



**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**



## Governance and Audit Committee

21 July 2021

**Report of:** Councillor Adam Stokes

Cabinet Member for Finance and Resources

Councillor Robert Reid

Cabinet Member for Housing and Property

## Outturn Position Report 2020/21

This report provides the Governance and Audit Committee with details of the Council's outturn position for the financial year 2020/21. 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



01476 406051



claire.morgan@southkesteven.gov.uk

Corporate Priority:	Decision type:	Wards:
Administrative	Administrative	All Wards
<b>Reviewed by:</b>	Alison Hall-Wright, Head of Finance	9 July 2021
<b>Approved by:</b>	Richard Wyles, Interim Director of Finance	9 July 2021
<b>Signed off by:</b>	Councillor Adam Stokes, Cabinet Member for Finance and Resources. Councillor Robert Reid, Cabinet Member for Housing and Property	13 July 2021

### Recommendation (s) to the decision maker (s)

The Governance and Audit Committee is asked to:

1. Review and approve the Revenue and Capital Outturn report and associated appendices for the financial year 2020/21.

- 2. Review and approve the proposed reserve movements (sections 4 and 7).**
- 3. Note the budget carry forwards to be included into the 2021/22 budget framework as set out at appendices D and H.**

# 1 The Background to the Report

- 1.1 This report provides the Governance and Audit Committee with the detail of the Council's outturn position for the financial year 2020/21.
- 1.2 From a financial perspective, 2020/21 has been the most turbulent year for many years and one that has proved extremely challenging from both a member and officer perspective. Almost immediately after the budget was approved by Council on 2 March 2020, the country went into lockdown and subsequently the budget framework was facing a high degree of volatility and uncertainty that continued throughout the remainder of the financial year and into 2021/22.
- 1.3 The Council responded in many ways including the formation of COVID-19 financial impact reports that tracked and monitored the situation throughout the year including updated narrative on the levels of Government support, the impact on the income of the Council, the impact on Business Rate and Council Tax collection and the necessary unforeseen expenditure that was being incurred.
- 1.4 This work culminated in an amended budget being presented and approved by Council on 17 September 2020 which set out the budget allocations that required re-basing and showed in detail the full extent of the potential deficit the Council was potentially exposed to based on a range of scenarios and in the absence of mitigating actions being implemented. The report also confirmed that the Council's Budget stabilisation reserve may need to be utilised to meet any deficit that arises; this reserve was further bolstered by specific allocations to it as part of the Budget framework proposals for 2021/22 that were approved by Council on 1 March 2021.
- 1.5 This report attempts to capture all of the volatility that is referred to above in a manner that enables members to better understand the changes that have occurred, the nature and level of grants that have been allocated directly to the Council to support its financial stability and details of the grants that were administered by the Council for its residents and businesses throughout the year. For clarity, the variance and explanatory information are based on the comparison between the amended budget and the outturn rather than the original budget that was set in March 2020.
- 1.6 An overview of the provisional outturn is presented in the main report and there 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
- 1.7 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. Table 1 shows the overall summary outturn.

**Table 1 – 2020/21 Overall Summary**

<b>Heading</b>	<b>2020/21 Amended Budget (not including proposed budget C/F) £m</b>	<b>2020/21 Outturn  £m</b>	<b>Commentary</b>
<b>General Fund Revenue Account</b>	26.015	24.365	Details shown at section 2 and appendices A & B
<b>General Fund Capital</b>	3.638	2.230	Details shown at section 3 and appendix C
<b>Housing Revenue Account</b>	(4.593)	(6.290)	Details shown at section 5 and appendix F
<b>HRA Capital</b>	17.616	3.167	Details shown at section 6 and appendix G

**Salary Vacancy Factor**

- 1.8 The Council has a budgeted salary vacancy factor calculated at 3.0% of salary budgets to offset against in year vacant posts. The annual budgets are (£428k) for General Fund and (£136k) for HRA and these have been achieved in 2020/21.

**Carry Forwards**

- 1.9 Due to timing differences in grants and budgets being approved, it is proposed to carry specific budgets forward into 2021/22 to fund specific and previously approved projects and the Committee is asked to review and approve these. The details are shown at Appendix D (General Fund) and Appendix H (HRA).
- 1.10 Commentary and review of reserves are detailed at sections 4 (General Fund) and 7 (HRA). Reserves statements are shown at Appendix E (General Fund) and Appendix I (HRA).

