowing.

## 6 Revenue Budget 2022/23 – Housing Revenue Account

- 6.1 The amended budget set by Council on 24 November was a surplus of £3.986m. This surplus is used to provide funding for the external loan and to enable reserve levels to be maintained that subsequently fund the capital programme and service improvements. For the purposes of the outturn variance analysis the budget carry forwards have been removed and the actual surplus for the year is £5.279m. The surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 8 shows the HRA outturn position for 2022/23.

**Table 8 – HRA Revenue Outturn Position**

| Description                           | 2022/23<br>Current<br>Budget<br>£'000 | 2022/23<br>Current<br>Budget<br>(less<br>Proposed<br>Budget<br>C/F)<br>£'000 | 2022/23<br>Provisional<br>Outturn<br>£'000 | Variance<br>to<br>Current<br>Budget<br>£'000 |
|---------------------------------------|---------------------------------------|--|--|--|
| Expenditure                           | 20391                                 | 20,084   | 21,067                                     | 983  |
| Income                                | (26,512)                              | (26,512)   | (25,892)                                   | 620  |
| <b>Net Cost of HRA Services</b>       | <b>(6,121)</b>                        | <b>(6,428)</b>   | <b>(4,825)</b>                             | <b>1,603</b>                                 |
| Interest Payable and Similar Charges  | 2,335                                 | 2,335  | 2,335                                      | 0  |
| Interest and Investment Income        | (200)                                 | (200)  | (1,226)                                    | (1,026)                                      |
| Investment Property Inc & Exp         | 0                                     | 0  | (24)                                       | (24)   |
| Return on Pension Assets              | 0                                     | 0  | 53   | 53   |
| Net (Gain)/loss on sale of HRA Assets | 0                                     | 0  | (1,068)                                    | (1,068)                                      |
| External Grant Funding                | 0                                     | 0  | (433)                                      | (433)  |
| Capital receipts pooling              | 0                                     | 0  | 4  | 4  |
| IAS19*                                | 0                                     | 0  | (109)                                      | (109)  |
| Accumulated Absences                  | 0                                     | 0  | 14   | 14   |
| <b>(Surplus)/Deficit for the year</b> | <b>(3,986)</b>                        | <b>(4,293)</b>   | <b>(5,279)</b>                             | <b>(986)</b>                                 |

- 6.2 Appendix F provides details of the HRA revenue outturn position together with significant variances.

## 7 HRA Capital Programme 2022/23

- 7.1 The budget set by Council on 3 March 2022 for the 2022/23 HRA Capital programme is £16.353m. Table 9 shows the summary of movements:

**Table 9 – HRA Capital Programme Budget Adjustments**

| Date of Approval | GF Budget amendment           | £'000         |
|------------------|-------------------------------|---------------|
|                  |                               | <b>16,353</b> |
| July 2022        | 2021/22 Budget Carry Forwards | 2,881         |
| <b>Total</b>     |                               | <b>19,234</b> |

- 7.2 Table 10 summarises the HRA Capital forecast outturn position as at 31 December 2022.

**Table 10 – HRA Capital Forecast Outturn Position**

| Capital Scheme                | 2022/23 Current Budget<br>£'000 | 2022/23 Budget (less C/F approved by Council March 2023)<br>£'000 | 2022/23 Provisional Outturn<br>£'000 | Variance to Current Budget<br>£'000 |
|-------------------------------|---------------------------------|---|--------------------------------------|-------------------------------------|
| Energy Efficiency Initiatives | 4,230                           | 4,023   | 1,754                                | (2,269)                             |
| ICT                           | 1,220                           | 750   | 450                                  | (300)                               |
| New Build Programme           | 4,120                           | 2,620   | 715                                  | (1,905)                             |
| Refurbishment & Improvement   | 9,486                           | 8,148   | 3,657                                | (4,491)                             |
| Repairs Vehicles              | 178                             | 178   | 97                                   | (81)                                |
| <b>Total Expenditure</b>      | <b>19,234</b>                   | <b>15,719</b>   | <b>6,673</b>                         | <b>(9,046)</b>                      |
| <b>Financed By:</b>           |                                 |   |                                      |                                     |
| HRA Capital Receipts Reserve  | (4,120)                         | (2,620)   | (391)                                | 2,229                               |
| Grants & Contributions        | (148)                           | (148)   | (148)                                | 0                                   |
| HRA Improvement Reserve       | (1,190)                         | (720)   | (450)                                | 270                                 |
| Major Repairs Reserve         | (13,746)                        | (12,201)  | (5,399)                              | 6,802                               |
| S106                          | (30)                            | (30)  | (285)                                | (255)                               |
| <b>Total Financing</b>        | <b>(19,234)</b>                 | <b>(15,719)</b>   | <b>(6,673)</b>                       | <b>9,046</b>                        |

- 7.3 Appendix G provides a detailed table of the HRA capital programme outturn position together with significant variances.

## 8 HRA Reserves 2022/23

- 8.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial

statements reflect the proposed use of these and specific details of the significant balances and reserves are set out below and detailed at Appendix I.

### **HRA Reserves £48.520m Line 9**

- 8.2 HRA Improvement Reserve – £450k of the reserve has been used to fund the investment in a new housing system. The balance on this reserve of £1.556m has been transferred to the HRA Priorities Reserve which was approved by Council on 1 March 2023.
- 8.3 HRA Priorities Reserve – The balance on this reserve is £14.784m. During the year the reserve has been used to fund £57k increased electricity costs, £58k to fund additional costs associated with the annual pay award and £209k to fund the revenue costs associated with the works at the Earlesfield Estate Grantham.
- 8.4 HRA Working Balance - This balance serves the same purpose as the General Fund Working Balance in that it is established to respond to unforeseen financial events that occur during the financial year. The Council policy is to aim to keep the working balance at approximately 10% of the operating expenditure. This is a provisional balance as the statement of accounts is still being finalised.
- 8.5 HRA Capital Receipts Reserve – The Council has established a capital receipts reserve where the ‘Right to Buy’ sale receipts are allocated. During the year £3.625m receipts have been received with 42 right to buy sales (compared to 39 RTB sales in 2021/22). During the year £391k of the reserve has been used to contribute towards the financing of the capital programme and pooling payments of £4k have been made to Government. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.
- 8.6 Major Repairs Reserve – This reserve has been increased by £6.425m, in accordance with the HRA business plan an annual allocation is required in order to provide sustainable funding for the HRA capital programme. To provide financing for the 2022/23 programme an allocation of £5.399m has been utilised. This will continue to be the primary financing for the housing improvement elements of the Capital Programme.

## **9 Inflation**

- 9.1 Since the budgets were prepared last autumn and approved by Council in March 2022, there has been an unprecedented and completely unforeseen increase in inflation and energy costs. The Committee has been updated during the course of the year, with an approved budget amendment on 24 November 2022 included within the budgets above shown at Table 3 and 5. Table 11 and 12 below show the highest cost incurred areas for both electricity and gas in 2022/24.

### **Table 11 – Electricity Outturn Position**

| <b>Cost Heading</b>                            | <b>2022/23<br/>Original<br/>Budget</b> | <b>2022/23<br/>Amended<br/>Budget</b> | <b>2022/23<br/>Outturn</b> | <b>2022/23<br/>Variance</b> |
|--|--|---------------------------------------|----------------------------|-----------------------------|
| Footpath Lighting                              | 171,000                                | 253,200                               | 221,400                    | (31,800)                    |
| St Martin's Park, Stamford                     | 65,000                                 | 108,700                               | 123,000                    | 14,300                      |
| SK Communal Facilities (HRA)                   | 89,300                                 | 186,000                               | 120,000                    | (66,000)                    |
| Tenancy & Neighbourhood (HRA)                  | 50,400                                 | 97,900                                | 77,900                     | (20,000)                    |
| Grantham Council Offices                       | 55,900                                 | 89,600                                | 46,900                     | (42,700)                    |
| Alexandra Road Depot (including Mowbeck House) | 31,700                                 | 46,000                                | 32,200                     | (13,800)                    |
| Guildhall Arts Centre                          | 28,000                                 | 32,800                                | 30,400                     | (2,400)                     |
| Wharf Rd M-Storey car park                     | 27,500                                 | 36,200                                | 30,300                     | (5,900)                     |
| Stamford Arts Centre                           | 31,800                                 | 33,500                                | 22,800                     | (1,000)                     |
| Bourne Corn Exchange                           | 22,100                                 | 28,700                                | 22,200                     | (6,500)                     |
| Welham St M-Storey Car Park                    | 13,600                                 | 21,300                                | 18,600                     | (2,700)                     |
| Homelessness Units (HRA)                       | 19,200                                 | 38,900                                | 17,800                     | (21,100)                    |
| South Kesteven House                           | 19,300                                 | 19,300                                | 12,200                     | (7,100)                     |
| Closed Circuit Television                      | 5,200                                  | 7,600                                 | 6,400                      | (1,200)                     |
| Wyndham Park, Grantham                         | 4,200                                  | 7,800                                 | 5,500                      | (2,300)                     |
| Abbey Gardens Toilets                          | 4,400                                  | 5,000                                 | 3,800                      | (1,200)                     |
| Grantham Bus Station                           | 2,600                                  | 4,300                                 | 3,600                      | (700)                       |
| Repairs And Improvements Team (HRA)            | 2,900                                  | 5,600                                 | 3,400                      | (2,200)                     |
| <b>Total</b>                                   | <b>644,100</b>                         | <b>1,022,400</b>                      | <b>798,400</b>             | <b>(224,000)</b>            |

**Table 12 – Gas Outturn Position**

| <b>Cost Heading</b>       | <b>2022/23<br/>Budget</b> | <b>2022/23<br/>Outturn</b> | <b>2022/23<br/>Variance</b> |
|---------------------------|---------------------------|----------------------------|-----------------------------|
| Communal Heating (HRA)    | 80,200                    | 97,800                     | 17,600                      |
| Communal Facilities (HRA) | 51,300                    | 42,200                     | (9,100)                     |
| Grantham Council Offices  | 21,500                    | 26,300                     | 4,800                       |
| Guildhall Arts Centre     | 12,400                    | 13,300                     | 900                         |
| Homelessness Units        | 17,100                    | 11,100                     | (6,000)                     |
| Bourne Cap                | 5,300                     | 9,800                      | 4,500                       |
| Alexandra Road Depot      | 11,900                    | 9,100                      | (2,800)                     |
| South Kesteven House      | 7,400                     | 7,000                      | (400)                       |
| Stamford Arts Centre      | 5,800                     | 5,800                      | 0                           |
| Bourne Corn Exchange      | 2,500                     | 0                          | (2,500)                     |
| <b>Total</b>              | <b>215,400</b>            | <b>222,400</b>             | <b>7,000</b>                |

## **10 Reasons for the Recommendations**

- 10.1 Members should be kept updated on the financial position of the Authority, as effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.
- 10.2 This report provides an overview of the provisional outturn financial position for the Council for 2022/23.

