



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

7 September 2021

Report of: Councillor Adam Stokes

Cabinet Member for Finance and
Resources



Finance Update Report: April – July 2021

To inform Finance, Economic Development and Corporate Services Overview and Scrutiny Committee of the Council's forecast 2021/22 financial position as at the end of July 2021. The report covers the following areas:

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

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:	Gill Goddard, Senior Accountant	25 August 2021
Approved by:	Richard Wyles, Interim Director of Finance	26 August 2021
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance and Resources	26 August 2021

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 2021/22 outturn position for the General Fund and HRA Revenue and Capital budgets as at the end of July 2021 and identify any variances that require further action or investigation.

- Note the allocation criteria of the COVID recovery reserve, the use of which has been delegated to the Chief Executive and the S151 Officer in consultation with the Cabinet Member for Finance and Resources.

1 The Background to the Report

- 1.1 During the current financial year, the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee will be provided with regular finance reports that will be monitoring and assessing the current economic conditions for the Council.

2 Revenue Budget 2021/22 – General Fund

- 2.1 The budget set by Council on 1 March 2021 was £17.351m. The approval of budget carry forwards by Cabinet have increased the General Fund net cost of service budget to £19.378m which is shown at Table 1 below.

Table 1 – General Fund Revenue Budget Amendments

Date of Approval	Revenue Budget amendment	£'000
		17,351
May 2021	Leisure SK – Local Priorities Reserve	108
June 2021	Regeneration Reserve	72
July 2021	2020/21 Budget Carry Forwards	1,847
Total		19,378

- 2.2 Table 2 shows a forecast deficit as at 31 July 2021 of £1.022m. This is mainly due to the reduced procurement and process automation efficiencies not achievable during the continuation of current circumstances, reduced levels of income from service areas affected by restrictions (Arts centres, car parks) and removal of the salary vacancy factor forecasts (General Fund £438k, HRA £136k) at this time although it will be expected that these will be achieved during the remainder of the year and is managed as part of the vacant posts within service areas. This will be updated in subsequent reports. Appendix A provides a detailed breakdown of the General Fund summary.

Table 2 – General Fund Forecast Outturn Position

Description	2021/22 Original Budget	2021/22 Current Budget	2021/22 Forecast spend	Forecast Variance	Forecast Variance
	£'000	£'000	£'000	£'000	%
Commercial & Operations	7,667	8,055	8,608	553	6.9%
Corporate	7,053	7,459	7,785	326	4.4%
Growth & Culture	5,211	5,592	5,851	259	4.6%
Housing & Property	179	1,031	1,063	32	3.1%
HRA Recharge	(2,759)	(2,759)	(2,759)	0	0.0%
Net Cost of Service	17,351	19,378	20,548	1,170	6.0%
Interest Payable and Receivable	(100)	(100)	(100)	0	