**2 Revenue Budget 2020/21 – General Fund**

- 2.1 The budget set by Budget Council on 2 March 2020 was £19.157m. However an amended budget was presented and approved on 17 September 2020 and therefore the budget framework was reset at that point. Budgets have been amended as projects have commenced and these changes increased the 2020/21 budget to £26.015m. 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 £24.168m.

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

<b>Date of Approval</b>	<b>Revenue Budget amendment</b>	<b>£'000</b>
		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	Maintenance Reserve	45
December 2020	Invest to Save	10
<b>Total</b>		<b>26,015</b>

- 2.2 The forecast outturn position has been constantly monitored throughout the financial year. The forecast adverse variance as at 31 December 2020 was projected at £320k. It can be confirmed that the outturn shows a balanced year end position reflecting the work Members and officers have jointly undertaken in ensuring that there is not an adverse position at the year end. This places the Council in a positive position moving into the current financial year, which is particularly important given the challenges currently being experienced on the budget framework in 2021/22.
- 2.3 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. The table confirms at line 6 (net cost of services) that a balanced position has been achieved after utilising an element of the Government support funding without the need to utilise its own resources, specifically the Budget stabilisation reserve. The table confirms that there is a significant amount of Government funding that was received during the year (which is referenced at line 16). Of the allocated funding, £1.249m will not be required to be used to meet 2020/21 costs and is therefore proposed to be allocated to a specific COVID recovery reserve in order to meet ongoing challenges during 2021/22 (and during the period in which further Government funding is not expected).

**Table 3 – General Revenue Outturn Position**

	Description	2020/21 Amended Current Budget £'000	2020/21 Current Budget (less proposed Budget C/F) £'000	2020/21 Outturn £'000	Variance to Current Budget £'000	2020/21 Outturn Variance %
1	Commercial & Operations	9,664	9,246	9,809	563	6.1%
2	Corporate	10,109	9,796	9,362	(433)	(4.4%)
3	Growth & Culture	6,718	6,359	6,174	(185)	(2.9%)
4	Housing & Property	2,090	1,333	1,612	279	20.9%
5	HRA Recharge	(2,566)	(2,566)	(2,592)	(26)	(1.0%)
<b>6</b>	<b>Net Cost of Service</b>	<b>26,015</b>	<b>24,168</b>	<b>24,365</b>	<b>197</b>	<b>0.8%</b>
7	Removal of Accounting Adjustments	0	0	(2,527)	(2,527)	-
8	Removal of Additional Depreciation	0	0	(684)	(684)	-
<b>9</b>	<b>Re-stated Net Cost of Service</b>	<b>26,015</b>	<b>24,168</b>	<b>21,154</b>	<b>(3,014)</b>	<b>(12.5%)</b>
10	Interest Payable and Receivable	(107)	(107)	(168)	(61)	
11	Minimum Revenue Provision	148	148	142	(6)	
12	Revenue Contribution to Capital	72	72	15	(57)	
13	Depreciation	(4,114)	(4,114)	(4,114)	0	
<b>14</b>	<b>Net Budget Requirement</b>	<b>22,014</b>	<b>20,167</b>	<b>17,029</b>	<b>(3,138)</b>	
<b>15</b>	<b>Funding</b>	<b>(17,386)</b>	<b>(17,386)</b>	<b>(17,499)</b>	<b>(113)</b>	
16	Covid-19 Specific funding	(1,675)	(1,675)	(1,793)	(118)	
17	Transfers to/(from) earmarked reserves	(1,638)	(513)	292	805	
18	Proposed transfer to Covid Recovery Reserve	0	0	1,249	1,249	
19	Budget Carry Forwards from 20/21 underspends	0	722	722	0	
<b>20</b>	<b>Net Budget (Surplus)/Deficit</b>	<b>1,315</b>	<b>1,315</b>	<b>0</b>	<b>(1,315)</b>	

- Line 7 – removal of accounting entries, specifically:
- 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.
- Revenue Expenditure Financed from Capital under Statute (REFCUS) and REFCUS is capital expenditure, which is incurred on non-Council owned assets, for example, disabled facilities grants and the shop front grant scheme.
- Capital grants received in year of £243k will fund specific capital schemes for the university fit out and electric charging points.

