



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

10 November 2020

Report of: Councillor Adam Stokes

Cabinet Member for Finance and Resources



Finance update report: April – September 2020

To inform Finance, Economic Development and Corporate Services Overview and Scrutiny Committee of the Council's forecast 2020/21 financial position as at the end of September 2020. The report covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and HRA

Report Author

Claire Morgan, Senior Accountant

Tel: 01476 406051

Email: Claire.morgan@southkesteven.gov.uk

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

Reviewed by:	Alison Hall-Wright, Head of Finance	29 October 2020
Approved by:	Richard Wyles, Interim Director of Finance	2 November 2020
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	2 November 2020

Recommendation (s) to the decision maker (s)

1. The Finance Economic Development and Corporate Services Overview and Scrutiny Committee is asked to:

- Review and note the forecast 2020/21 outturn position for the General Fund and HRA Revenue and Capital budgets as at the end of September 2020 and identify any variances that require further action.

1 The Background to the Report

- 1.1 During the current financial year, the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee has been provided with regular finance reports that have been monitoring and assessing the financial impact on the Council of the Covid-19 pandemic. This report continues in the style of budget monitoring that the Committee received during the last financial year.

2 Revenue Budget 2020/21 – General Fund

- 2.1 The budget set by Council on 17 September 2020 was £24.675m. Subsequent amendments to the budget framework have increased the General Fund net cost of service budget to £25.034m which is shown at Table 1 below.

Table 1 – General Fund Revenue Budget Amendments

Date of Approval	Revenue Budget amendment	£'000
		24,675
August 2020	2019/20 Grants received	199
August 2020	Maintenance Reserve	40
September 2020	Leisure SK – Local Priorities Reserve	50
October 2020	Leisure SK – Local Priorities Reserve	70
Total		25,034

- 2.2 Table 2 shows a forecast deficit as at 30 September 2020 of £366k. This reduction from £1.315m as at 31 July 2020 is mainly due to the reduction in proposed alteration works to council offices in Grantham and the fourth tranche of Covid funding announced on 22 October for £118k. In addition, £230k has been awarded from the Cultural Recovery Fund although this will reduce the co-payment losses contribution shown in the table below. A full breakdown of all Covid funding can be seen in table 3 below. Appendix A provides a detailed breakdown of the General Fund summary and the forecast outturn position is shown below.

Table 2 – General Fund Forecast Outturn Position

Description	2020/21 Original Budget	2020/21 Amended Current Budget	2020/21 Forecast spend	Forecast Variance	Forecast Variance against Amended Current Budget
	£'000	£'000	£'000	£'000	%
Commercial & Operations	7,582	8,752	8,556	(196)	(2.2%)
Finance, Legal & Democratic	4,171	6,113	5,851	(262)	(4.3%)
Growth	6,091	8,751	7,896	(855)	(9.8%)
Transformation & Change	3,871	3,985	3,967	(18)	(0.4%)

HRA Recharge	(2,558)	(2,566)	(2,566)	0	0.0%
Net Cost of Service	19,157	25,035	23,704	(1,331)	(5.3%)
Interest Payable and Receivable	(236)	(107)	(107)	0	
Minimum Revenue Provision	302	148	148	0	
Revenue Contribution to Capital	72	72	72	0	
Depreciation	(4,114)	(4,114)	(4,114)	0	
Net Budget Requirement	15,181	21,034	19,703	(1,331)	
General Funding	(15,860)	(15,860)	(15,860)	0	
Covid-19 specific funding	0	(1,801)	(1,919)	(118)	
Co-payment losses contribution*	0	(1,400)	(1,100)	300	
Total Funding	(15,860)	(19,061)	(18,879)	182	
Transfers to/(from) earmarked reserves	679	(658)	(458)	200	
Net Budget Deficit	0	1,315	366	(949)	

*the figure shown is provisional and will depend on the actual net income losses declared in accordance with the Government scheme criteria.

2.3 In summary the Council has received the following Covid-19 funding support:

Table 3 – Covid-19 funding

Funding	Amount (£)	Allocation Details
Tranche 1	64,622	Mixture of Adult Social Care Relative Needs Formula (87%) and Settlement Funding Assessment (13%)
Tranche 2	1,416,290	Allocation based on a per capita basis, and a 65:35 split between county and district authorities
Tranche 3	194,639	Allocation 93% upper tier and 7% lower tier authorities based on population and deprivation
Tranche 4	117,868	Similar allocation method to tranche 3
Re-opening High Street's Grant	126,000	
Income losses scheme	TBA	75% of income losses beyond 5% of planned income. Full allocation not yet known as dependent upon income recovery levels
Total	1,919,419	

*Furlough grant of £210k is included in net cost of services at table 2 and so is not listed in the above table.

2.4 In addition to the above funding, there is a further announcement due in respect of leisure centre financial support.