## **11 Consultation**

- 11.1 The Outturn report was presented to Finance and Economic Overview and Scrutiny Committee on 22 June 2023 and Cabinet on 11 July 2023.

## **12 Background Papers**

- 12.1 Determination of Budget 2022/23 and indicative budgets to 2024/25 – General Fund, Housing Revenue Account and associated Capital Programmes Report  
<http://moderngovsvr/documents/s32627/Council%20Budget%20Report.pdf>
- 12.2 Finance Update – April – August  
[Finance Update Report April-August 2022 Report.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/finance-update-report-april-august-2022-report.pdf)
- 12.3 Finance Update - April – October  
[Finance Update Report.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/finance-update-report.pdf)
- 12.4 Finance Update - April – December  
[Budget Monitoring Report Qtr 3.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/budget-monitoring-report-qr-3.pdf)

## **13 Appendices**

- 13.1 Appendix A – 2022/23 General Fund Revenue Summary - Outturn
- 13.2 Appendix B – 2022/23 General Fund Revenue Significant Variance Analysis
- 13.3 Appendix C – 2022/23 General Fund Capital Programme – Outturn
- 13.4 Appendix D – 2022/23 Budget Carry Forwards General Fund Revenue & Capital
- 13.5 Appendix E – 2022/23 General Fund Reserves Statement
- 13.6 Appendix F – 2022/23 HRA Revenue Summary - Outturn and Significant Variance Analysis
- 13.7 Appendix G – 2022/23 HRA Capital Programme – Outturn
- 13.8 Appendix H – 2022/23 Budget Carry Forwards HRA Revenue & Capital
- 13.9 Appendix I – 2022/23 HRA Reserves Statement

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## 2022/23 General Fund Revenue Summary

| Description   | 2022/23<br>Current<br>Budget | 2022/23<br>Current<br>Budget<br>(less<br>Budget<br>Carry<br>Forwards) | 2022/23<br>Provisional<br>Outturn | Variance<br>to<br>Current<br>Budget | 2022/23<br>Outturn<br>Variance |
|---|------------------------------|---|-----------------------------------|-------------------------------------|--------------------------------|
|   | £'000                        | £'000   | £'000                             | £'000                               | %                              |
| Corporate   | 9,843                        | 9,504   | 9,575                             | 71                                  | 0.7%                           |
| Finance   | 5,095                        | 4,957   | 4,368                             | (589)                               | (11.9%)                        |
| Growth & Culture  | 6,979                        | 6,554   | 7,164                             | 610                                 | 9.3%                           |
| Housing & Property  | 3,079                        | 2,021   | 2,370                             | 349                                 | 17.3%                          |
| HRA Recharge  | (2,787)                      | (2,787)   | (2,787)                           | 0                                   | -                              |
| <b>Net Cost of Service</b>  | <b>22,209</b>                | <b>20,249</b>   | <b>20,690</b>                     | <b>441</b>                          | <b>2.2%</b>                    |
| Removal of Accounting Adjustments                                   | 0                            | 0   | (1,259)                           | (1,259)                             | -                              |
| <b>Re-Stated Net Cost of Service</b>                                | <b>22,209</b>                | <b>20,249</b>   | <b>19,431</b>                     | <b>(818)</b>                        | <b>(4.0%)</b>                  |
| Interest Payable and Receivable                                     | (101)                        | (101)   | (691)                             | (590)                               |                                |
| Minimum Revenue Provision   | 291                          | 291   | 131                               | (160)                               |                                |
| Revenue Contribution to Capital                                     | 55                           | 55  | 24                                | (31)                                |                                |
| Drainage Rates  | 792                          | 792   | 803                               | 11                                  |                                |
| Depreciation  | (4,722)                      | (4,722)   | (4,722)                           | 0                                   |                                |
| <b>Net Budget Requirement</b>                                       | <b>18,524</b>                | <b>16,564</b>   | <b>14,976</b>                     | <b>(1,588)</b>                      |                                |
| Funding and Resources:  |                              |   |                                   |                                     |                                |
| Council Tax   | (8,455)                      | (8,455)   | (8,455)                           | 0                                   |                                |
| Government Grants   | (852)                        | (852)   | (730)                             | 122                                 |                                |
| Retained Business Rates (S31 Grant, Pooling Gain, Renewable energy) | (3,971)                      | (3,971)   | (3,582)                           | 389                                 |                                |
| New Homes Bonus   | (1,232)                      | (1,232)   | (1,232)                           | 0                                   |                                |
| Collection Fund Deficit   | (54)                         | (54)  | (55)                              | (1)                                 |                                |
| Co-payment losses contribution                                      | 0                            | 0   | 0                                 | 0                                   |                                |
| <b>Total Funding</b>  | <b>(14,564)</b>              | <b>(14,564)</b>   | <b>(14,054)</b>                   | <b>510</b>                          |                                |
| Transfers to/(from) earmarked reserves                              | (3,960)                      | (2,205)   | (1,127)                           | 1,078                               |                                |
| Budget Carry Forwards from 21/22 underspends                        | 0                            | 205   | 205                               | 0                                   |                                |
| <b>Net Budget (Surplus)/Deficit</b>                                 | <b>0</b>                     | <b>0</b>  | <b>0</b>                          | <b>0</b>                            |                                |

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**2022/23 General Fund Revenue Significant Variance Analysis**

| <b>Corporate</b>                   |   |                       |   |   |                            |                          |
|------------------------------------|---|-----------------------|---|---|----------------------------|--------------------------|
| Service Area                       | Current Expenditure Budget (less Budget Carry Forwards) | Current Income Budget | Current Budget (less Budget Carry Forwards) | 2022/23 Provisional Outturn (less Accounting Adjustments) | Variance to Current Budget | 2022/23 Outturn Variance |
|                                    | £   | £                     | £   | £   | £                          | %                        |
| Centralised & Business Support     | 486,890   | (3,200)               | <b>483,690</b>                              | 437,915   | (45,775)                   | (9.5%)                   |
| Communications                     | 425,080   | (4,300)               | <b>420,780</b>                              | 316,719   | (104,061)                  | (24.7%)                  |
| Corporate Management               | 488,262   | (1,700)               | <b>486,562</b>                              | 503,076   | 16,514                     | 3.4%                     |
| Human Resources                    | 391,214   | (6,950)               | <b>384,264</b>                              | 339,817   | (44,447)                   | (11.6%)                  |
| Legal & Democratic                 | 1,662,738   | (323,469)             | <b>1,339,269</b>                            | 1,419,199   | 79,930                     | 6.0%                     |
| Ops & Public Protection Management | 97,063  | 0                     | <b>97,063</b>                               | 120,892   | 23,829                     | 24.5%                    |
| Organisation & Transformation      | 892,266   | (484,400)             | <b>407,866</b>                              | 407,961   | 95                         | 0.0%                     |
| Public Protection                  | 1,548,950   | (385,000)             | <b>1,163,950</b>                            | 1,055,979   | (107,971)                  | (9.3%)                   |
| Waste & Street Scene               | 6,867,375   | (2,147,100)           | <b>4,720,275</b>                            | 4,485,942   | (234,333)                  | (5.0%)                   |
| <b>Total</b>                       | <b>12,859,838</b>                                       | <b>(3,356,119)</b>    | <b>9,503,719</b>                            | <b>9,087,500</b>  | <b>(416,219)</b>           | <b>(4.4%)</b>            |

| <b>Material Variances (&gt;£20k)</b>  | <b>£'000</b> |
|---|--------------|
| <b>Centralised &amp; Business Support</b>   | <b>(46)</b>  |
| Overall reduction in centralised services required during the year for printing, postage and advertising notices (£36k)   |              |
| <b>Communications</b>   | <b>(104)</b> |
| A number of staffing vacancies in the area has resulted in an underspend of £131k. The publication and distribution costs of SK Today during 2022/23 have significantly increased leading to an overspend of £25k. From 2023/24 SK Today will be predominantly online which will mitigate the need for future budget increases. |              |
| <b>Human Resources</b>  | <b>(44)</b>  |
| There has been reduced expenditure across a number of budget lines which has contributed towards the underspend including staffing vacancies (£16k), staff  |              |