These adjustments are detailed in table 4 below:

**Table 4 – Removal of Accounting Adjustments**

<b>Accounting Adjustments</b>	<b>Commercial &amp; Operations £'000</b>	<b>Corporate £'000</b>	<b>Growth &amp; Culture £'000</b>	<b>Housing &amp; Property £'000</b>	<b>Total £'000</b>
<b>IAS 19</b>	(1,123)	425	(359)	(148)	<b>(1,205)</b>
<b>REFCUS</b>	362	0	88	0	<b>450</b>
<b>Revaluations</b>	(814)	0	0	(1,138)	<b>(1,952)</b>
<b>Capital Grants</b>	43	0	200	0	<b>243</b>
<b>Accumulated Absences</b>	(21)	(29)	(8)	(5)	<b>(63)</b>
<b>Additional Depreciation</b>	(216)	(12)	(420)	(36)	<b>(684)</b>
<b>Total</b>	<b>(1,769)</b>	<b>384</b>	<b>(499)</b>	<b>(1,327)</b>	<b>(3,211)</b>

- Line 9 –shows the total net overall expenditure for the Council.
- Line 10 – additional interest income has been earned through investment of increased cash balances and interest rate changes. No external borrowing was required in 2020/21 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) and the additional depreciation (line 8 of table 3) have been removed from the Directorate, the 'controllable' variance can be identified (line 9 of table 3).

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

<b>Description</b>	<b>2020/21 Amended Current Budget £'000</b>	<b>2020/21 Current Budget (less proposed Budget C/F) £'000</b>	<b>2020/21 Outturn £'000</b>	<b>Variance to Current Budget £'000</b>	<b>2020/21 Outturn Variance %</b>
Commercial & Operations	9,664	9,246	8,040	(1,206)	(13.0%)
Corporate	10,109	9,796	9,746	(50)	(0.5%)
Growth & Culture	6,718	6,359	5,675	(683)	(12.0%)
Housing & Property	2,090	1,333	285	(1,048)	(78.6%)
HRA Recharge	(2,566)	(2,566)	(2,592)	(26)	(1.0%)
<b>Net Cost of Service</b>	<b>26,015</b>	<b>24,168</b>	<b>21,154</b>	<b>(3,014)</b>	<b>(12.5%)</b>

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

- 2.6 During the year 2020/21 there have been a high number of grants that have been awarded to the Council in order to serve a number of objectives ranging from supporting local businesses, communities, residents and also to provide specific financial support to the Council for reimbursement of lost income and supporting the financial recovery of the culture and leisure services. These are summarised below in table 6:

**Table 6 - Specific Covid Grants 2020/21**

<b>Name of Grant</b>	<b>Amount Awarded 2020/21 £'000</b>
Re-opening High Streets Safely	126
Covid Compliance and Enforcement (Covid Marshalls)	55
LCC Covid Outbreak Management (Test and Trace)	100
Leisure Recovery	321
Cultural Recovery	230
Furlough scheme (Arts and Building Control)	331
Business Grants awarded	42,145
Winter Grant Scheme	8
Tranches 1 – 4 Government support for Council	1,793
Council Tax Hardship Grant	924
Co-payment losses contribution	653

- 2.7 The fees and charges (income) analysis below shows the variance between the outturn and the amended budget which demonstrates the difficulties experienced particularly with specific venues such as arts venues being closed throughout the year. Members will be aware that the Government introduced an income loss compensation scheme which reimbursed the Council 75p for every £1 lost. This scheme enabled the Council to access approximately £653k to offset the income losses shown below.