Appendix B provides further details of the outturn revenue position for each Directorate along with variance comments and Appendix C shows a dashboard of significant income streams.

3 General Fund Capital Programme 2020/21

3.1 The budget set by Council on 17 September 2020 for the 2020/21 General Fund Capital programme is £3.522m. Table 4 summarises the General Fund Capital forecast outturn position as at 30 September 2020.

Table 4 – General Fund Capital Forecast Outturn Position

Capital Scheme	2020/21 Original Budget	2020/21 Amended Current Budget	2020/21 Forecast spend	Forecast Variance	Forecast Variance against Amended Current Budget
	£'000	£'000	£'000	£'000	%
Commercial & Operations	1,770	1,847	1,720	(127)	(6.9%)
Finance, Legal & Democratic	50	55	66	11	20.0%
Growth	1,590	1,620	1,230	(390)	(24.1%)
Total Expenditure	3,410	3,522	3,016	(506)	(14.4%)
Financed By:					
Capital Grant and Contributions:					
- Disabled Facility Grant	(860)	(860)	(700)	(160)	
- Historic England	(162)	(100)	(100)	0	
Capital Reserve	(755)	(755)	(780)	25	
Revenue Reserve Funding					
- Shop Front Scheme	(90)	(28)	(28)	0	
- Local Priorities Reserve	(453)	(431)	(453)	22	
- Regeneration	0	(290)	(290)	0	
- ICT	0	(55)	(55)	0	
- S106	0	(12)	(9)	(3)	
Useable Capital Receipts	(1,090)	(991)	(601)	(390)	
Total Financing	(3,410)	(3,522)	(3,016)	(506)	

3.2 Details of the individual capital schemes and variances are included in each directorate are shown at Appendix D.

4 General Fund Reserves 2020/21

4.1 Appendix E details the General Fund forecast reserve movements for 2020/21, line 17 details that there is balance of £2.843m on the budget stabilisation reserve which may be required to fund the projected budget deficit of £366k detailed in Table 2.

5 Revenue Budget 2020/21 – Housing Revenue Account

The current 2020/21 HRA Revenue Budget is £5.373m. The budgeted surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 5 shows the summary of movements:

Table 5 – HRA Revenue Budget Adjustments

Date of Approval	HRA Budget amendment	£'000
		(5,493)
August 2020	2019/20 Budget carry forwards	120
Total		(5,373)

5.1 Table 6 shows the HRA forecast outturn position for 2020/21 as at 30 September 2020.

Table 6 – HRA Revenue Forecast Outturn Position

Description	2020/21 Original Budget	2020/21 Current Budget	2020/21 Forecast spend	Forecast Variance	Forecast Variance against Current Budget
	£'000	£'000	£'000	£'000	%
Income	(25,637)	(25,637)	(25,162)	475	1.9%
Expenditure	17,619	17,739	16,930	(809)	(4.6%)
Net Cost of HRA Services	(8,018)	(7,898)	(8,232)	(334)	(4.2%)
Interest Payable and Similar Charges	2,778	2,778	2,718	(60)	
Interest and Investment Income	(253)	(253)	(115)	138	
Surplus for the year	(5,493)	(5,373)	(5,629)	(256)	

5.2 Appendix F provides detail of the current HRA Revenue position along with variance comments.

6 HRA Capital Programme 2020/21

6.1 The budget set by Council on 17 September 2020 for the 2020/21 HRA Capital programme is £17.616m. Table 7 summarises the HRA Capital forecast outturn position as at 30 September 2020.

Table 7 – HRA Capital Forecast Outturn Position

Capital Scheme	2020/21 Original Budget	2020/21 Amended Current Budget	2020/21 Forecast spend	Forecast Variance	Forecast Variance against Current Budget
	£'000	£'000	£'000	£'000	%
Energy Efficiency Initiatives	2,300	1,900	1,500	(400)	(21.0%)
ICT	430	30	20	(10)	(33.3%)
Repairs Vehicles	140	146	146	0	0.0%
Refurbishment and Improvement	24,620	15,540	4,715	(10,825)	(69.7%)
Total Expenditure	27,490	17,616	6,381	(11,235)	(63.8%)
Financed By:					
Homes England Grant	(5,650)	0	0	0	
HRA Capital Receipts Reserve	(4,000)	(4,000)	(2,200)	(1,800)	
HRA Improvement Reserve	(400)	0	0	0	
Loan Repayment Reserve	(1,350)	(1,350)	0	(1,350)	
Major Repairs Reserve	(8,560)	(4,786)	(4,161)	(625)	

Property Development Reserve	(7,500)	(7,450)	0	(7,450)
S106	(30)	(30)	(20)	(10)
Total Financing	(27,490)	(17,616)	(6,381)	(11,235)

6.2 Details of the individual capital individual schemes and variances are included at Appendix G and detailed explanation of the new build forecast changes are included at Appendix H.