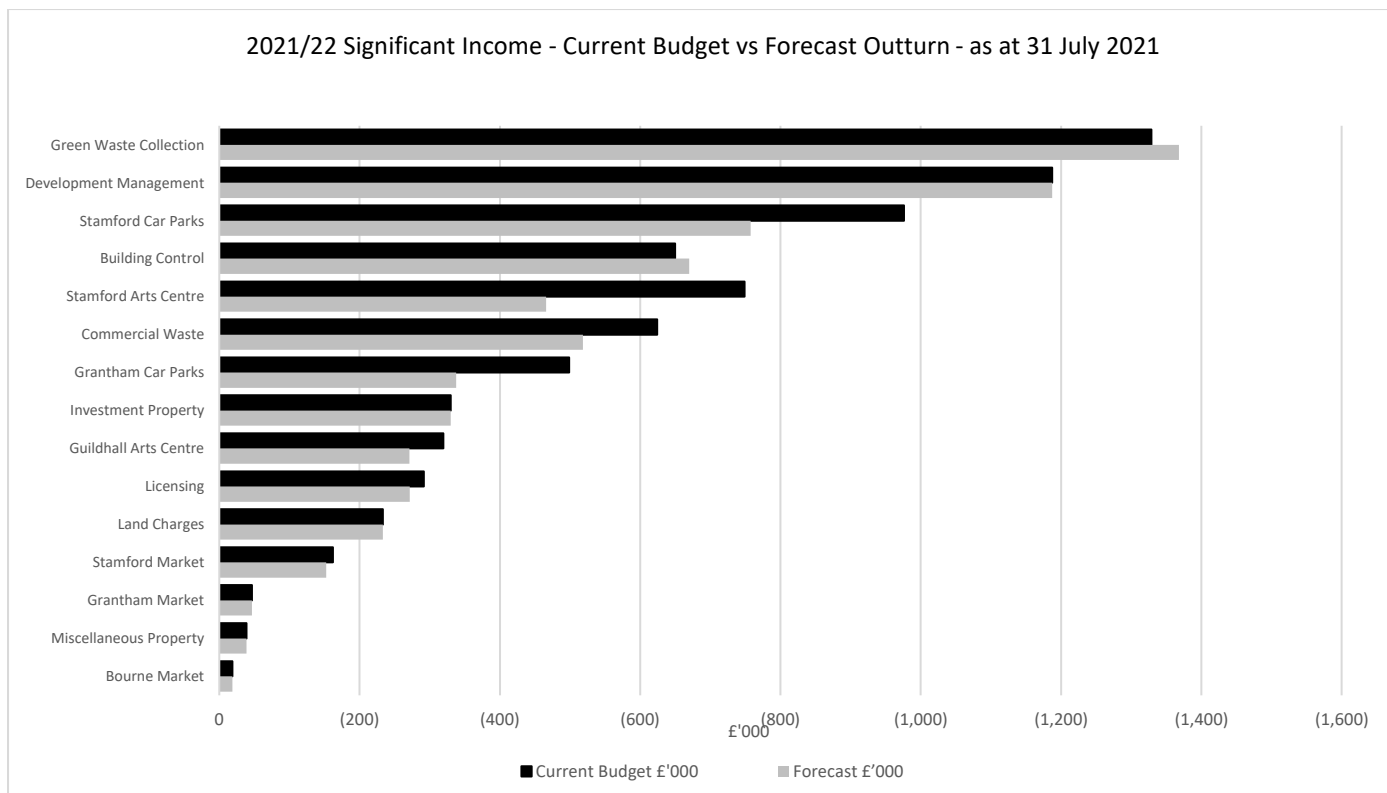
Minimum Revenue Provision	296	296	296	0
Revenue Contribution to Capital	186	186	186	0
Drainage Rates	746	746	746	0
Depreciation	(4,586)	(4,586)	(4,586)	0
Net Budget Requirement	13,893	15,920	17,090	1,170
General Funding	(14,348)	(14,348)	(14,348)	0
Co-payment losses contribution*	0	0	(167)	(167)
Total Funding	(14,348)	(14,348)	(14,515)	(167)
Transfers to/(from) earmarked reserves	455	(1,572)	(1,553)	19
Net Budget Deficit	0	0	1,022	1,022

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

Table 3 - General Fund Significant Income Streams

	Significant Income	Original Budget £'000	Current Budget £'000	Forecast Outturn £'000	Forecast Variance £'000	Forecast Variance %
1	Green Waste Collection	(1,329)	(1,329)	(1,368)	(39)	(2.9%)
2	Development Management	(1,187)	(1,187)	(1,187)	0	0.0%
3	Stamford Car Parks	(976)	(976)	(757)	219	22.4%
4	Stamford Arts Centre	(749)	(749)	(466)	283	37.8%
5	Building Control	(650)	(650)	(670)	(20)	(3.1%)
6	Commercial Waste	(497)	(624)	(519)	106	17.0%
7	Grantham Car Parks	(499)	(499)	(338)	161	32.3%
8	Investment Property	(330)	(330)	(330)	0	0.0%
9	Guildhall Arts Centre	(319)	(319)	(271)	49	15.2%
10	Licensing	(291)	(291)	(271)	20	6.9%
11	Land Charges	(233)	(233)	(233)	0	0%
12	Stamford Market	(162)	(162)	(152)	10	6.2%
13	Grantham Market	(46)	(46)	(46)	0	0.0%
14	Miscellaneous Property	(39)	(39)	(39)	0	0.0%
15	Bourne Market	(19)	(19)	(19)	0	0.0%
	TOTAL	(7,327)	(7,455)	(6,667)	788	10.6%

Chart 1 – General Fund Significant Income Streams



- 2.3 A final claim for Covid-19 support for co-payment losses scheme contribution is currently underway for the actual net income losses declared in accordance with the Government scheme criteria and is reflected in the overall financial forecast position incorporating the cessation claims of the available schemes including Furlough and Job Retention Scheme grants of £50k and Cultural Recovery Grant of £100k. Table 3 shows the total forecast variance for the key income areas and projects a significant variance of £788k which is reduced to £621k once the co-payment losses scheme claim is received.
- 2.4 Appendix B provides further details of the outturn revenue position for each Directorate along with variance comments.
- 2.5 At the previous Committee meeting members requested further information on key areas for expenditure that have been positively reduced during the hybrid ways of working. This is currently under review but the summary of spend against budget for the first four months of 2021/22 confirms that expenditure is below budgeted levels