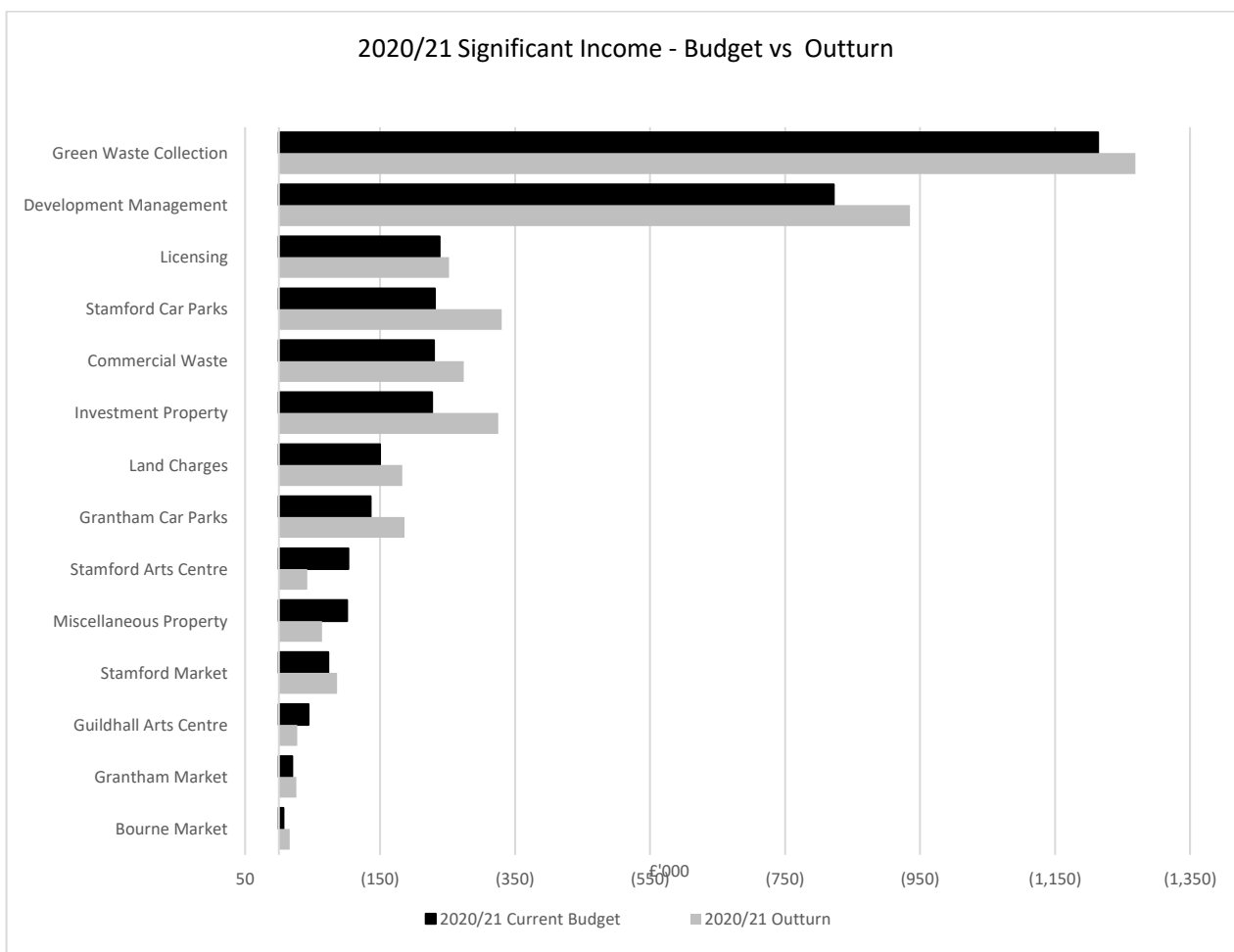
**Table 7 – General Fund Significant Income Streams**

<b>Significant Income (in order of Amended Budget)</b>	<b>Original Budget £'000</b>	<b>Amended Current Budget £'000</b>	<b>Outturn £'000</b>	<b>Outturn Variance £'000</b>	<b>Outturn Variance %</b>
Green Waste Collection	(1,112)	(1,214)	(1,269)	(55)	(5%)
Development Management	(1,154)	(822)	(935)	(113)	(14%)
Licensing	(294)	(238)	(252)	(14)	(6%)
Stamford Car Parks	(820)	(231)	(330)	(99)	(43%)
Commercial Waste	(367)	(231)	(274)	(44)	(19%)
Investment Property	(423)	(227)	(325)	(98)	(43%)
Land Charges	(233)	(150)	(183)	(33)	(22%)