|   |                     |
|---|---------------------|
| <p>advertising costs (£9k) due the increased use of online advertising and a reduced Wellbeing programme (£15k) due to limitations of larger events in the first part of the year.</p>  |                     |
| <p><b>Legal &amp; Democratic</b></p> <p>Land Charges - Additional search fee costs together with an increase in non-chargeable personal searches and significant reduction in official searches of 34% based on 2021/22 has resulted in an overspend of £93k. This has been partially mitigated by in year vacancies of £9k.</p> <p>Democratic Representation – there was an underspend of £17k on members travel expenses as fewer claims were received than originally budgeted.</p> <p>Centralised Legal fees – additional legal related activity has resulted in an overspend of £20k.</p>  | <p><b>80</b></p>    |
| <p><b>Public Protection</b></p> <p>There has been a reduced need for maintenance call outs in respect of CCTV cameras together with a reduction in the number of cameras requiring replacement or repair (£20k). A combination of in year vacancies and savings on posts has resulted in an underspend of (£64k)</p>  | <p><b>(108)</b></p> |
| <p><b>Street Scene</b></p> <p>Commercial Waste - Additional sales income of £83k has been achieved as a result of in year price increases and continuing growth in the customer base.</p> <p>Additional income of £38k has been received for collection of bulky waste and for the sale of additional wheelie bins for multi occupied properties and new housing developments.</p> <p>Refuse &amp; Recycling - Mild weather conditions have reduced the requirement for catch up rounds resulting in an underspend of £43k</p> <p>Fuel prices were lower than originally anticipated when the additional budget was approved by Council on 24 November 2022 which has resulted in an underspend of £37k which will be offset by a reduced transfer from reserves.</p> <p>Workshop – the additional cost of workshop repairs and consumables was lower than anticipated when the additional budget was approved by Council on 24 November 2022 which has resulted in an underspend of £33k, this will be offset by a reduced transfer from reserves.</p> | <p><b>(234)</b></p> |

| <b>Finance</b>                         |  |                            |  |  |                                 |                               |
|--|--|----------------------------|--|--|---------------------------------|-------------------------------|
| Service Area                           | Current Expenditure Budget (less Budget Carry Forwards)<br>£ | Current Income Budget<br>£ | Current Budget (less Budget Carry Forwards)<br>£ | 2022/23 Provisional Outturn (less Accounting Adjustments)<br>£ | Variance to Current Budget<br>£ | 2022/23 Outturn Variance<br>% |
| Finance                                | 2,755,710  | (135,550)                  | <b>2,620,160</b>                                 | 2,651,773  | 31,613                          | 1.2%                          |
| Finance Management                     | 231,042  | (16,350)                   | <b>214,692</b>                                   | 227,843  | 13,151                          | 6.1%                          |
| ICT Services                           | 1,792,510  | (40,550)                   | <b>1,751,960</b>                                 | 1,856,104  | 104,144                         | 5.9%                          |
| Revenues, Benefits & Customer Services | 20,386,486   | (20,016,950)               | <b>369,536</b>                                   | 536,035  | 166,499                         | 45.1%                         |
| <b>TOTAL</b>                           | <b>25,165,748</b>  | <b>(20,209,400)</b>        | <b>4,956,348</b>                                 | <b>5,271,755</b>   | <b>315,407</b>                  | <b>6.4%</b>                   |

| <b>Material Variances (&gt;£20k)</b>   | <b>£'000</b> |
|--|--------------|
| <p><b>Finance</b><br/>Interim accountancy and procurement support whilst roles were permanent appointed to has resulted in additional costs.</p>   | <b>32</b>    |
| <p><b>ICT</b><br/>Establishment roles remained vacant in the year during whilst a service review restructure was undertaken (£25k). The Council completed the Cyber Security works which resulted in an overspend of £150k which will be funded from a grant received from Central Government.</p> | <b>104</b>   |
| <p><b>Revenues, Benefits &amp; Customer Services</b><br/>There is a reduction of income from court costs fees of £66k as there have been less cases referred to court for Council Tax arrears.<br/>Less income has been received than budgeted from Housing Benefit Overpayments of £120k.</p>     | <b>166</b>   |

| <b>Growth &amp; Culture</b> |  |                            |  |  |                                 |                          |
|-----------------------------|--|----------------------------|--|--|---------------------------------|--------------------------|
| Service Area                | Current Expenditure Budget (less Budget Carry Forwards)<br>£ | Current Income Budget<br>£ | Current Budget (less Budget Carry Forwards)<br>£ | 2022/23 Provisional Outturn (less Accounting Adjustments)<br>£ | Variance to Current Budget<br>£ | 2022/23 Outturn Variance |
| Arts & Culture              | 2,707,726  | (1,223,050)                | <b>1,484,676</b>                                 | 1,507,506  | 22,830                          | 1.5%                     |
| Building Control            | 976,477  | (833,593)                  | <b>142,884</b>                                   | 69,616   | (73,268)                        | (51.3%)                  |
| Community Engagement        | 252,646  | (28,000)                   | <b>224,646</b>                                   | 226,201  | 1,555                           | 0.7%                     |
| Culture & Leisure Mgmt      | 349,953  | 0                          | <b>349,953</b>                                   | 342,277  | (7,676)                         | (2.2%)                   |
| Development & Policy        | 1,526,800  | (1,428,100)                | <b>98,700</b>                                    | 188,664  | 89,964                          | 91.1%                    |
| Economic Development        | 839,360  | (483,994)                  | <b>355,366</b>                                   | 29,598   | (325,768)                       | (91.7%)                  |
| Growth Management           | 219,887  | 0                          | <b>219,887</b>                                   | 243,423  | 23,536                          | 10.7%                    |
| Leisure                     | 3,009,551  | (153,550)                  | <b>2,856,001</b>                                 | 2,925,768  | 69,767                          | 2.4%                     |
| Parks & Open Spaces         | 943,603  | (122,250)                  | <b>821,353</b>                                   | 865,100  | 43,747                          | 5.3%                     |
| <b>Total</b>                | <b>10,826,003</b>  | <b>(4,272,537)</b>         | <b>6,553,466</b>                                 | <b>6,398,153</b>   | <b>(155,313)</b>                | <b>(2.4%)</b>            |

| <b>Material Variances (&gt;£20k)</b>   | <b>£'000</b> |
|--|--------------|
| <p><b>Arts Centres</b></p> <p>There is a net loss of income following a reduced programme for films and workshops across the centres during the first half of the year and live shows at the Meres Leisure Centre during 2022/23. This has partially been mitigated by Arts Council grant funding which has been received to contribute to the programme delivered, in year vacancies and a reduction in printing costs for brochures.</p> | <b>23</b>    |
| <p><b>Building Control</b></p> <p>Costs have reduced due to in year vacancies and the partnership trading account has made a surplus which will provide funding for re-investment into the service in future years.</p>  | <b>(73)</b>  |
| <p><b>Development &amp; Policy</b></p> <p>Levels of application numbers and the corresponding income levels reduced in comparison to previous years. Overall, the Council received 157 fewer applications in 2022/23 than in the previous year which has resulted in a reduction in income for the</p>   | <b>90</b>    |

|   |              |
|---|--------------|
| year of £242k. This has been partially mitigated by in year vacancies and delays in recruitment following a restructure culminating in a saving of £187k.   |              |
| <p><b>Economic Development</b></p> <p>The remaining approved residual funding from InvestSK Ltd has been received in 2022/23 which will be transferred to general reserves.</p> <p>There has been a reduction in revenue project costs for both the Grantham Future High Streets and Heritage Action Zone in 2022/23. There will be a reduced reserve movement.</p> | <b>(326)</b> |
| <p><b>Leisure</b></p> <p>Aborted feasibility costs transferred to revenue following the decision by Council on 24 November to no longer progress with the Deepings Leisure Centre refurbishment project has resulted in an overspend of £67k.</p>   | <b>70</b>    |
| <p><b>Parks and Open Spaces</b></p> <p>Payment of remaining reserve balance (£38k) to Bourne Town Council following the cessation of the Bourne Special Expense area.</p>   | <b>44</b>    |

| <b>Housing &amp; Property</b> |  |                            |  |  |                                 |                               |
|-------------------------------|--|----------------------------|--|--|---------------------------------|-------------------------------|
| Service Area                  | Current Expenditure Budget (less Budget Carry Forwards)<br>£ | Current Income Budget<br>£ | Current Budget (less Budget Carry Forwards)<br>£ | 2022/23 Provisional Outturn (less Accounting Adjustments)<br>£ | Variance to Current Budget<br>£ | 2022/23 Outturn Variance<br>% |
| Health & Safety               | 120,200  | 0                          | <b>120,200</b>                                   | 118,640  | (1,560)                         | (1.3%)                        |
| Housing Services              | 1,373,105  | (941,705)                  | <b>431,400</b>                                   | 344,029  | (87,371)                        | (20.3%)                       |
| Property Services             | 4,279,637  | (2,819,450)                | <b>1,460,187</b>                                 | 987,434  | (472,753)                       | (32.4%)                       |
| Waste Depot                   | 9,000  | 0                          | <b>9,000</b>                                     | 9,387  | 387                             | 4.3%                          |
| <b>TOTAL</b>                  | <b>5,781,942</b>   | <b>(3,761,155)</b>         | <b>2,020,787</b>                                 | <b>1,459,490</b>   | <b>(561,297)</b>                | <b>(27.8%)</b>                |

| <b>Material Variances (&gt;£20k)</b>  | <b>£'000</b> |
|---|--------------|
| <p><b>Housing</b></p> <p>Sustainable Warmth - (£124k) The scheme was delivered by a third party enabling the costs to be charged to the capital programme. This underspend will be offset by a reduction in the revenue grant received.</p> <p>Homelessness – the Council was overpaid £83k of flexible housing support grant in 2021/22 which it was required to repay in 2022/23. The repayment will be funded from the balance of the grant which was transferred to the grants reserve in 2021/22.</p>  | <b>(87)</b>  |
| <p><b>Property Services</b></p> <p>Car Parks - An improving usage across a number of car parks since the introduction of card payments has resulted in additional income of (£21k).</p> <p>Office Accommodation – Following the transfer of office accommodation from St Peter's Hill to The Picture House, overall savings of £59k have been achieved.</p> <p>St Martin's Park Stamford – The demolition of the buildings on St Martin's Park has resulted in an overall budget underspend on premise related expenditure of £114k, including business rates and security. This will be offset with a reduced reserve movement.</p> <p>Utilities – unit costs were lower than originally anticipated when the additional budget was approved by Council on 24 November 2022 which has resulted in a General Fund underspend of £104k which will be offset by a reduced transfer from reserves.</p> | <b>(473)</b> |