Table 4 – Reduced expenditure resulting from current hybrid working

Budget Heading	YTD Budget	YTD Actuals	YTD Variance
	£	£	£
Business Travel Claims	35,800	23,300	(12,500)
Electricity	104,500	85,800	(18,700)
Printing	43,700	27,000	(16,700)
Postage	65,000	41,800	(23,200)
Advertising	21,000	5,900	(15,100)
Total	270,000	183,800	(86,200)

3 General Fund Capital Programme 2021/22

The budget set by Council on 1 March 2021 for the 2021/22 General Fund Capital programme is £4.085m. Table 5 shows the summary of movements:

Table 5 – General Fund Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		4,085
November 2020	Strategic Land acquisition	3,063
March 2021	Decarbonisation Scheme	950
May 2021	Additional Disabled Facilities Grant 2021/22	115
July 2021	2020/21 Budget Carry Forwards	436
Total		8,649

3.1 Table 6 summarises the General Fund Capital forecast outturn position as at 31 July 2021.

Table 6 – General Fund Capital Forecast Outturn Position

Capital Scheme	2021/22 Original Budget	2021/22 Current Budget	2021/22 Forecast spend	Forecast Variance	Forecast Variance
	£'000	£'000	£'000	£'000	%
Commercial & Operations	2,362	6,712	6,430	(282)	(4.2%)
Corporate	50	50	50	0	0.0%
Growth & Culture	1,673	1,363	663	(700)	(51.3%)
Housing & Property	0	524	529	5	1.0%
Total Expenditure	4,085	8,649	7,672	(977)	(11.3%)

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

4 General Fund Reserves 2021/22

4.1 Appendix D details the General Fund forecast reserve movements for 2021/22, line 17 and 18 detail that there are balances of £2.843m and £1.249m on the budget stabilisation reserve and the covid recovery reserve respectively which may be required to fund the projected budget deficit of £1.022m detailed in Table 2.

4.2 COVID Recovery Reserve

The Committee is requested to note the criteria for the allocation of the COVID recovery reserve that has been delegated to the Chief Executive and the S151 Officer in consultation with the Cabinet Member for Finance and Resources.

The reserve will be used in the following scenarios:

- Where there is an identified reduction in income received compared to budgeted income arising from the impact of lockdown, social restrictions and an economic impact for the period following the easing of restrictions post 19 July 2021
- Where there is an identified cost increase arising from the Council response to the lockdown and the recovery period. This criterion will include expenditure relating to supplies and services, premise related or transport related costs.
- Where there is an identified employee related cost (temporary or agency) arising from the need to allocate staff resource in order to respond or support the Council's COVID recovery phase activities
- Where, in specific circumstances, budgeted savings and efficiencies in the 2021/22 budget framework cannot be delivered

5 Revenue Budget 2021/22 – Housing Revenue Account

The budget set by Council on 1 March 2021 for the 2021/22 HRA Revenue Budget is £5.435m. The budgeted surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 7 shows the summary of movements:

Table 7 – HRA Revenue Budget Adjustments

Date of Approval	HRA Budget amendment	£'000
		(5,435)
July 2021	2020/21 Budget carry forwards	1,720
Total		(3,715)

5.1 Table 8 shows the HRA forecast outturn position for 2021/22 as at 31 July 2021.

Table 8 – HRA Revenue Forecast Outturn Position

Description	2021/22 Original Budget	2021/22 Current Budget	2021/22 Forecast spend	Forecast Variance	Forecast Variance against Current Budget
	£'000	£'000	£'000	£'000	%
Income	(25,734)	(25,734)	(25,734)	0	0%
Expenditure	18,018	19,738	20,055	317	1.6%
Net Cost of HRA Services	(7,716)	(5,996)	(5,679)	317	5.3%
Interest Payable and Similar Charges	2,433	2,433	2,433	0	
Interest and Investment Income	(152)	(152)	(152)	0	
Surplus for the year	(5,435)	(3,715)	(3,398)	317	

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

6 HRA Capital Programme 2021/22

The budget set by Council on 1 March 2021 for the 2021/22 HRA Capital programme is £22.716m. Table 9 shows the summary of movements:

Table 9 – HRA Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		22,716
May 2021	Heating & Ventilation – Green Homes Grant	926
July 2021	2020/21 Budget Carry Forwards	174
Total		23,816