Grantham Car Parks	(473)	(136)	(186)	(50)	(37%)
Stamford Arts Centre	(749)	(103)	(42)	61	59%
Miscellaneous Property	(114)	(101)	(64)	37	37%
Stamford Market	(173)	(73)	(86)	(13)	(18%)
Guildhall Arts Centre	(312)	(44)	(27)	17	39%
Grantham Market	(46)	(20)	(26)	(6)	(30%)
Bourne	(19)	(7)	(16)	(9)	(129%)
<b>TOTAL</b>	<b>(6,289)</b>	<b>(3,596)</b>	<b>(4,015)</b>	<b>(419)</b>	<b>(12%)</b>

**Chart 1 - Significant Income for 2020/21**



### 3 General Fund Capital Programme 2020/21

3.1 The amended budget set by Council on 17 September 2020 for the 2020/21 General Fund Capital programme was £3.522m which was subsequently increased by the additional Disabled Facilities Grant of £116k as shown in table 8.

**Table 8 – General Fund Capital Budget**

Date of Approval	Capital Budget amendment	£'000
17 September 2020		3,522
February 2021	Additional Disabled Facilities Grant	116
<b>Total</b>		<b>3,638</b>

3.2 Table 9 summarises the General Fund capital outturn position as at 31 March 2021. There is an underspend of £1.017m which includes an additional Disabled Facilities Grant award of £116k in February 2021, deferral of works to the re-surfacing of Welham car park and several property renovations which have been delayed during Covid-19 restrictions and will be completed in 2021/22.

**Table 9 – General Fund Capital Outturn Position**

Heading	2020/21 Amended Current Budget	2020/21 Amended Budget (less C/F approved by Council March 2021)	2020/21 Outturn	2020/21 Outturn Variance
	£'000	£'000	£'000	£'000
Commercial & Operations	1,963	2,116	1,557	(559)
Corporate	55	55	19	(36)
Growth & Culture	1,620	1,076	654	(422)
<b>Total Expenditure</b>	<b>3,638</b>	<b>3,247</b>	<b>2,230</b>	<b>(1,017)</b>
<b>Financed By:</b>				
Capital Grant and Contributions				
- Disabled Facility Grant	(976)	(976)	(614)	(362)
- Historic England	(100)	(100)	(15)	(85)
- Electric Charging Points	0	0	(43)	43
- University Fit-Out	0	0	(97)	97
Capital Reserve	(755)	(755)	(758)	3
Revenue Reserve Funding				
- Shop Front Scheme	(28)	(28)	(12)	(16)
- Local priorities Reserve	(431)	(309)	(242)	(67)
- GLEP	0	0	(10)	10
- Regeneration	(290)	(290)	(229)	(61)
- ICT	(55)	(55)	(6)	(49)
- S106	(12)	(12)	0	(12)
Useable Capital Receipts	(991)	(722)	(204)	(518)
<b>Total Financing</b>	<b>(3,638)</b>	<b>(3,247)</b>	<b>(2,230)</b>	<b>(1,017)</b>

3.3 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 and approval of these carry forward requests will allow approved schemes to be completed in 2021/22.

## 4 General Fund Reserves 2020/21

4.1 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. There have been a small number of changes to the following reserves due to continuing the final outturn position since the reports were presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee and Cabinet. These can be summarised as:

- Local Priorities Reserve (line 7) – the budget carry forwards will be financed from this reserve and the closing balance is stated as £4.388m.
- Section 31 Grant Reserve (line 19) – this reserve is a Code recommendation requirement and reflects the in-year grant received by Government to offset the income losses arising from the Business Rates relief extensions. This reserve also includes the Collection Fund surplus of £500k. This reserve will be utilised to offset the reduction in the 2021/22 collectable debt arising from the reliefs awarded.
- Working Balance (line 25) – this reserve has been replenished to a balance of £1.947m representing 11% of the net operating expenditure.