**General Fund Capital Programme Summary 2022/23**

| Capital Scheme                   | 2022/23 Amended Current Budget | 2022/23 Amended Budget less C/F approved by Council March 2023 | 2022/23 Provisional Outturn | 2022/23 Outturn Variance | Variance comments   |
|----------------------------------|--------------------------------|--|-----------------------------|--------------------------|---|
|                                  | £'000                          | £'000  | £'000                       | £'000                    |   |
| <b>Corporate</b>                 |                                |  |                             |                          |   |
| Wheelie Bin Replacements         | 114                            | 114  | 121                         | 7                        |   |
| Disabled Facilities Grants       | 975                            | 975  | 667                         | (308)                    | In total, 116 grants were approved with 106 adaptations completed in year. Grants approved in 22/23 but where works have not been completed will carry over into 23/24. The average value of a completed adaptation was £4,944. |
| Street Scene Vehicle Procurement | 259                            | 132  | 221                         | 89                       | The vehicle procurement programme has been delivered. Overspend resulting from early delivery of a vehicle. Agreed carry forward will be reduced by £89k.   |
| Vehicle Replacement Programme    | 608                            | 608  | 384                         | (224)                    | The programme identified that 3 freighters required replacement of which 2 had been purchased this year. The third vehicle has been ordered but not yet delivered and therefore a carry forward has been requested of £224k.    |
| CCTV Camera Replacement          | 369                            | 16   | 16                          | 0                        | This project has been delayed as the Council is awaiting an updated price from the supplier. This project is expected to be delivered during 2023/24 so a budget carry forward of £353k has therefore been requested.           |
| Trade Waste Bins                 | 24                             | 24   | 0                           | (24)                     | Expenditure of £8k has been transferred to revenue as it fell below the £10k capital de minimis.  |

|   |               |               |              |                 |  |
|---|---------------|---------------|--------------|-----------------|--|
|   |               |               |              |                 | Full budget was not required in year as the service is currently at capacity.  |
| <b>Total</b>                                | <b>2,349</b>  | <b>1,869</b>  | <b>1,409</b> | <b>(460)</b>    |  |
| <b>Finance</b>                              |               |               |              |                 |  |
| Finance System Upgrade                      | 27            | 27            | 28           | 1               |  |
| Loan to Leisure SK for gym equipment        | 137           | 137           | 137          | 0               |  |
| <b>Total</b>                                | <b>164</b>    | <b>164</b>    | <b>165</b>   | <b>1</b>        |  |
| <b>Growth &amp; Culture</b>                 |               |               |              |                 |  |
| St Martins Park, Stamford                   | 1,549         | 1,549         | 1,539        | (10)            |  |
| Future High Street Fund                     | 822           | 378           | 297          | (81)            | Applications have not progressed as quickly as anticipated which has caused a delay in the award of grants. A budget carry forward is therefore requested.   |
| Shop Front Scheme                           | 125           | 0             | 0            | 0               |  |
| Deepings Leisure Centre - Refurbishment     | 10,663        | 10,663        | 0            | (10,663)        | Following a meeting of Full Council on 24 November 2022 it has been agreed not to proceed with the refurbishment of Deepings Leisure Centre.   |
| Heritage Action Zone                        | 445           | 445           | 445          | 0               |  |
| Deepings Leisure Centre – All Weather Pitch | 700           | 700           | 0            | (700)           | Following a meeting of Full Council on 24 November 2022 it has been agreed not to proceed with the development of a 3G pitch in Deepings. This project was partly funded by an external grant of £0.5m |
| <b>Total</b>                                | <b>14,304</b> | <b>13,735</b> | <b>2,281</b> | <b>(11,454)</b> |  |

| <b>Housing and Property</b>           |       |       |     |       |   |
|---------------------------------------|-------|-------|-----|-------|---|
| Welham Car Park – Maintenance Works   | 525   | 250   | 123 | (127) | Phase 1 works have been completed but due to works being undertaken out of season some snagging is yet to be undertaken.  |
| Empingham Road Stamford – Outdoor Gym | 55    | 0     | 0   | 0     |   |
| Empingham Road – S106 Grants          | 253   | 5     | 5   | 0     |   |
| Sustainable Warmth Grant              | 1,245 | 1,245 | 451 | (794) | 60% of funding has been provided for both LAD3 and HUG1 streams that make up the scheme. The take up from residents has not yet met the anticipated level to allocate 100% of funding. The HUG1 scheme comes to an end as of May 23, and LAD3 comes to an end Sept 23. It is expected further properties will be upgraded under LAD3 funding. |
| New Depot location Grantham           | 471   | 471   | 397 | (74)  | National grid works delayed the programme, due to be completed Q1 2023/24.  |
| Mere's Leisure Centre Boiler          | 65    | 0     | 0   | 0     |   |
| Cycle Shelter and Changing Room       | 40    | 0     | 0   | 0     |   |
| Guildhall Arts Centre – Renovations   | 50    | 50    | 12  | (38)  | Project completed under budget.   |
| Stamford Arts Centre – Roof           | 400   | 0     | 49  | 49    | Work have now commenced on site and expected to complete in 6-8 months. The agreed budget carry forward will be reduced to accommodate the £49k costs incurred to date.   |

|                                       |               |               |              |                 |  |
|---------------------------------------|---------------|---------------|--------------|-----------------|--|
| Stamford Arts Centre – Renovations    | 69            | 69            | 4            | (65)            | Project has been delivered to a reduced specification.   |
| Stamford Arts Centre – Toilets        | 194           | 194           | 194          | 0               |  |
| Wyndham Park Play Area                | 55            | 55            | 55           | 0               |  |
| Cattle Market Stamford                | 70            | 70            | 0            | (70)            | The feasibility study in respect of the car parking provision in Stamford will be undertaken during 2023/24. |
| Decarbonisation Scheme                | 261           | 0             | 0            | 0               |  |
| Changing Places – Public Conveniences | 160           | 40            | 64           | 24              | Project completed at the Grantham Meres Leisure Centre.  |
| <b>Total</b>                          | <b>3,913</b>  | <b>2,449</b>  | <b>1,354</b> | <b>(1,095)</b>  |  |
| <b>Capital Programme Total</b>        | <b>20,730</b> | <b>18,217</b> | <b>5,209</b> | <b>(13,008)</b> |  |

## Budget Carry Forwards – General Fund Revenue 2022/23

| Project   | Proposed Budget Carry Forward<br>£'000 | Funding  | Commentary   |
|---|--|--|--|
| Funding of Climate Change Initiative                        | 61                                     | Local Priorities Reserve £20k<br>Climate Change Reserve £31k<br><br>Budget underspend 2022/23 £10k                           | Funding in order to continue to deliver initiatives as identified in the Climate Action Strategy |
| Funding of Maintenance of Assets requirements               | 357                                    | Maintenance Reserve £253k<br>Grantham SEA Reserve £12k<br>Invest To Save Reserve £13k<br><br>Budget underspends 2022/23 £79k | Carry forward requested in order to deliver the backlog of property maintenance                  |
| Funding of Website procurement and laptop refresh programme | 55                                     | ICT Reserve  | Funding requested in order to proceed with the ongoing ICT committed spend                       |
| Funding of St Martin's Park Project                         | 62                                     | Regeneration Reserve   | Request to carry over remaining budget in order to continue the progression of the project       |
| Funding of Depot (revenue)                                  | 270                                    | Regeneration Reserve   | Request to carry over remaining approved budget for the continued development of the project     |
| Funding of the District Local Plan                          | 267                                    | Local Priorities Reserve £161k<br><br>Budget underspend 2022/23 £27k<br><br>2021/22 unspent grant £79k                       | Request to carry over remaining budget   |
| Funding of waste round review                               | 45                                     | Workshop Reserve   | Request to carry over remaining approved budget for the continuation of the review               |

|   |              |                           |  |
|---|--------------|---------------------------|--|
| Funding of meeting rooms and office refurbishment programme | 317          | Budget underspend 2022/23 | This funding is in respect of the proposed refurbishment of SK House                             |
| Funding of Changing Places                                  | 24           | 2022/23 unspent grant     | Request to carry over remaining budget to contribute towards changing places implementation      |
| Funding of Community Fund applications                      | 41           | 2022/23 unspent grant     | £26k approved schemes payable in 2023/24 and £15k of Lottery SK to fund future applications      |
| Funding of Blue Green Corridor project                      | 24           | 2022/23 unspent grant     | Request to carry over remaining approved budget for the continuation of the project              |
| Funding for Public Protection Inspections                   | 72           | 2021/22 unspent grant     | Request to carry over remaining budget for the continuation of inspections                       |
| <b>Sub Total</b>  | <b>1,595</b> |                           |  |
| Grants:   |              |                           |  |
| - Blue Green Corridor project                               | 169          |                           | Grants & contributions received that are required to fund specific expenditure items in 2023/24. |
| - Rough Sleeper   | 120          |                           |  |
| - Cultural Consortium                                       | 26           |                           |  |
| - Elections Act   | 21           |                           |  |
| - Householder Support Fund                                  | 29           |                           |  |
| <b>Total</b>  | <b>1,960</b> |                           |  |