Table 10 – HRA Capital Forecast Outturn Position

Capital Scheme	2021/22 Original Budget	2021/22 Current Budget	2021/22 Forecast spend	Forecast Variance	Forecast Variance against Current Budget
	£'000	£'000	£'000	£'000	%
Energy Efficiency Initiatives	4,340	5,266	5,266	0	0.0%
ICT	720	720	80	(640)	(88.9%)
Repairs Vehicles	248	248	248	0	0.0%
New Build Programme	11,165	11,165	4,240	(6,925)	(62.0%)
Refurbishment and Improvement	6,243	6,417	6,417	0	0.0%
Total Expenditure	22,716	23,816	16,251	(7,565)	(31.8%)

6.1 The Committee requested an updated position with respect to the HRA New Build Programme and the Director of Housing & Property has provided the following:

The Council has a clear intention that the Housing Revenue account delivers new build properties to support the “Housing that meets the needs of residents” theme of the Corporate Plan adopted in 2020. Such a delivery programme must of course be balanced against the requirement to deliver capital investment in the existing HRA stock to meet statutory and regulatory requirements.

However, the Council has 15 new units under construction and/or expected to complete in this financial year, including:

- 7 at Meadow Close, Bourne; 5 at Trinity Road, Stamford (contract value of £1.8 million); and
- 3 at Riverside Walk, Grantham (contract value of £80K - with an anticipated completion date of the end of October 2021).

In addition, an open space consultation is underway for 36 units at Larch Close, Grantham (anticipated delivery in 2022/23) and an application for planning approval is to be submitted in this financial year for 21 units at Swinegate, Grantham (likely start on site in 2021/22 with delivery in 2022/23). Pre-planning is completed in respect of 18 units at Wellington Way and the next stage would be public consultation, with delivery planned for 2022/23. There are a number of other sites at early stages of viability and design.

Naturally, all new build properties meet building regulation standards and are built to a Lifetime Homes standard. The use of timber frame construction at Meadow Close and Trinity Road allows better heating efficiency than traditional construction methods.

In relation to the new Council Homes target, work will be needed to balance development aspirations against required capital investment in the Council’s existing housing stock as part of the review of the Housing Revenue Account Business Plan from 2022/23. This review is reliant on the quality of the information available regarding the condition of the Council’s existing housing stock – to that end, a full Stock Condition Survey commenced in July 2021, aiming to survey 100% of properties in this financial year. The roll-out of the survey will allow some indications about the likely investment needed by late September/early October 2021 to assist with budget setting for 2022/23, with a full review of the HRA Business Plan to follow in 2022/23. The Council will from 2022/23 survey 20% of its housing stock, allowing an annual refresh of the Business Plan based on up-to-date information.

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

7 HRA Reserves 2021/22

7.1 Appendix G details the HRA forecast reserve movements for 2021/22, the reserve movements have been amended to reflect the reduced financing required to fund the capital programme forecast shown at Table 10.

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. Cash flow management remains a key focus and is reviewed on a daily basis to ensure that the Council can meet all its cash flow requirements. The cash flow model has been updated

and is shown at Appendix H. 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 July 2021	46.44%	46.50%	32.45%
Actual collection rate to end of July 2021	45.75%	42.62%	31.19%

9 Consultation and Feedback Received, Including Overview and Scrutiny

9.1 A budget monitoring report has been presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 20 July. 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 2021/22 financial position for the Council and focuses on the position as at the end of July 2021.

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: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer

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 I 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 2021/22 and indicative budgets to 23/24 – General Fund, Revenue Account and associated Capital Programmes Report

<http://moderngov.southkesteven.gov.uk/documents/s29198/Budget%20Proposals%20for%20202122%20and%20indicative%20budgets%20for%20202223%20and%20202324.pdf>

17.2 Provisional Outturn Position 2020/21 report

<http://moderngov.southkesteven.gov.uk/documents/s30264/Outturn%20Position%20report%20202021.pdf>

17.3 Finance Update Report– April to May 2021

<http://moderngov.southkesteven.gov.uk/documents/s30469/Finance%20Update%20Report%20April%20-%20May%202021.pdf>

18 Appendices

18.1 Appendix A – 2021/22 General Fund Revenue Summary - Forecast Outturn

18.2 Appendix B – 2021/22 General Fund Significant Variance Analysis

18.3 Appendix C – 2021/22 General Fund Capital Programme – Forecast Outturn

18.4 Appendix D – 2021/22 General Fund Reserves Forecast Movements

18.5 Appendix E – 2021/22 HRA Revenue Summary - Forecast Outturn

18.6 Appendix F – 2021/22 HRA Capital Programme – Forecast Outturn

18.7 Appendix G – 2021/22 HRA Reserves Forecast Movements

18.8 Appendix H – 2021/22 Cash Flow Forecast

18.9 Appendix I – 2021/22 Finance Risk Register

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