



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

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

3 December 2021

Report of: Councillor Adam Stokes

The Deputy Leader of the Council



Finance Update Report: April – September 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 September 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

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Corporate Priority:	Decision type:	Wards:
High Performing Council	Administrative	All Wards
Reviewed by:	Alison Hall-Wright (Head of Finance and ICT (Deputy s151 officer))	10 November 2021
Approved by:	Richard Wyles (Assistant Director of Finance (s151 officer))	10 November 2021
Signed off by:	Councillor Adam Stokes (The Deputy Leader of the Council)	11 November 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 September 2021 and identify any variances that require further action or investigation.
- Recommend any specific actions or interventions that should be considered in order to reduce the General Fund forecast deficit.

1 The Background to the Report

1.1 During the current financial year, the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee is being provided with regular finance reports that monitor and forecast the budget against the current economic conditions that are facing 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 £19.469m 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
September 2021	Invest to Save	91
Total		19,469

Table 2 shows a current forecast deficit as at 30 September 2021 of £1.087m. This is a change from the previous updated position £1.022m which was reported to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 7 September 2021. The deficit forecast is as a result of reduced levels of income from specific service areas (Arts centres, car parks), the reduced forecast of procurement, process automation and employee efficiencies and removal of the salary vacancy factor forecasts (General Fund £438k, HRA £136k) which will be monitored throughout the remainder of the financial year.

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	8,146	8,614	468	5.7%
Corporate	7,053	7,459	8,032	573	7.7%
Growth & Culture	5,211	5,592	5,722	130	2.3%
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	19,469	20,672	1,203	6.2%
Interest Payable and Receivable	(100)	(100)	(100)	0	

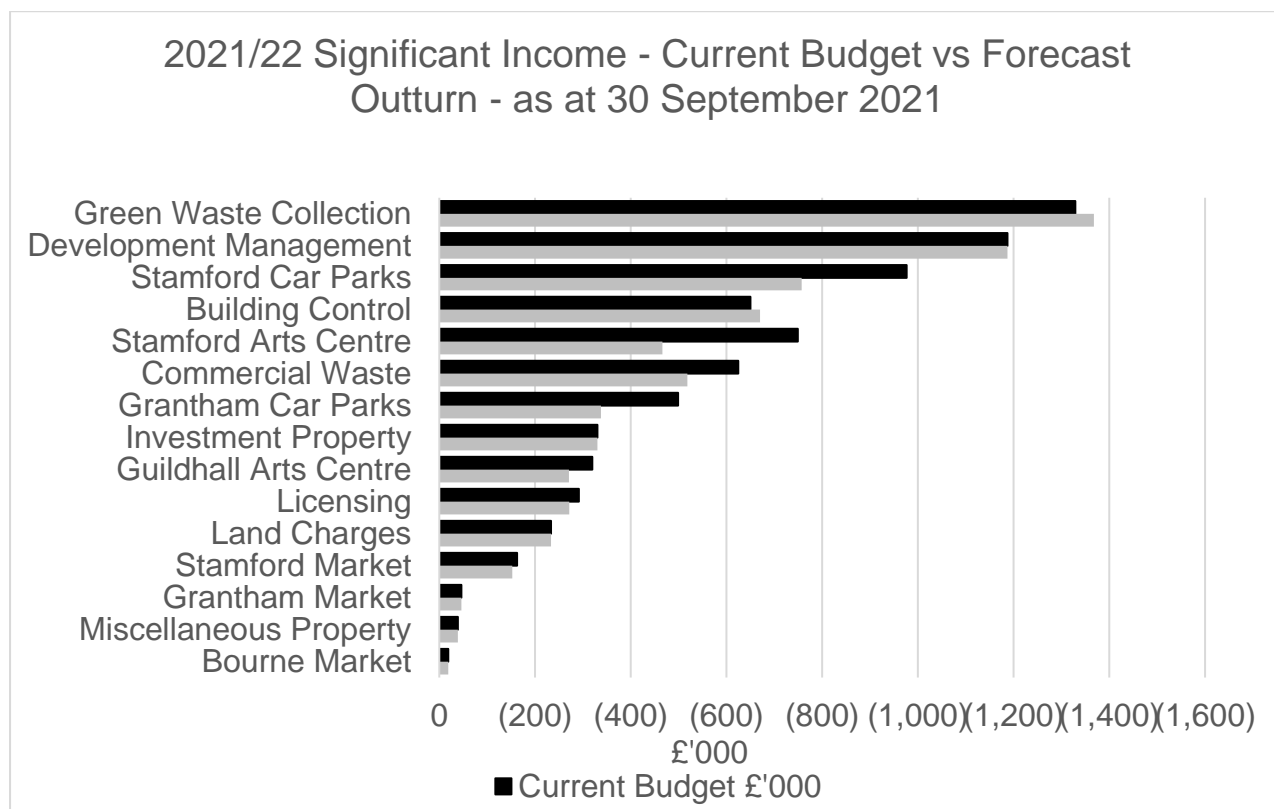
Minimum Revenue Provision	296	296	296	0
Revenue Contribution to Capital	186	186	186	0
Drainage Rates	746	746	746	0
Depreciation	(4,586)	(4,586)	(4,586)	0
Net Budget Requirement	13,893	16,011	17,214	1,203
Funding and Resources:				
Council Tax	(8,114)	(8,114)	(8,114)	0
Government Grants	(1,432)	(1,432)	(1,432)	0
Retained Business Rates, S31 Grant, Pooling Gain & Renewable energy	(3,808)	(3,808)	(3,808)	0
New Homes Bonus	(1,045)	(1,045)	(1,045)	0
Collection Fund (Surplus)/Deficit	51	51	51	0
Co-payment losses contribution	0	0	(140)	(140)
Total Funding	(14,348)	(14,348)	(14,488)	(140)
Transfers to/(from) earmarked reserves	455	(1,663)	(1,639)	24
Net Budget Deficit	0	0	1,087	1,087