### **Discretionary Reserves £9.525m (lines 1-13)**

4.2 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 13 set out the provisional balance on each reserve as at 31 March 2021 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:

4.3 A summary of the key observations and proposals are:

- Commercial (line 2) – there has been no use of the reserve during the year and Council approved a reduction to the reserve from 1 April 2021 to £250k in order to increase the balance to the Regeneration Reserve.
- ICT investment (line 5) – this reserve has been increased by a net £199k which is a combination of a previous approved top up and in-year reserve use to fund the agile roll-out to staff and support the migration to Windows 365.
- Local priorities reserve (line 7) – this is the Council's most significant reserve and as at 31 March 2021 has an actual closing balance of £6.599m reducing to £4.388m after commitments have been taken into consideration. During the year the Council received New Homes Bonus receipt of £1.8m which was credited to the reserve and the reserve was used to make the contributions to pay Leisure SK management fee.
- Housing Delivery (line 9) – 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 £362k was made to the reserve at year end.
- Property Maintenance reserve (line 10) – top up proposed to a balance of £500k in order to provide funding for essential works that arise during the course of the year in respect of the Council's property portfolio.
- Regeneration reserve (line 11) – this reserve is currently being used to fund the current holding and development costs of the St Martins Park site at Stamford. The reduction in the reserve balance reflects the costs during 2020/21. The capital receipts arising from this development will be a major contributor towards the Council's overarching regeneration and economic development projects that support the overall ambitions of the Corporate Plan.

### **Governance Reserves £5.639m (lines 14-22)**

4.3 These reserves are maintained to mitigate risk, satisfy statutory and grant awarding bodies' requirements and support prudent financial management.

- The Insurance Reserve (line 14) - 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 £272k.
- The Council holds two Pension Reserves (lines 15 and 16) - The former employees reserves funds the annual costs associated with these individuals. The balance on these reserves totals £341k at 31 March 2021. The current employees reserve has now been removed as pension costs for staff are budgeted at service cost level.
- Budget Stabilisation Reserve (line 17) - To ensure there is minimum financial disruption to the funding of the General Fund in respect of Business Rates income, the Council has established a reserve to smooth out fluctuations in year to year funding. This reserve has a balance of £2.843m as at 31 March 2021 and has been further increased by Council by a further £1.123m for 2021/22. For the financial year 2020/21 there has been no requirement to use this reserve as overall costs have been kept within the amended budget framework.
- COVID Recovery reserve (line 18) – Proposal to create a COVID recovery reserve (line 18) arising from the residual balance from the Government COVID grants to be specifically used to fund services (from both a cost or income loss perspective) that are continuing to experience difficulty in achieving budgeted levels during 2021/22 due to the ongoing impact of the pandemic. The balance of this reserve will be £1.249m which wholly consists of currently unused Council specific COVID recovery grants.
- Special Expense Area reserves (SEA) (line 22) - £86k of the Grantham SEA reserve has been used to fund the Wyndham Park improvements, Christmas Lights in Grantham and the car park improvements at Queen Elizabeth Park. This reserve has been replenished by £83k leaving a balance of £276k. This is broken down as:
  - Bourne SEA £33k
  - Grantham SEA £110k
  - Langtoft SEA £2k
  - Stamford SEA £131k

#### **General Fund working balance £1.947m (line 25)**

- 4.9 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. This is a provisional balance as further work is being undertaken to determine the final outturn with regard to the allocation of the additional S31 grants that was received during 2020/21 in connection with business rate relief.

#### **General Fund Capital Reserves £1.356m (lines 27-29)**

- 4.10 These reserves are the primary source of funding for the Council's capital investment programmes and have been used in recent years in lieu of undertaking external borrowing. This strategy has enabled the Council to financially benefit from previously high levels of reserves that has provided this flexible funding approach. However it can

be seen that the capital reserves are now close to being depleted and in the absence of capital receipts being generated from the sale of assets then the Council will be in a position where it will need to undertake external borrowing if it wishes to continue in capital investment. This will obviously introduce new revenue funding requirements into the Medium Term Financial Plan.

