



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

**Finance, Economic Development and
Corporate Services Overview and Scrutiny
Committee**

22 September 2020

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Growth Directorate Outturn 19/20

The purpose of the report is to review the financial and performance outturn of the Growth Directorate following the presentation of the Council's outturn position for 2019/20.

Report Author

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Corporate Priority:	Decision type:	Wards:
Administrative	Administrative	All Wards

Reviewed by:	Alison Hall-Wright, Head of Finance	8 September 2020
Approved by:	Paul Thomas, Strategic Director, Growth	9 September 2020
Signed off by:	Councillor Adam Stokes, Cabinet Member of Finance and Resources	9 September 2020

Recommendation (s) to the decision maker (s)

- The Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is asked to review the outturn position of the Growth Directorate.**

1 The Background to the Report

1.1 At its meeting on 30th June 2020, the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee were presented with the Council's financial outturn for 2019/20. During the review of the outturn the Committee requested that further information be presented to further analyse the financial and operational performance of the Growth Directorate in response to a reported variance of 44.4% (as per the table below). It was reported during the meeting that the accounting adjustments (that are required in accordance with Accounting Regulations) had a significant impact upon the reported variance for the Growth Directorate. Table 1 shows the reported variance with the accounting adjustments included. Table 2 shows the relevant accounting adjustment and finally table 3 shows the outturn position re-presented with the accounting adjustments removed. It can be seen that the re-stated outturn for Growth reduces the overall variance from 44.4% to (1%).

1.2 However within an overall variance of 1%, there are a number of financial variances that contribute towards the overall position and table 5 sets these out in further detail.

Table 1 - General Fund Revenue Outturn Position

	Description	2019/20 Original Budget £'000	2019/20 Current Budget (less Budget Carry Forwards) £'000	2019/20 Outturn £'000	Variance to Current Budget £'000	2019/20 Outturn Variance %
1	Commercial & Operations	5,457	7,009	8,405	1,396	19.9%
2	Growth	7,108	6,242	9,016	2,774	44.4%
3	Finance, Legal & Democratic	7,822	4,869	4,698	(171)	(3.5%)
4	Transformation & Change	0	3,662	4,384	722	19.7%
5	HRA Recharge	(2,470)	(2,470)	(2,517)	(47)	(1.9%)
6	Removal of Accounting Adjustments	0	0	(3,506)	(3,506)	-
7	Net Cost of Service	17,917	19,312	20,480	1,168	6.1%
8	Interest Payable and Receivable	100	100	(307)	(407)	
9	Minimum Revenue Provision	308	308	148	(160)	
10	Depreciation	(3,619)	(3,619)	(4,545)	(926)	
11	Net Budget Requirement	14,706	16,101	15,776	(325)	
12	Funding	(16,389)	(16,389)	(16,691)	(302)	
13	Transfers to/(from) earmarked reserves	1,683	(14)	613	627	
14	Budget Carry Forwards from 19/20 underspends	0	302	302	0	
15	Net Budget (Surplus)/Deficit	0	0	0	0	

- Line 6 – removal of accounting entries, specifically IAS19 (employee pension), Revenue Expenditure Financed from Capital under Statute (REFCUS) and asset

revaluations. REFCUS is capital expenditure, which is incurred on non-Council owed assets, for example, disabled facilities grant and the shop front grant scheme. These adjustments are detailed in Table 2 below:

Table 2 – Removal of Accounting Adjustments

Description	£'000	Growth Specific £'000
IAS 19 (employee pension)	(1,982)	(712)
REFCUS	120	(77)
Asset revaluations	(1,644)	(1,472)
Total	(3,506)	(2,261)

- Line 7 –shows the total net overall expenditure for the Council.
- Line 8 – additional interest income has been earned through investment of increased cash balances and interest rate changes. No external borrowing was required in 2019/20 so no interest charges have been incurred.
- Line 10 – in accordance with accounting requirements, depreciation is charged at the costs of services where relevant (lines 1-4) but then reversed out at line 10 to ensure there is not an impact on Council Tax and the General Fund.

1.3 However, once the accounting adjustments (line 6) and the additional depreciation (line 10) have been removed from the Directorate, the 'controllable' variance can be identified.

Table 3 – General Revenue Outturn Position excluding accounting adjustments

Description	2019/20 Original Budget £'000	2019/20 Current Budget (less Budget Carry Forwards) £'000	2019/20 Outturn £'000	Variance to Current Budget £'000	2019/20 Outturn Variance %
Commercial & Operations	5,457	7,009	6,773	(236)	(3.4%)
Growth	7,108	6,242	6,181	(61)	(1.0%)
Finance, Legal & Democratic	7,822	4,869	5,249	380	7.2%
Transformation & Change	0	3,662	3,868	206	5.6%
HRA Recharge	(2,470)	(2,470)	(2,517)	(47)	(1.9%)
Net Cost of Service	17,917	19,312	19,554	242	1.3%