### **Financing Summary Table - Revenue**

| <b>Funding</b>           | <b>£'000</b> |
|--------------------------|--------------|
| Grant funding            | 365          |
| ICT Reserve              | 55           |
| Local Priorities Reserve | 181          |
| Invest to Save Reserve   | 13           |
| Maintenance Reserve      | 253          |
| Climate Change Reserve   | 31           |
| Regeneration Reserve     | 332          |
| Workshop Reserve         | 45           |
| Grantham SEA Reserve     | 12           |
| Budget underspend 22/23  | 433          |
| 2021/22 unspent grant    | 151          |
| 2022/23 unspent grant    | 89           |
| <b>Total</b>             | <b>1,960</b> |

### **2022/23 Budget Carry Forwards – General Fund Capital**

| <b>Project</b>                   | <b>Budget Carry Forward<br/>£'000</b> | <b>Funding</b>   |
|----------------------------------|---------------------------------------|--|
| Cattle Market, Stamford          | 70                                    | This allocation is respect of a car park feasibility study                                   |
| Street Scene Vehicle Replacement | (89)                                  | The original carry forward has reduced as a result of an overspend of £89k in 2022/23        |
| Vehicle Replacement Programme    | 224                                   | Request to carry over to support increasing costs of vehicles.                               |
| Trade Waste Bins                 | 24                                    | No further orders anticipated in year. Request to carry into 23/24                           |
| St Martins Park, Stamford        | 10                                    | Request to carry forward underspend of £10k  |
| Future High Street Fund          | 81                                    | Request to carry forward underspend of £81k.   |
| Depot                            | 74                                    | National grid works delayed the programme, due to be completed Q1 2023/24.                   |
| Stamford Arts Centre - Roof      | (49)                                  | Expenditure of £49k was incurred in 2022/23 so therefore the carry forward has been reduced. |
| <b>Total</b>                     | <b>345</b>                            |  |

### **Financing Summary Table – Capital**

| <b>Funding</b>           | <b>£'000</b> |
|--------------------------|--------------|
| Capital Reserve          | 0            |
| Borrowing                | 74           |
| Grant                    | 81           |
| Useable Capital Receipts | 175          |
| Local Priorities Reserve | (65)         |
| Regeneration Reserve     | 80           |
| SEA Reserve              | 0            |
| <b>Total</b>             | <b>345</b>   |

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# Appendix E

## Appendix E

### Reserves – General Fund 2022/23

|           | Description                           | Actual Balance as at 31 March 2022 £'000 | Provisional movement £'000 | Provisional Balance as at 31 March 2023 £'000 | Reserve Use Committed 2023/24 £'000 | TOTAL £'000   |
|-----------|---------------------------------------|--|----------------------------|---|-------------------------------------|---------------|
|           | <b>Discretionary Reserves</b>         |  |                            |   |                                     |               |
| 1         | Climate Change                        | 31                                       | 0                          | 31  | (31)                                | 0             |
| 2         | Commercial                            | 250                                      | (250)                      | 0   | 0                                   | 0             |
| 3         | Training and Development              | 15                                       | 0                          | 15  | 0                                   | 15            |
| 4         | Street Scene                          | 117                                      | (36)                       | 81  | (45)                                | 36            |
| 5         | ICT investment                        | 500                                      | (151)                      | 349   | (112)                               | 237           |
| 6         | Economic Development & Growth         | 32                                       | (32)                       | 0   | 0                                   | 0             |
| 7         | Local Priorities Reserve              | 6,998                                    | (1,455)                    | 5,543   | 98                                  | 5,641         |
| 8         | Invest to Save                        | 809                                      | (143)                      | 666   | (13)                                | 653           |
| 9         | Housing Delivery                      | 1,796                                    | 308                        | 2,104   | (1,547)                             | 557           |
| 10        | Property Maintenance                  | 113                                      | 772                        | 885   | (253)                               | 632           |
| 11        | Regeneration                          | 1,085                                    | 114                        | 1,199   | (721)                               | 478           |
|           |                                       | <b>11,746</b>                            | <b>(873)</b>               | <b>10,873</b>                                 | <b>(2,624)</b>                      | <b>8,249</b>  |
|           | <b>Governance Reserves</b>            |  |                            |   |                                     |               |
| 12        | Insurance Reserve                     | 211                                      | 0                          | 211   | 0                                   | 211           |
| 13        | Pensions Reserve - Former Employees   | 308                                      | (31)                       | 277   | (33)                                | 244           |
| 14        | Budget Stabilisation                  | 4,531                                    | (1,627)                    | 2,904   | (1,534)                             | 1,370         |
| 15        | Section 31 Grant Reserve              | 3,730                                    | (199)                      | 3,531   | 0                                   | 3,531         |
| 16        | Building Control Reserve              | 76                                       | 8                          | 84  | (31)                                | 53            |
| 17        | Football 3G Pitch                     | 125                                      | 25                         | 150   | 25                                  | 175           |
| 19        | Special Expense Area Reserve          | 367                                      | (25)                       | 342   | (63)                                | 279           |
| 20        | Revenue Grants                        | 549                                      | (477)                      | 72  | (72)                                | 0             |
| 21        | Inflation Reserve                     | 500                                      | 0                          | 500   | 0                                   | 500           |
|           |                                       | <b>10,397</b>                            | <b>(2,326)</b>             | <b>8,071</b>                                  | <b>(1,708)</b>                      | <b>6,363</b>  |
| <b>22</b> | <b>Total General Revenue Reserves</b> | <b>22,143</b>                            | <b>(3,199)</b>             | <b>18,944</b>                                 | <b>(4,332)</b>                      | <b>14,612</b> |
| <b>23</b> | <b>Government Grants Received</b>     | <b>1,132</b>                             | <b>(67)</b>                | <b>1,065</b>                                  | <b>(447)</b>                        | <b>618</b>    |
| 24        | Working Balance*                      | 2,010                                    | (48)                       | 1,962   | (18)                                | 1,944         |
| <b>25</b> | <b>Total Revenue Reserves</b>         | <b>25,285</b>                            | <b>(3,314)</b>             | <b>21,971</b>                                 | <b>(4,797)</b>                      | <b>17,174</b> |
|           | <b>Capital Reserve</b>                |  |                            |   |                                     |               |
| 26        | LAMS Reserve                          | 18                                       | 0                          | 18  | (18)                                | 0             |
| 27        | General Fund Capital Reserve          | 155                                      | (121)                      | 34  | 18                                  | 52            |
| 28        | Useable Capital Receipts Reserve      | 2,452                                    | 1,041                      | 3,493   | (222)                               | 3,271         |
| <b>29</b> | <b>Total Capital Reserves</b>         | <b>2,625</b>                             | <b>920</b>                 | <b>3,545</b>                                  | <b>(222)</b>                        | <b>3,323</b>  |
| <b>30</b> | <b>Total General Fund Reserves</b>    | <b>27,910</b>                            | <b>(2,394)</b>             | <b>25,516</b>                                 | <b>(5,019)</b>                      | <b>20,497</b> |

\*this is an estimated position and will be finalised when the statement of accounts are completed

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**Housing Revenue Account Summary 2022/23**

| Description                                 | 2022/23<br>Current<br>Budget<br>£'000 | 2022/23<br>Current<br>Budget<br>(less<br>proposed<br>Budget<br>C/F)<br>£'000 | 2022/23<br>Provisional<br>Outturn<br>£'000 | 2022/23<br>Variance<br>£'000 |
|---|---------------------------------------|--|--|------------------------------|
| <b>Expenditure</b>                          |                                       |  |  |                              |
| Repairs and Maintenance                     | 8,940                                 | 8,940  | 9,210                                      | 270                          |
| Supervision and Management - General        | 2,528                                 | 2,221  | 2,352                                      | 131                          |
| Supervision and Management - Special        | 1,534                                 | 1,534  | 1,396                                      | (138)                        |
| Depreciation and Impairment of Fixed Assets | 3,828                                 | 3,828  | 8,179                                      | 4,351                        |
| Debt Management Expenses                    | 35                                    | 35   | 35   | 0                            |
| Provision for bad debts                     | 383                                   | 383  | (105)                                      | (488)                        |
| Other Expenditure (Pension Deficit)**       | 356                                   | 356  | 0  | (356)                        |
| HRA Insurance Provision                     | 0                                     | 0  | 0  | 0                            |
| Support recharge from General Fund          | 2,787                                 | 2,787  | 0  | (2,787)                      |
| <b>Total Expenditure</b>                    | <b>20,391</b>                         | <b>20,084</b>  | <b>21,067</b>                              | <b>983</b>                   |
| <b>Income</b>                               |                                       |  |  |                              |
| Dwelling Rents                              | (25,399)                              | (25,399)   | (24,847)                                   | 552                          |
| Non-Dwelling Rents                          | (332)                                 | (332)  | (288)                                      | 44                           |
| Charges for Services and Facilities         | (715)                                 | (715)  | (741)                                      | (26)                         |
| Other Income                                | (66)                                  | (66)   | (16)                                       | 50                           |
| <b>Total Income</b>                         | <b>(26,512)</b>                       | <b>(26,512)</b>  | <b>(25,892)</b>                            | <b>620</b>                   |
| <b>Net Cost of HRA Services</b>             | <b>(6,121)</b>                        | <b>(6,428)</b>   | <b>(4,825)</b>                             | <b>1,603</b>                 |
| Interest Payable and Similar Charges        | 2,335                                 | 2,335  | 2,335                                      | 0                            |
| Interest and Investment Income              | (200)                                 | (200)  | (1,226)                                    | (1,026)                      |
| Investment Property Inc & Exp*              | 0                                     | 0  | (24)                                       | (24)                         |
| Return on Pension Assets *                  | 0                                     | 0  | 53   | 53                           |
| Net (Gain)/loss on sale of HRA Assets *     | 0                                     | 0  | (1,068)                                    | (1,068)                      |
| External Grant Funding                      | 0                                     | 0  | (433)                                      | (433)                        |
| Capital receipts pooling *                  | 0                                     | 0  | 4  | 4                            |
| IAS19*                                      | 0                                     | 0  | (109)                                      | (109)                        |
| Accumulated Absences                        | 0                                     | 0  | 14   | 14                           |
| <b>HRA (Surplus)/Deficit</b>                | <b>(3,986)</b>                        | <b>(4,293)</b>   | <b>(5,279)</b>                             | <b>(986)</b>                 |