- LAMS reserve £18k (line 27) - The Local Authority Mortgage Scheme (LAMS) is no longer in operation for all authorities; however, the Council continues to receive investment interest that is derived from the investment that was placed to support the scheme. The remaining balance of £18k will be retained until six year after the final mortgage which was taken out in October 2016. At the end of the investment period the balance will be reviewed in relation to the outstanding guarantee commitment and excess funds returned to balances.
- General Fund - Capital Reserve - £274k (line 28) -The General Fund capital reserve 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. However it is clear that the Council will imminently need to undertake borrowing as internal resources are depleted.
- Useable Capital Receipts Reserve £1.064m (line 29) -This reserve is one of the sources of funding the General Fund capital programme. During the year the Council has received very limited capital receipts and only arising from the sale of surplus vehicles. If the Council is to continue to utilise internal resources to fund its capital ambitions, there will need to be a renewed emphasis on the generation of capital receipts from the sale of surplus assets.

## 5 Revenue Budget 2020/21 – Housing Revenue Account

- 5.1 The budget set by Council on 2 March 2020 was a surplus of £5.493m. 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. Table 10 details the amendments to the 2020/21 budget to a surplus of £4.593m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budgeted surplus for comparative purposes to £6.313m, the actual surplus for the year is £6.290m. The surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 11 shows the HRA outturn position for 2020/21.

**Table 10 – Housing Revenue Account Budget Amendments**

Date of Approval	Revenue Budget amendment	£'000
		(5,493)
August 2020	2019/20 Budget Carry Forwards	120
December 2020	Stock Condition Surveys	780
<b>Total</b>		<b>(4,593)</b>

**Table 11 – HRA Revenue Outturn Position**

Description	2020/21 Current Budget £'000	2020/21 Current Budget less proposed Budget Carry Forwards £'000	2020/21 Outturn £'000	Variance Budget £'000
Income	(25,637)	(25,637)	(24,949)	688
Expenditure	18,519	16,799	6,915	(9,884)
<b>Net Cost of HRA Services</b>	<b>(7,118)</b>	<b>(8,838)</b>	<b>(18,034)</b>	<b>(9,196)</b>
Interest Payable and Similar Charges	2,778	2,778	2,530	(248)
Interest and Investment Income	(253)	(253)	(252)	1
Investment Property Inc & Exp	0	0	(3)	(3)
Return on Pension Assets	0	0	270	270
Net (Gain)/loss on sale of HRA Assets	0	0	(620)	(620)
Capital receipts pooling	0	0	768	768
IAS19*	0	0	(488)	(488)
<b>(Surplus)/Deficit for the year</b>	<b>(4,593)</b>	<b>(6,313)</b>	<b>(6,290)</b>	<b>23</b>
<b>MOVEMENT ON THE HRA BALANCE</b>				
(Deficit)/Surplus for the Year	4,593	6,313	15,341	9,028
Other Reserve Movements	204	204	1,461	1,257
Repayment of Principal	(3,222)	(3,222)	(3,222)	0
Transfer to Major Repairs Reserve	(3,194)	(3,194)	(2,974)	220
Net charges made on Retirement Benefits (IAS19)	0	0	1,512	1,512
Employer's contribution to Pension Fund	0	0	(736)	(736)
Net (Gain)/loss on sale of HRA Assets	0	0	(620)	(620)
Capital receipts pooling	0	0	768	768
Non-Enhancing Capital Expenditure Financed from MRR	0	0	2,602	2,602
Revaluation (Gains)/Losses	0	0	(12,339)	(12,339)
<b>Transfer to Reserve</b>	<b>(1,619)</b>	<b>101</b>	<b>1,793</b>	<b>1,692</b>

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

## **6 HRA Capital Programme 2020/21**

6.1 The budget set by Council on 17 September 2021 for 2020/21 HRA Capital Programme is £17.616m. Table 12 summarises the HRA capital outturn position as at 31 March 2021.

