



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

23 February 2021

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Finance Update Report: April – December 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 December 2020. The report covers the following areas:

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

Report Author

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

Reviewed by:	Alison Hall-Wright, Head of Finance	10 February 2021
Approved by:	Richard Wyles, Interim Director of Finance	11 February 2021
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	12 February 2021

Recommendation (s) to the decision maker (s)

- 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 December 2020 and identify any variances that require further action or investigation.

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 at quarter 2 and during the last financial year.

2 Revenue Budget 2020/21 – General Fund

2.1 The amended 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 £26.115m 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
August 2020	Government Re-organisation – Local Priorities Reserve	50
August 2020	Regeneration Reserve	60
September 2020	Leisure SK – Local Priorities Reserve	50
October 2020	Leisure SK – Local Priorities Reserve	500
October 2020	ICT Reserve	36
October 2020	Maintenance Reserve	80
October 2020	Climate Change Reserve	20
October 2020	Leisure SK – Management Fee – Local Priorities Reserve	250
December 2020	Public Realm – Local Priorities Reserve	100
December 2020	Maintenance Reserve	45
December 2020	Invest to Save	10
Total		26,115

2.2 Table 2 shows a forecast deficit as at 31 December 2020 of £293k. This reduction from £366k as at 30 September 2020 is mainly due to the reduced spend on centralised costs such as advertising and postage during the current circumstances. Appendix A provides a detailed breakdown of the General Fund summary and the forecast outturn position is shown below in the new directorates approved in October 2020.

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	8,197	9,822	9,284	(538)	(5.8%)
Corporate	7,263	10,100	9,619	(481)	(4.8%)
Growth & Culture	5,017	6,650	6,112	(538)	(8.1%)
Housing & Property	1,238	2,109	1,356	(753)	(35.7%)
HRA Recharge	(2,558)	(2,566)	(2,568)	(2)	(0.1%)
Net Cost of Service	19,157	26,115	23,803	(2,312)	(8.9%)
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	22,114	19,802	(2,312)	
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)	(664)	736	
Total Funding	(15,860)	(19,061)	(18,443)	618	
Transfers to/(from) earmarked reserves	679	(1,738)	(1,039)	699	
Net Budget Deficit	0	1,315	320	(995)	

*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	664,000	75% of income losses beyond 5% of planned income. Full allocation not yet known as dependent upon income recovery levels
Self-Isolation payments	100,500	£500 payments awarded to claimants based on national criteria
Total	2,683,919	

*Furlough and Job Retention Scheme grants of £210k and Cultural Recovery Grant of £230k are included in net cost of services at table 2 and so are not listed in the above table

2.4 Over the last 11 months the Council has awarded £38.5m of business grants to eligible local businesses in accordance with the government business support schemes. The Council will continue to play a supporting role in this respect as the sector support continues to be rolled out.

2.5 The co-payment losses scheme contribution was provisional and depends on the actual net income losses declared in accordance with the Government scheme criteria. This figure has been amended during the year as actual income and relevant reductions in expenditure are known. Table 4 details the changes.

Table 4 – Co-payment losses reconciliation

	Net Income Loss £'000	Less Council Adjustment £'000	Potential Contribution Claim (based on 75%) £'000
Original projections	2,266	(264)	1,435
Refresh of original projections following exclusions and inclusions of income services	1,837	(187)	1,238
Removal of Arts Centres from October 2020- Cultural Recovery Grant Award	(457)		
Car Park Recovery August – November 79%	(275)		
Commercial Waste – Additional annual sales achieved	(69)		
Other minor variances	35		
Updated Provisional Grant	1,072	(187)	664

2.6 In addition to the above funding, there has been an application to Sports England for a grant in respect of leisure centre financial support and at the time of writing this report an award decision is awaited. Council agreed in July 2020 to fund payments in support of the leisure provider up to the value of £750k and to date the following payments have been made:

Table 5 – Leisure Provider Support 2020/21

Period	£'000
March – October (actuals)	496
November – December (forecast)	150
Total	646

2.7 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

The budget set by Council on 17 September 2020 for the 2020/21 General Fund Capital programme is £3.522m. Table 6 shows the summary of movements:

Table 6 – General Fund Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		3,522
December 2020	Additional Disabled Facilities Grant award	116
Total		3,638

3.1 Table 7 summarises the General Fund Capital forecast outturn position as at 31 December 2020.

Table 7 – General Fund Capital Forecast Outturn Position

Capital Scheme	2020/21 Original Budget £'000	2020/21 Amended Current Budget £'000	2020/21 Forecast spend £'000	Forecast Variance £'000	Forecast Variance against Amended Current Budget %
Commercial & Operations	1,770	1,963	1,744	(219)	(11.2%)
Corporate	50	55	66	11	20.0%
Growth & Culture	1,590	1,620	1,258	(362)	(22.3%)
Total Expenditure	3,410	3,638	3,068	(570)	(15.7%)
Financed By:					
Capital Grant and Contributions:					
- Disabled Facility Grant	(860)	(976)	(750)	(226)	
- Historic England	(162)	(100)	(100)	0	
- Electric Charging Points	0	0	(45)	45	
- University Fit-Out	0	0	(107)	107	
Capital Reserve	(755)	(755)	(780)	25	
Revenue Reserve Funding					
- Shop Front Scheme	(90)	(28)	(28)	0	
- Local Priorities Reserve	(453)	(431)	(382)	(49)	
- Regeneration	0	(290)	(282)	(8)	