\*Accounting adjustment reversed out on the HRA balance

\*\* Costs in relation to pension deficit are charged at service level



|  |              |
|--|--------------|
| <p><b>Supervision &amp; Management – Special:</b></p> <p>Premises expenses incurred an underspend on Floor Coverings £27k and Electricity of £64k due to lower than expected usage and costs.</p> <p>Whilst the upgrade project for the intercom systems in sheltered housing accommodation is undertaken, there has been a reduction in revenue maintenance costs of £58k</p> | <p>(138)</p> |
| <p><b>Bad Debts:</b></p> <p>The level of provision for bad debts has been decreased due to higher than expected recovery rates on rent arrears</p>   | <p>(105)</p> |

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**HRA Capital Programme Summary 2022/23**

| <b>Capital Scheme</b>            | <b>2022/23<br/>Current<br/>Budget</b> | <b>2022/23<br/>Current<br/>Budget<br/>less C/F<br/>approved<br/>by<br/>Council<br/>March<br/>2023</b> | <b>2022/23<br/>Provisional<br/>Outturn</b> | <b>2022/23<br/>Variance</b> | <b>Variance comments</b>  |
|----------------------------------|---------------------------------------|---|--|-----------------------------|---|
|                                  | <b>£'000</b>                          | <b>£'000</b>  | <b>£'000</b>                               | <b>£'000</b>                |   |
| Central Heating and Ventilation  | 4,230                                 | 4,023   | 1,754                                      | (2,269)                     | Slippage on this year's programme has resulted in a reduced programme. Inflationary increases have been absorbed within the existing budget. A budget carry forward of £207k has been requested in the 2023/24 budget report to fund the Earlesfield Grantham programme. £207k carry forward requested. |
| <b>Energy Efficiencies Total</b> | <b>4,230</b>                          | <b>4,023</b>  | <b>1,754</b>                               | <b>(2,269)</b>              |   |
| CCTV                             | 30                                    | 30  | 0  | (30)                        | Openreach is currently reviewing their pricing structure which has resulted in delays in procuring the cameras that will meet the new digital specification.  |

|                                 |              |              |            |                |  |
|---------------------------------|--------------|--------------|------------|----------------|--|
| Housing System Enhancements     | 1,190        | 720          | 450        | (270)          | Delay to system go-live with all underspend due to be carried forward. Contract variation in the process of sign off. Additional carry forward of £270k underspend   |
| <b>ICT Total</b>                | <b>1,220</b> | <b>750</b>   | <b>450</b> | <b>(300)</b>   |  |
| Housing Investment              | 4,120        | 2,620        | 715        | (1,905)        | A number of schemes are progressing including a 20 unit project at Swinegate Grantham and a 4 unit scheme at Elizabeth Road Stamord. Further schemes are currently subject to feasibility studies.   |
| <b>Housing Investment Total</b> | <b>4,120</b> | <b>2,620</b> | <b>715</b> | <b>(1,905)</b> |  |
| Tunstall System Upgrade         | 199          | 199          | 219        | 20             | The additional cost uplift on budget was due to increased operational costs in relation to asbestos.   |
| Communal Rooms                  | 100          | 20           | 14         | (6)            |  |
| Replacement Door Programme      | 1,387        | 1,335        | 110        | (1,225)        | The new supplier is now in place to commence delivery. New windows and doors have been installed as part of the Earlesfield Programme and these will be rolled out to the remaining properties on the project. Additional carry forward in the sum of £352k for the Earlesfield Project has been requested to cover the cost of these works. |

|                        |       |       |       |         |  |
|------------------------|-------|-------|-------|---------|--|
| Kitchens & Bathrooms   | 3,175 | 2,272 | 1,172 | (1,100) | Internal project management resource shortages have resulted in delays in the programme delivery. An additional carry forward of £496k required for Earlesfield.   |
| Roofing                | 1,500 | 1,500 | 1,553 | 53      | The slight overspend reflects additional costs arising from inflation and two complex projects.  |
| Electrical Rewires     | 845   | 542   | 196   | (346)   | Due to delays in starting the Earlesfield programme which commenced in November. An additional carry forward requested of £166k required for Earlesfield.  |
| Door Entry Systems     | 360   | 360   | 31    | (329)   | Review of procurement arrangements has been undertaken, which resulted in a smaller improvement scheme this year.  |
| Passenger Lifts        | 615   | 615   | 35    | (580)   | The work has been procured and the lifts ordered, due to an 8 month manufacturing timescale the project will complete in 2023/24. Additional funding is required to address other lifts and therefore we request that this budget is carried forward to enable full completion of lift refurbishments. |
| Exterior Refurbishment | 660   | 660   | 118   | (542)   | A review of priorities has been completed due to the Social Housing Development Fund grant which led to a smaller programme.   |

|  |               |               |              |                |  |
|--|---------------|---------------|--------------|----------------|--|
| Compliance Works                             | 70            | 70            | 0            | (70)           | The compliance works have all been completed within other budget headings. .   |
| Fire Prevention                              | 575           | 575           | 209          | (366)          | The underspend of this budget is a result of the procurement process that was undertaken for the fire compartmentation surveys delaying the identification of resulting works. The 2023/24 approved budget will be utilised for identified works via the contract awarded in May 2023. |
| <b>Refurbishment &amp; Improvement Total</b> | <b>9,486</b>  | <b>8,148</b>  | <b>3,657</b> | <b>(4,491)</b> |  |
| Repairs Vehicles                             | 178           | 178           | 97           | (81)           | Due to the supplier issues, not all the vehicles were purchased during 2022/23. A budget carry forward of £81k has been requested.   |
| <b>Purchase of Vehicles Total</b>            | <b>178</b>    | <b>178</b>    | <b>97</b>    | <b>(81)</b>    |  |
| <b>Total</b>                                 | <b>19,234</b> | <b>15,719</b> | <b>6,673</b> | <b>(9,046)</b> |  |

## 2022/23 Budget Carry Forwards – HRA Revenue

| <b>Project</b>      | <b>Budget Carry Forward<br/>£'000</b> | <b>Funding</b>   | <b>Commentary</b>   |
|---------------------|---------------------------------------|------------------|---|
| Earlesfield Project | 307                                   | Cabinet 31.05.22 | Remaining budget from allocated Earlesfield Project £1.364k |
| <b>Total</b>        | <b>307</b>                            |                  |   |

## 2022/23 Budget Carry Forwards – HRA Capital

| <b>Project</b>              | <b>Budget Carry Forward<br/>£'000</b> | <b>Funding</b>         | <b>Commentary</b>   |
|-----------------------------|---------------------------------------|------------------------|---|
| Heating and Ventilation     | 76                                    | Major Repairs Reserve  | To fund Earlesfield project works to be undertaken in 2023/24 |
| Housing System Enhancements | 270                                   | HRA Priorities Reserve | To fund new system as works continue into 2023/24             |
| Repairs Vehicles            | 81                                    | Major Repairs Reserve  | Underspend of £81k  |
| Kitchens and Bathrooms      | 496                                   | Major Repairs Reserve  | To fund Earlesfield project works to be undertaken in 2023/24 |
| Electrical Rewires          | 166                                   | Major Repairs Reserve  | To fund Earlesfield project works to be undertaken in 2023/24 |
| Passenger Lifts             | 580                                   | Major Repairs Reserve  | Underspend requested  |
| <b>Total</b>                | <b>1,669</b>                          |                        |   |

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# Appendix I

## APPENDIX I

### Reserves – HRA 2022/23

|          | Description                       | Actual Balance as at 31 March 2022<br>£'000 | Provisional movement<br>£'000 | Provisional Balance as at 31 March 2023<br>£'000 | Reserve Use Committed 2023/24<br>£'000 | TOTAL<br>£'000 |
|----------|-----------------------------------|---|-------------------------------|--|--|----------------|
|          | <b>Revenue Reserve</b>            |   |                               |  |  |                |
| 1        | HRA Improvement Reserve           | 2,006                                       | (2,006)                       | 0  | 0                                      | 0              |
| 2        | HRA Priorities Reserve            | 13,522                                      | 1,262                         | 14,784   | (1,775)                                | 13,009         |
| 3        | Residents Involvement Reserve     | 30  | (30)                          | 0  | 0                                      | 0              |
| 4        | Working Balance*                  | 1,731                                       | 297                           | 2,028  | (310)                                  | 1,718          |
| <b>5</b> | <b>Total HRA Revenue Reserves</b> | <b>17,289</b>                               | <b>(477)</b>                  | <b>16,812</b>                                    | <b>(2,085)</b>                         | <b>14,727</b>  |
|          | <b>HRA Capital Reserve</b>        |   |                               |  |  |                |
| 6        | HRA Capital Receipts Reserve      | 8,925                                       | 3,230                         | 12,155   | (1,043)                                | 11,112         |
| 7        | Major Repairs Reserve             | 18,527                                      | 1,026                         | 19,553   | (6,699)                                | 12,854         |
| <b>8</b> | <b>Total HRA Capital Reserves</b> | <b>27,452</b>                               | <b>4,256</b>                  | <b>31,708</b>                                    | <b>(7,742)</b>                         | <b>23,966</b>  |
| <b>9</b> | <b>Total HRA Reserves</b>         | <b>44,741</b>                               | <b>3,779</b>                  | <b>48,520</b>                                    | <b>(9,827)</b>                         | <b>38,693</b>  |

\*this is an estimated position and will be finalised when the statement of accounts are produced

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SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL



## Governance and Audit Committee

12 July 2023

Report of Councillor Ashley Baxter  
Deputy Leader of the Council

## 2021/22 and 2022/23 Statement of Accounts Update

### Report Author

Alison Hall-Wright, Assistant Director of Finance (Deputy S151 Officer)

 [Alison.hall-wright@southkesteven.gov.uk](mailto:Alison.hall-wright@southkesteven.gov.uk)

### Purpose of Report

To update the Committee on the progress of the audit of the 2021/22 Statement of Accounts and the delayed publication of the draft unaudited Statement of Accounts for 2022/23.