**Table 12 – HRA Capital Outturn Position**

Capital Scheme	2020/21 Amended Current Budget £'000	2020/21 Amended Budget (less C/F approved by Council March 2021) £'000	2020/21 Outturn £'000	Variance to Current Budget £'000
Energy Efficiency Initiatives	1,900	1,445	786	(659)
ICT	30	0	0	0
Refurbishment & Improvement	15,540	14,577	2,221	(12,356)
Repairs Vehicles	146	146	160	14
<b>Total Expenditure</b>	<b>17,616</b>	<b>16,168</b>	<b>3,167</b>	<b>(13,001)</b>
<b>Financed By:</b>				
HRA Capital Receipts Reserve	(4,000)	(3,650)	(371)	3,279
Loan Repayment Reserve	(1,350)	(1,350)	0	1,350
Major Repairs Reserve	(4,786)	(3,718)	(2,796)	922
Property Development Reserve	(7,450)	(7,450)	0	7,450
S106	(30)	0	0	0
<b>Total Financing</b>	<b>(17,616)</b>	<b>(16,168)</b>	<b>(3,167)</b>	<b>13,001</b>

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

## 7 HRA Reserves 2020/21

7.1 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 £41.261m Line 11**

- HRA working balance £2.832m (line 6) - 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. Therefore it is necessary to add further resources to the reserve to increase the provisional balance as at 31 March 2021.
- Capital Receipts Reserve (HRA) £7.707m (line 8) - The Council has established a capital receipts reserve where the 'Right to Buy' sale receipts are allocated. During the year £1.935m receipts have been received with 29 right to buy sales (compared to 56 RTB sales in 2019/20). During the year £371k of the reserve has been used to contribute towards the financing of the capital programme and pooling payments of £767k 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.
- Major Repairs Reserve (HRA) £16.464m (line 9) - This reserve has been increased by £6.404m in accordance with the HRA business plan and an annual allocation is a requirement in order to provide sustainable funding for the HRA capital programme. In order to provide financing for the 2020/21 programme an allocation of £2.796m has

been utilised. This will continue to be the primary financing for the housing improvement elements of the Capital Programme.

## **8 Consultation and Feedback Received, Including Overview and Scrutiny**

8.1 Quarterly budget monitoring and forecasting reports have been presented to Finance, Economic Development and Corporate Services Overview and Scrutiny Committee during 2020/21. These have updated Members on the estimated outturn position for the year. These reports are referenced at the background papers section of this report.

## **9 Reasons for the Recommendation (s)**

9.1 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.

9.2 This report provides an overview of the provisional outturn financial position for the Council.

## **10 Next Steps – Communication and Implementation of the Decision**

10.1 The outturn report is presented to the Governance and Audit Committee for its consideration in accordance with the terms of reference for the Committee.

## **11 Financial Implications**

11.1 These are included throughout the report and the supporting appendices.

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

## **12 Legal and Governance Implications**

12.1 The terms of reference of the Governance and Audit Committee require the Committee to consider for approval the annual revenue and capital outturn report.

**Legal Implications reviewed by: Mandy Braithwaite, Legal Executive**

## **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 Risk has been considered as part of this report and no specific high risks have been identified.

## **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 2022/23 – General Fund, Housing Revenue Account and associated Capital Programmes Report



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

17.2 Finance Impact Report – May 2020

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

17.3 Finance Impact Report – June 2020

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

17.4 Finance Impact and Budget Monitoring Report – July 2020

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

17.5 Finance Update Report – April 2020 – July 2020

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

17.6 Amended Budget Proposals 2020/21

<http://moderngov.southkesteven.gov.uk/documents/s27458/Amended%20budget%20proposals%20202021%20report.pdf>

17.7 Finance Update Report – April 2020 – September 2020

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

17.8 Finance Update Report – April 2020 – December 2020

<http://moderngov.southkesteven.gov.uk/documents/s29139/FEDCO%20Qtr3%20Finance%20Update.pdf>

## 18 Appendices

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

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

18.3 Appendix C – 2020/21 General Fund Capital Programme – Outturn

18.4 Appendix D – 2020/21 Budget Carry Forwards General Fund Revenue & Capital

18.5 Appendix E – 2020/21 General Fund Reserves Statement

18.6 Appendix F – 2020/21 HRA Revenue Summary - Outturn and Significant Variance Analysis

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

18.8 Appendix H – 2020/21 Budget Carry Forwards HRA Revenue & Capital

18.9 Appendix I – 2020/21 HRA Reserves Statement

<b>Report Timeline:</b>	Date of Publication on Forward Plan (if required)	Not required
	Previously Considered by: n/a	Not applicable
	Final Decision date	21 July 2021