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)	(1,383)	(54)	(4.1%)
2	Development Management	(1,187)	(1,187)	(1,187)	0	0.0%
3	Stamford Car Parks	(976)	(976)	(811)	165	16.9%
4	Stamford Arts Centre	(749)	(749)	(365)	384	51.3%
5	Building Control	(650)	(650)	(670)	(20)	(3.1%)
6	Commercial Waste	(497)	(624)	(518)	106	17.0%
7	Grantham Car Parks	(499)	(499)	(347)	152	30.5%
8	Investment Property	(330)	(330)	(330)	0	0.0%
9	Guildhall Arts Centre	(319)	(319)	(244)	75	23.5%
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	(7,326)	(7,453)	(6,615)	838	11.2%
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Chart 1 – General Fund Significant Income Streams



- 2.2** Table 3 and Chart 1 show the gross variance of significant income streams only, with a number of these having corresponding reduced expenditure which will result in an improved net position for the service areas.
- 2.3** A final claim for Covid-19 support for co-payment losses scheme contribution has been submitted 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 Job Retention Scheme grant 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 £838k which is reduced to £698k following the co-payment losses scheme claim.
- 2.4** Appendix A provides further details of the outturn revenue position for each Directorate along with variance comments.
- 2.5** Members are provided with information relating to the positive savings being generated from the hybrid working arrangements that are in place across the Council. This analysis has been updated and is shown at Table 4 below. This remains under review but the summary of spend against budget for the first six months of 2021/22 confirms that expenditure is below budgeted levels. It is important to ensure these savings are captured into new ways of working arrangements in order to ensure the reduced levels of expenditure become sustainable beyond the current temporary working arrangements.

Table 4 – Reduced expenditure resulting from current hybrid working

Budget Heading	Current Budget £'000	Forecast Outturn £'000	Forecast Variance £'000
Business Travel Claims	101,250	83,250	(18,000)
Printing	40,400	25,100	(15,300)
Postage	170,100	128,400	(41,700)
Advertising	63,200	46,600	(16,600)
Total	374,950	283,350	(91,600)

3 General Fund Capital Programme 2021/22

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

Table 5 – General Fund (GF) Capital Programme Budget Amendments

Date of Approval	GF Budget amendments	£'000
		4,085
November 2020	Strategic Land acquisition	3,063
January 2021	Stamford Arts Centre – Fire Alarm	75
March 2021	Decarbonisation Scheme	950
May 2021	Additional Disabled Facilities Grant 2021/22	115
July 2021	2020/21 Budget Carry Forwards	436
Total		8,724