### Recommendations

**It is recommended that the Governance and Audit Committee:**

- **Notes the progress of the audit of the 2021/22 Statement of Accounts**
- **Delegates authority to the Chief Finance Officer to make any final wording changes and accounting adjustments to the 2021/22 Statement of Accounts following the conclusion of any outstanding audit queries.**
- **Delegates approval of the audited 2021/22 Statement of Accounts and the Letter of Representation to the Chairman on behalf of the Governance and Audit Committee in consultation with the Chief Finance Officer following the completion of the audit.**

### Decision Information

|   |                         |
|---|-------------------------|
| Does the report contain any exempt or confidential information not for publication? | No                      |
| What are the relevant corporate priorities?   | High performing Council |
| Which wards are impacted?   | All                     |

## 1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

### ***Finance and Procurement***

1.1 The financial considerations are contained in the report.

Completed by: Richard Wyles, Chief Finance Officer

### ***Legal and Governance***

1.2 Delays in the auditing of the 2021/22 accounts have detrimentally impacted the timescales associated with the 2022/23 accounts. The statutory deadline for the completion of the audit of the 2022/23 accounts is 30 September 2023. The Council's external auditors have confirmed that this deadline is unlikely to be met. Further details and explanation are set out in the body of the report.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

## 2. Background to the Report

2.1 The draft 2021/22 Statement of Accounts were review by the Governance and Audit Committee on 20 July 2022 and subsequently published on 29 July 2022. Updated Statement of Accounts were presented to the Governance and Audit Committee on 30 November 2022 which reflected the changes that had been identified by the Finance Team and those agreed with our external auditors, Grant Thornton.

2.2 In accordance with the Accounts and Audit (Amendment) Regulations 2022, the target date for completing the 2021/22 audit and publishing the final accounts was 30 November 2022 which the Council did not meet due to delays beyond its control. These delays are commonplace amongst local authorities with only 12% achieving the 30 November deadline.

- 2.3 Since the last update to the Committee in November 2022, significant progress has been made with the external auditing of the accounts. With the exception of Property, Plant and Equipment (PPE) and Pensions the audit has been finalised for all sections of the accounts.
- 2.4 With respect to PPE external audit has requested additional information from the Council and the external valuers to enable them to audit the property valuations included in the accounts. This information has now been provided to the audit team in order for them to finalise the audit of this important area of the Council's accounts.
- 2.5 Following the completion of the triennial review of the pension fund in 2022/23 external audit has requested an updated 2021/22 IAS 19 Pension Valuation Report to enable them to establish whether the review has had a material impact on the pension information included in the accounts. The Finance Team has analysed the information and initial indications are that the core statements and Note 33 - Defined Benefit Pension Scheme will need to be amended to reflect the updated IAS 19 valuation information received. This information has been provided to the audit team for review.

### **2021/22 Statement of Accounts**

- 2.6 The draft Statement of Accounts were published on 29 July 2022. The Statement of Accounts presented to Governance and Audit Committee on 30 November 2022 were updated to reflect the changes listed in Table 1. The updated set of draft accounts presented to the committee on 30 November 2022 are available at the following location <http://moderngovsvr/documents/s36289/Appendix%20A%20-%202021-22%20Updated%20Draft%20Statement%20of%20Accounts.pdf>. Since presenting this information to the Committee a further amendment has been agreed with audit with respect to the Group Accounts. The value of the properties to be sold by Gravitax at 31 March 2022 have been included in the balance sheet in assets held for sale rather than inventory. This amendment will be included in the audited Statement of Accounts.

### **2.7 Audit Adjustments**

Table 1 shows the amendments that have made to the draft accounts as at 30 November 2022:

**Table 1 – Notes**

| Page | Note | Description  |
|------|------|--|
| 7    | 5    | Prior Period Adjustments – wording amended to state no prior period adjustments as this information related to the 2020/21 Statement of Accounts |
| 15   | 13   | Officer Remuneration – bracket £50k-£55k has been amended from 4 to 5 officers.  |
| 23   | 19   | Valuation Assumptions amended to include - A full year of depreciation is charge in the year of acquisition and none in the year of disposal.    |

|    |     |   |
|----|-----|---|
| 30 | 24  | Financial Instruments – Long term debtors amended from £0.877m to £0.480m due to the reclassification of the Gravitass loan from long term to short term debtors.   |
| 39 | 31  | Operating Leases:<br>No Later than 1 year amended from £637k to £663k:<br>between 1 – 5 years amended from £1.775m to £1.877m:<br>and later than 5 years amended from £2.088m to £2.048m.<br>The total of the table has increase from £4.5m to £4.588m. |
| 45 | 33g | Basis of Estimating Assets and Liabilities – rate of increase in salaries amended from 2.6% to 3.6%.  |
| 56 | 40  | Audit Fees – the Draft Audit Plan was not received prior to the draft accounts being published so the PSAA published audit fees figure was used in the accounts.<br>The total audit fee has been amended from £55k to £89k                              |

### **2022/23 Statement of Accounts**

- 2.8 The delay to the completion of the audit of the 2021/22 accounts has resulted in the Council not meeting the statutory deadline of 31 May 2023 for the publication of unaudited draft Statement of Accounts for 2022/23 as audited opening balances are required. A notice of the Delay to the Publication of the Unaudited Draft Statement of Accounts for 2022/23 has been included on our website <http://www.southkesteven.gov.uk/CHttpHandler.ashx?id=29368&p=0>.
- 2.9 The Council has had discussions with Grant Thornton regarding the audit of the 2022/23 Statement of Accounts which they have confirmed is scheduled to commence during August 2023. The statutory deadline for the completion of the audit of the 2022/23 accounts is 30 September 2023 however external audit has confirmed that it is unlikely this date will be met.

### **3. Other Options Considered**

- 3.1 Not applicable.

### **4. Reasons for the Recommendations**

- 4.1 Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015. In accordance with the Accounts and Audit (Amendment) Regulations 2022 once the accounts have been audited, they must be published.



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL



## Governance and Audit Committee

Date 12 July 2023

Report of Councillor Ashley Baxter,  
Deputy Leader of the Council

## 2023/24 Quarter 1 Treasury Management Activity

### Report Author

Alison Hall-Wright, Assistant Director of Finance and Deputy S151 Officer



[Alison.hall-wright@southkesteven.gov.uk](mailto:Alison.hall-wright@southkesteven.gov.uk)

### Purpose of Report

This Council is required by regulations issued under the local Government Act 2003 to produce regular reports on treasury and debt management operations during the financial year. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code).

### Recommendations

#### That the Committee:

1. Note and approve the content of the Quarter 1 review of treasury management activity for 2023/24.

## Decision Information

|   |                         |
|---|-------------------------|
| Does the report contain any exempt or confidential information not for publication? | No                      |
| What are the relevant corporate priorities?   | High performing Council |
| Which wards are impacted?   | All                     |

### 1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

#### ***Finance and Procurement***

1.1 The financial implications are included throughout this report.

Completed by: Richard Wyles, Deputy Chief Executive and S151 Officer

#### ***Legal and Governance***

1.2 This report provides details of the Council's performance in respect of Treasury management against policy set out as part of the budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

Completed by: Graham Watts, Assistant Director of Governance and Monitoring Officer

#### ***Risk and Mitigation***

1.3 Risk has been considered as part of this report. The treasury strategy has been compiled in conjunction with the Council's treasury advisors and is monitored by the committee on a regular basis.

Completed by: Tracey Elliott, Governance and Risk Officer

## **2. Background to the Report**

- 2.1 Treasury Management is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. In line with the code the council has adopted a treasury management policy statement that requires regular reports on treasury and debt management operations during the financial year.
- 2.2 Additionally, under part 1 of the Local Government Act 2003, the Council is required to have regard to the Prudential Code for capital finance including the setting of Prudential Indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2023/24 approved by Council on 1 March 2023.
- 2.3 This report is submitted in accordance with these requirements and provides a review of treasury management for the period ended 30 June 2023 and reviews current developments. The following elements are covered by the report:
- A review of debt management operations
  - A review of investment operations
  - An update on the treasury management Prudential Code Indicators

## **3. Treasury Management Update**

### **Debt Management Operations – Borrowing**

- 3.1 No additional borrowing was required during the first quarter of 2023/24. All current Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.47%. Appendix A shows loans outstanding as at 30 June 2023. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early.
- 3.2 As at 30 June 2023, the Council had short-term borrowing, which is defined as borrowing due to be repaid within 365 days, of £3.221m. This will be repaid in instalments of £1.611m on 28 September 2023 and 28 March 2024. The average annual rate of interest on these loan repayments is 3.03%.

### **Investment Operations**

- 3.3 The average size of the investment portfolio for the 3-month period was £68.611m compared to an average portfolio size of £90.996m during the same period in 2022/23.
- 3.4 The decrease in the portfolio is due to the repayment of COVID-19 business grants following the reconciliation of the schemes and the payment of the Council Tax Rebate grant to eligible households during 2022/23.