7 HRA Reserves 2020/21

7.1 Appendix I details the HRA forecast reserve movements for 2020/21, the reserve movements have been amended to reflect the reduced financing required to fund the capital programme forecast shown at Table 7. This together with the forecast surplus on HRA revenue as shown at Table 6 has resulted in increasing the overall reserves balance by £974k to £41.106m.

8 Cash Flow Modelling

8.1 Cash flow management remains an important area of focus given the unpredictability in the Council's income streams, particularly Council Tax and Business Rates, whilst the Council has legal obligations to continue to pay precepts and contractual payments. In April 2020 the Government reprofiled the monthly payment to them for their share of business rates and accelerated the initial payment of S31 grant which has assisted with the Council's cash flows. However, cash flow management remains a key focus and is reviewed on a daily basis. The cash flow model has been updated and is shown at Appendix J. A positive cash flow position is shown, and collection rates are performing strongly in the current climate. The benchmarking of collection rates is undertaken on a monthly basis with Lincolnshire partners and there is a consistent profile with respect to overall performance:

Table 8 – Collection Rates

Target Information	Council Tax	Business Rates	Rents
Annual collection rate	Target is 98.68%	Target is 99.16%	Target is 98.50%
Target Collection rate to end of September 2020	56.74%	57.81%	48.45%
Actual collection rate to end of September 2020	55.86%	54.97%	48.29%

9 Consultation and Feedback Received, Including Overview and Scrutiny

9.1 A version of this report was presented to the Finance, Economic Development, Corporate Services Overview and Scrutiny Committee on 26 May 2020, 30 June 2020 and 28 July 2020. The Committee requested that regular reports be presented at each Overview and Scrutiny Committee (OSC) meeting to ensure members were kept fully updated on the changing situation.

10 Reasons for the Recommendation (s)

10.1 Committee 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 forecast 2020/21 financial position for the Council and focuses on the position as at the end of September 2020.

11 Next Steps – Communication and Implementation of the Decision

- 11.1 None

12 Financial Implications

- 12.1 These are included in the report and supporting appendices.

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

13 Legal and Governance Implications

- 13.1 As part of good governance, it is important members are kept updated in respect of the financial position of the Council expenditure during the year. This is particularly important during the current crisis.

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

14 Equality and Safeguarding Implications

- 14.1 There are no equality or safeguarding implications arising as a result of this report.

15 Risk and Mitigation

- 15.1 A risk register is attached at Appendix K and shows that all known current risks are recognised and associated mitigating actions are in place.

16 Community Safety Implications

- 16.1 There are no community safety implications arising as a result of this report.

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

- 17.1 The report has a neutral carbon impact.

18 Background Papers

- 18.1 Determination of Budget 2020/21 and indicative budgets to 22/23 – General Fund, Revenue Account and associated Capital Programmes Report

<http://moderngov.southkesteven.gov.uk/documents/s25022/Council%20Budget%20Report.pdf>

- 18.2 Outturn Position 2019/20 report

<http://moderngov.southkesteven.gov.uk/documents/s27140/Outturn%20report%202019-20%20GA.pdf>

- 18.3 Finance Impact Report – May 2020

<http://moderngov.southkesteven.gov.uk/documents/s25630/FinanceImpactReportP1.pdf>

- 18.4 Finance Impact Report – June 2020

<http://moderngov.southkesteven.gov.uk/documents/s26128/Financial%20Impact%20Report.pdf>

- 18.5 Finance Impact and Budget Monitoring Report – July 2020
<http://moderngov.southkesteven.gov.uk/documents/s26634/Finance%20Update%20Report.pdf>
- 18.6 Finance Update Report – April 2020 – July 2020
<http://moderngov.southkesteven.gov.uk/documents/s27516/Budget%20Monitoring%20Report%202020-21.pdf>

19 Appendices

- 19.1 Appendix A – 2020/21 General Fund Revenue Summary - Forecast Outturn
- 19.2 Appendix B – 2020/21 General Fund Significant Variance Analysis
- 19.3 Appendix C – 2020/21 General Fund Significant Income Dashboard
- 19.4 Appendix D – 2020/21 General Fund Capital Programme – Forecast Outturn
- 19.5 Appendix E – 2020/21 General Fund Reserves Forecast Movements
- 19.6 Appendix F – 2020/21 HRA Revenue Summary - Forecast Outturn
- 19.7 Appendix G – 2020/21 HRA Capital Programme – Forecast Outturn
- 19.8 Appendix H – New Build Programme Summary update
- 19.9 Appendix I – 2020/21 HRA Reserves Forecast Movements
- 19.10 Appendix J – 2020/21 Cash Flow Forecast
- 19.11 Appendix K – 2020/21 Risk Register

Report Timeline:	Date of Publication on Forward Plan (if required)	Not required
	Final Decision date	Not applicable