- ICT	0	(55)	(55)	0
- S106	0	(12)	(6)	(6)
Useable Capital Receipts	(1,090)	(991)	(533)	(458)
Total Financing	(3,410)	(3,638)	(3,068)	(570)

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 £320k 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 8 shows the summary of movements:

Table 8 – 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 9 shows the HRA forecast outturn position for 2020/21 as at 31 December 2020.

Table 9 – 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)	(25,140)	497	1.9%
Expenditure	17,619	17,739	17,027	(712)	(4.0%)
Net Cost of HRA Services	(8,018)	(7,898)	(8,113)	(215)	(2.9%)
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)	(5,510)	(137)	

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 10 summarises the HRA Capital forecast outturn position as at 31 December 2020.

Table 10 – 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	725	(1,175)	(61.8%)
ICT	430	30	0	(30)	(100.0%)
Repairs Vehicles	140	146	165	19	13.0%
Refurbishment and Improvement	24,620	15,540	2,487	(13,053)	(84.0%)
Total Expenditure	27,490	17,616	3,377	(14,239)	(80.8%)
Financed By:					
Homes England Grant	(5,650)	0	0	0	
HRA Capital Receipts Reserve	(4,000)	(4,000)	(685)	(3,315)	
HRA Improvement Reserve	(400)	0	0	0	
Loan Repayment Reserve	(1,350)	(1,350)	0	(1,350)	
Major Repairs Reserve	(8,560)	(4,786)	(2,692)	(2,094)	
Property Development Reserve	(7,500)	(7,450)	0	(7,450)	
S106	(30)	(30)	0	(30)	
Total Financing	(27,490)	(17,616)	(3,377)	(14,239)	

6.2 Details of the individual capital individual schemes and variances are included at Appendix G.

7 HRA Reserves 2020/21

7.1 Appendix H 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 10. This together with the forecast surplus on HRA revenue as shown at Table 9 has resulted in increasing the overall reserves balance by £4.1m to £44.232m.

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 I. 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 11 – Collection Rates

Target Information	Council Tax	Business Rates	Rents
Annual collection rate	Target 98.68%	Target 99.16%	Target 98.50%
Target Collection rate to end of September 2020	84.63%	83.83%	71.80%
Actual collection rate to end of September 2020	83.73%	80.90%	71.62%

9 Consultation and Feedback Received, Including Overview and Scrutiny

9.1 Previous budget monitoring reports have been presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 26 May, 30 June, 28 July, 22 September and 10 November 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 December 2020.

11 Financial Implications

11.1 These are included in the report and supporting appendices.

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

12 Legal and Governance Implications

12.1 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

13 Equality and Safeguarding Implications

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

14 Risk and Mitigation

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

15 Community Safety Implications

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

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

16.1 The report has a neutral carbon impact.

17 Background Papers

17.1 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>

17.2 Outturn Position 2019/20 report

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

17.3 Finance Impact Report – May 2020

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

17.4 Finance Impact Report – June 2020

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

17.5 Finance Impact and Budget Monitoring Report – July 2020

<http://moderngov.southkesteven.gov.uk/documents/s26634/Finance%20Update%20Report.pdf>

17.6 Finance Update Report – April 2020 – July 2020

<http://moderngov.southkesteven.gov.uk/documents/s27516/Budget%20Monitoring%20Report%202020-21.pdf>

17.7 Finance Update Report – April 2020 – September 2020

<http://moderngov.southkesteven.gov.uk/documents/s28172/Qtr2%20Finance%20Update.pdf>

18 Appendices

18.1 Appendix A – 2020/21 General Fund Revenue Summary - Forecast Outturn

18.2 Appendix B – 2020/21 General Fund Significant Variance Analysis

18.3 Appendix C – 2020/21 General Fund Significant Income Dashboard

18.4 Appendix D – 2020/21 General Fund Capital Programme – Forecast Outturn

18.5 Appendix E – 2020/21 General Fund Reserves Forecast Movements

18.6 Appendix F – 2020/21 HRA Revenue Summary - Forecast Outturn

18.7 Appendix G – 2020/21 HRA Capital Programme – Forecast Outturn

18.8 Appendix H – 2020/21 HRA Reserves Forecast Movements

18.9 Appendix I – 2020/21 Cash Flow Forecast

18.10 Appendix J – 2020/21 Risk Register

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