## **Investment Activity for the period ended 30 June 2023**

- 3.5 The Council operates a diverse portfolio and uses a number of methods to invest its reserves which include direct deposit, certificates of deposit, notice accounts and money market funds. As at 30 June 2023 the Council held short term investments of £77.891m (specified investments) and £3m (non-specified investments).
- 3.6 The Treasury Management Strategy stipulates that the Council should not ordinarily hold more than 35% of investments as non-specified and this was adhered to during the first quarter of 2023/24. A schedule of investments at 30 June 2023 is set out at Appendix A.
- 3.7 Short Term Fixed Deposits – In the period ended 30 June 2023, £34.0m of short-term fixed deposits were placed; £25.0m of investments matured within this same period.
- 3.8 Long Term Fixed Deposits – In the period ended 30 June 2023, there were no long-term fixed deposits placed and no long-term fixed deposits matured.

### **Treasury Management Prudential Code Indicators**

- 3.9 Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2023/24, 2024/25 and 2025/26 were approved by Council on 1 March 2023 as part of the Treasury Management Strategy 2023/24.
- 3.10 The 2023/24 indicators and actual figures for the 3 months to 30 June 2023 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

## **4. Key Considerations**

- 4.1 These are considered throughout the report.

## **5. Other Options Considered**

- 5.1 None.

## **6. Reasons for the Recommendations**

- 6.1 Committee members should be kept updated on the treasury management activity during the course of the financial year.

## **7. Background Papers**

- 7.1 Treasury Management Strategy 2023/24

<http://moderngovsvr/documents/s37040/Appendix%20G%20-%202023-24%20Treasury%20Management%20Strategy%20Statement.pdf>

## **8. Appendices**

### 8.1 Appendix A – Treasury Management Prudential Indicators

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# Appendix A

## Appendix A

### Debt Maturity Analysis – Public Works Loan Board as at 30 June 2023

All current external borrowing is classified under the HRA

| <b>Duration</b>               | <b>Amount<br/>£000</b> |
|-------------------------------|------------------------|
| Less than one year            | 3,222                  |
| Between one and two years     | 3,222                  |
| Between two and five years    | 9,665                  |
| Between five and ten years    | 16,109                 |
| Between ten and fifteen years | 41,109                 |
| Over fifteen years            | 12,886                 |
| <b>Total</b>                  | <b>86,213</b>          |

### Investment Maturity Analysis – Schedule of Cash Funds

|                                    | <b>As at 30 June 2023<br/>£000</b> | <b>Interest Rate<br/>%</b> |
|------------------------------------|------------------------------------|----------------------------|
| <b>Short Term Investments</b>      |                                    |                            |
| Aberdeen Standard MMF              | 5,000                              | variable                   |
| BNP Paribas MMF                    | 5,000                              | variable                   |
| PSDF MMF                           | 4,978                              | variable                   |
| Federated Prime3 MMF               | 913                                | variable                   |
| Insight MMF                        | 5,000                              | variable                   |
| Standard Chartered - Sustainable   | 9,000                              | 4.37                       |
| HELABA                             | 4,000                              | 4.15                       |
| Goldman Sachs                      | 4,000                              | 4.83                       |
| Sumitomo MBC                       | 3,000                              | 4.15                       |
| Bank of Montreal                   | 5,000                              | 5.20                       |
| Lloyds                             | 3,000                              | 4.02                       |
| Close Brothers                     | 10,000                             | 4.73                       |
| Leeds City Council                 | 5,000                              | 4.65                       |
| Lancashire County Council          | 5,000                              | 4.60                       |
| The Highland Council               | 3,000                              | 4.50                       |
| Cambridge CC                       | 2,000                              | 1.00                       |
| West Dunbartonshire                | 4,000                              | 4.70                       |
| <b>Total Short-Term</b>            | <b>77,891</b>                      | <b>(average rate) 4.31</b> |
|                                    |                                    |                            |
| <b>Long Term Investments</b>       |                                    |                            |
| CCLA Local Authority Property Fund | 3,000                              | 4.25*                      |
| <b>Total Long-Term</b>             | <b>3,000</b>                       | <b>(average rate) 4.25</b> |

\*dividend yield on Net Asset Value as at 31 May 2023

## External Debt Indicators

### Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

| <b>Authorised Limit For external debt</b> | <b>2023/24<br/>£000</b> | <b>As at 30 June 2023<br/>£000</b> |
|---|-------------------------|------------------------------------|
| Debt (non HRA)                            | 33.000                  | 0.000                              |
| HRA Reform                                | 115.000                 | 86.213                             |
| Other Long-term liabilities               | 0.000                   | 0.000                              |
| <b>Total</b>                              | <b>148.000</b>          | <b>86.213</b>                      |

### Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

| <b>Operational Limit for external debt</b> | <b>2023/24<br/>£000</b> | <b>As at 30 June 2023<br/>£000</b> |
|--|-------------------------|------------------------------------|
| Debt (non HRA)                             | 15.000                  | 0.0000                             |
| HRA Reform                                 | 100.000                 | 86.213                             |
| Other Long-term liabilities                | 0.000                   | 0.000                              |
| <b>Total</b>                               | <b>115.000</b>          | <b>86.213</b>                      |

## Governance and Audit Committee Work Plan 2023-24

Committee Membership:

Chairman: Councillor Tim Harrison

Vice-Chairman: Councillor Paul Wood

| Item   | Current Issues/Status  | Outcome Sought   |
|--|--|--|
| <b>12 July 2023</b>                                      |  |  |
| Internal Audit Progress Report                           | Update from the Council's Internal Auditors                                | To review and note the contents of the report  |
| Draft Financial Outturn 2022/2023                        | Detail of the Council's outturn position for the financial year 2022/2023. | To review the contents of the report and consider approving any reserve movements, Capital slippages and creation of reserves. |
| Statement of Accounts Update                             | Update on the progress of the signing-off of the Statement of Accounts     | To review and note the contents of the report  |
| Quarter 1 Treasury Management Activity 2023-2024         | To consider to Treasury Management Activity Report 2023 - 2024             | To review and note the contents of the report.   |
| <b>26 September 2023</b>                                 |  |  |
| Internal Audit Annual Report                             | Internal Audit to present the Annual Report.                               | To review and note the contents of the report.   |
| Timing of Full Council Meetings – questionnaire feedback | Feedback from the Members on proposed Timing of Full Council Meetings      | To consider the findings and make recommendations to the Head of Paid Service.   |
| Internal Audit Progress Report                           | Update from the Council's Internal Auditors                                | To review and note the contents of the report.   |

| Item                                      | Current Issues/Status  | Outcome Sought  |
|---|--|---|
| Counter Fraud Annual Report 2022/2023     | An Annual Report on the Counter Fraud monitoring process.  | To review and note the contents of the report.                |
| Strategic Risk Register                   | The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements.    | To review and consider approving the Strategic Risk Register. |
| Risk Management Annual Report 2022/2023   | The Annual Report on Risk Management Procedure and Policy.   | To review and note the contents of the report.                |
| Risk Management Framework 2023/2025       | A presentation of the Risk Management Framework 2023/2025.   | To review and note the contents of the report.                |
| Health and Safety Annual Report 2022/2023 | Report to give an overview of the health and safety management arrangements within South Kesteven District Council and identify key areas of focus | To review and note the contents of the report.                |
| Ombudsman Annual Report 2022/2023         | Annual review of complaints received and decisions made from the Local Government Ombudsman Letter.  | To review and note the contents of the report.                |
| Market Service Operational Review         | Three month update on actions in respect of the Action Plan.   | To review and note the contents of the report.                |
| <b>29 November 2023</b>                   |  |   |
| Annual Governance Report                  | Report outlining the key findings arising from the statutory audit of South Kesteven District Council.   | To review and note the contents of the report.                |
| Statement of Accounts 2022/2023           | To be approved each year by the statutory deadline.  | To approve the 2022/2023 Statement of Accounts and their      |

| Item                                     | Current Issues/Status   | Outcome Sought  |
|--|---|---|
|  |   | publication on the Council's website.                       |
| <b>24 January 2024</b>                   |   |   |
| Internal Audit Progress Report           | Update from the Council's Internal Auditors   | To review and note the contents of the report               |
| Indicative Internal Audit Plan 2024/2025 | Internal Audit to present the indicative Internal Audit Plan for 2024/2025.   | To review and note contents of plan for 2024/2025.          |
| Treasury Management Mid-Year Review      | Update on treasury and debt management operations during the financial year.  | To review and note the contents of the mid-year review..    |
| Counter Fraud Framework 2024/2026        | A report on The Counter Fraud Framework 2024/2026.  | To review and note the contents of the report.              |
| Safeguarding Annual Report 2022/2023     | An overview of the Council's involvement in the safeguarding of children, young people and vulnerable adults for 2022/2023.                                 | To review and note the contents of the report.              |
| <b>13 March 2024</b>                     |   |   |
| Annual Report on Grants and Returns      | Report providing details on the Housing Benefit Subsidy Claim.  | To review and note the contents of the report.              |
| Internal Audit Progress Report           | Update from the Council's Internal Auditors   | To review and note the contents of the report               |
| Statement of Accounting Policies         | Annual report prior to the preparation of the Statement of Accounts to ensure that the policies are up to date and in line with the CIPFA Code of Practice. | To consider approving the Statement of Accounting Policies. |

| Item  | Current Issues/Status   | Outcome Sought  |
|---|---|---|
| Strategic Risk Register                           | The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements. | To review and consider approving the Strategic Risk Register. |
| <b>Items to be allocated as and when required</b> |   |   |
| Financial Regulations                             |   |   |
| Code of Corporate Governance                      |   |   |
| Code of Conduct                                   |   |   |
| Contract Procedure Rules                          |   |   |
| Risk Management Framework                         |   |   |
| Committee Members Meeting with Auditors           |   |   |
| Counter Fraud Framework                           |   |   |