1.4 The tables below show the significant variance analysis for the Growth directorate.

Table 4

Growth						
Service Area	Current Budget (less Budget Carry Forwards)	2019/20 Outturn	2019/20 Accounting Adjustments and Additional Depreciation	2019/20 Outturn (excluding Accounting Adjustments)	Variance to Current Budget	2019/20 Outturn Variance
	£	£	£	£	£	%
Arts Centres	1,285,800	1,596,792	271,851	1,324,941	39,141	3.0%
St Martin's Park	218,000	218,546	0	218,546	546	0.3%
Development Management	(245,315)	230,567	179,365	51,202	296,517	120.9%
Growth Management	329,350	566,701	264,490	302,211	(27,139)	(8.2%)
Housing	523,915	645,442	99,177	546,265	22,350	4.3%
Invest SK	1,411,550	1,195,336	77,976	1,117,360	(294,190)	(20.8%)
Leisure Centres	2,221,500	2,477,394	214,006	2,263,388	41,888	1.9%
Planning Policy	446,700	526,007	69,821	456,186	9,486	2.1%
Property Development	50,250	1,559,564	1,658,278	(98,714)	(148,964)	(296.4%)
Total	6,241,750	9,016,349	2,834,964	6,181,385	(60,365)	(1.0%)

Explanation of Significant Variances	£'000
<p>Arts Centres</p> <p>Stamford - Income levels have been reduced by £37k which have partially been mitigated by (£15k) by reviewing anticipated expenditure of other budget lines up to 31 March 2020. Net impact of £22k.</p> <p>Guildhall -The budgeted level of income from room hire was not achieved in 2019/20 due to strong competition from other providers and the impact of work to the public realm in Grantham £18k.</p>	40
<p>Development Management</p> <p>The level of planning applications has reduced this year resulting in income from fees and charges underachieving by £166k. There were 6 (14%) fewer major applications and 83 (4%) fewer minor applications in 2019/20 when compared to 2018/19. This has partially been mitigated by additional new income from Planning Performance Agreements (£64k).</p> <p>Agency costs of £103k were incurred to undertake specific project work. These are to be funded from grant monies received in previous years. Some of the use of agency support has been in anticipation of the wider Council restructure and planning-focussed service review. Whilst the number of planning applications reduced in 2019/20, there are still a</p>	287

<p>number of outstanding, complex, cases that require significant resource to manage. Costs of £40k for a new housing infrastructure fund (HIF) post introduced during 2019/20 will be funded by Garden Village Capacity Grant received in a previous year.</p> <p>Conservation - There are ongoing expenses for scaffolding to support a conservation building within the district £19k. A charge on the property will be realised in the future.</p> <p>Land Charges – Income levels reduced by £63k in line with a reduced number of searches being undertaken. This is offset by reduced search fees and the current level of searches (£40k). There were 3,642 searches in 2018/19 compared with only 3,372 (7% fewer) in 2019/20.</p>	
<p>Growth Management</p> <p>External planning support of £45k will be funded by the Garden Village Capacity Grant, Future High Street grant funding of (£49k) and Environment Agency grant for the Blue Green Corridor project (£24k) will be moved to specific reserves to fund expenditure in 2020/21.</p>	(28)
<p>Invest SK</p> <p>Following a review of the funding levels to InvestSK for the 2019/20 financial year, a proportion of uncommitted expenditure (£300k) has been returned to the Council as reported to Finance, Economic Development and Corporate Services Overview and Scrutiny Committee in February 2020.</p>	(300)
<p>Property Development</p> <p>The proposal to transfer specific HRA assets to the General Fund is no longer proceeding (£25k) as the proposed sites will now be utilised to support the new build programme.</p> <p>In-year surveyor and graduate surveyor vacancies, 1 now appointed has resulted in an under spend of (£44k). This has fully achieved the salary vacancy factor of £10k for the service area.</p> <p>Reduction in maintenance works required of (£20k) following completion of surveys.</p> <p>Feasibility costs have been reduced by (£73k) due to limited pipeline of investment and development opportunities. The approved reserve movement will also be reduced. Review being undertaken on future use of St Martin's Park. Currently there are increased security costs and no source of income resulting in an overspend of £22k. It is proposed to meet this additional cost from the Regeneration Reserve.</p>	(80)
TOTAL	(81)

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 The Committee has previously received reports in respect of the financial outturn for 2019/20. At the request of the Committee, a further report has been prepared to provide further performance details for the Growth Directorate.

3 Available Options Considered

- 3.1 None.

4 Preferred Option

- 4.1 None.

5 Reasons for the Recommendation (s)

5.1 The report presented is in response to a work plan request from the Committee to receive further analysis for the Growth Directorate.

6 Next Steps – Communication and Implementation of the Decision

6.1 None.

7 Financial Implications

7.1 These are considered throughout the report.

Financial Implications reviewed by: Richard Wyles, interim Director of Finance

8 Legal and Governance Implications

8.1 As part of good governance, it is important members are kept updated in respect of the financial performance of the Council expenditure in a financial year.

Legal Implications reviewed by: Shahin Ismail, Director of Law and Governance

9 Equality and Safeguarding Implications

9.1 None.

10 Risk and Mitigation

10.1 None.

11 Community Safety Implications

11.1 None.

12 How will the recommendations support South Kesteven District Council's declaration of a climate emergency?

12.1 None.

13 Other Implications (where significant)

13.1 None.

14 Background Papers

14.1 None.

15 Appendices

15.1 None.

Report Timeline:	Date of Publication on Forward Plan (if required)	N/A
	Previously Considered by: Choose Committee	N/A
	Final Decision date	N/A