3.1 Table 6 summarises the General Fund Capital forecast outturn position as at 30 September 2021.

Table 6 – General Fund Capital Forecast Outturn Position

Capital Scheme	2021/22 Original Budget £'000	2021/22 Current Budget £'000	2021/22 Forecast Spend £'000	Forecast Variance £'000	Forecast Variance %
Commercial & Operations	2,362	6,712	5,497	(1,215)	(18.1%)
Corporate	50	50	50	0	0.0%
Growth & Culture	1,673	1,363	538	(825)	(60.5%)
Housing & Property	0	599	618	19	3.2%
Total Expenditure	4,085	8,724	6,703	(2,021)	(23.2%)

3.2 Table 7 shows the significant forecast variances for the General Fund capital schemes for 2021/22 as at 30 September 2021:

Table 7 – General Fund Capital – Significant Variances

Explanation of Significant Variances	£'000
Disabled Facilities Grant Recommendations continue to be received and forecast is in line with current work in progress and commitments. There have been 59 successful applications in 2021/22.	(228)
Deepings LC - All Weather Pitch Football Foundation grant application now postponed until 2022/23. Budget carry forward to be requested.	(700)
Decarbonisation Scheme Project unable to be completed within timescales of grant provider. Unspent award to be returned to Salix	(933)
Shop Front Scheme Eligible schemes are being funded through the Heritage Action Zone grant during 2021/22.	(125)

3.3 COVID Recovery Reserve - £1.249m

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 Deputy Leader of the Council and Cabinet Member for Finance and Waste Services. In the event that the reserve is not fully utilised then it is the intention that any balance is moved into the local priorities reserve.

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

3.4 Of the projected deficit it is envisaged that £1.049m of the reserve will be used (in accordance with agreed criteria) to offset the projected deficit. This will result in a residual deficit of £38k.

4 Revenue Budget 2021/22 – Housing Revenue Account

The budget set by Council on 1 March 2021 for the 2021/22 HRA Revenue Budget was £5.435m. 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 Amendments

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

4.1 Table 9 shows the HRA forecast outturn position for 2021/22 as at 30 September 2021.

Table 9 – HRA Revenue Forecast Outturn Position

Description	2021/22 Original Budget £'000	2021/22 Current Budget £'000	2021/22 Forecast spend £'000	Forecast Variance £'000	Forecast Variance against Current Budget %
Income	(25,734)	(25,734)	(25,319)	415	1.6%
Expenditure	18,018	19,738	20,191	453	2.3%
Net Cost of HRA Services	(7,716)	(5,996)	(5,128)	868	14.5%
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)	(2,847)	868	

4.2 Appendix B provides detail of the current HRA Revenue position along with variance comments.

5 HRA Capital Programme 2021/22

The budget set by Council on 1 March 2021 for the 2021/22 HRA Capital programme was £22.716m. Table 10 shows the summary of movements:

Table 10 – HRA Capital Programme Budget Amendments

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

5.1 Table 11 summarises the HRA Capital forecast outturn position as at 30 September 2021.

Table 11 – 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	3,766	(1,500)	(28.5%)
ICT	720	720	50	(670)	(93.1%)
Repairs Vehicles	248	248	248	0	0.0%
New Build Programme	11,165	11,165	3,040	(8,125)	(72.8%)
Refurbishment and Improvement	6,243	6,417	5,342	(1,075)	(16.8%)
Total Expenditure	22,716	23,816	12,446	(11,370)	(47.7%)

5.2 With respect to the new build programme, a detailed summary of the current position as provided to the Committee on 7 September is detailed below:

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 and
- 3 at Riverside Walk, Grantham

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.

- 5.3 Table 12 shows the significant forecast variances for the HRA capital schemes for 2021/22 as at 30 September 2021.

Table 12 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
Heating & Ventilation The planned installations have been delayed by issues with contract delivery. An additional provider is progressing installations further.	(1,500)
Housing System Enhancements Pending the appointment of new assistant director when we will test the market. It is anticipated that the project will be delivered in 2022/23.	(640)
Communal Rooms Awaiting fire precautions review- delivery likely to be 2022/23.	(80)
Replacement Door Programme Procurement of contractor delayed.	(200)
Housing Growth See paragraph 5.2.	(8,125)
Kitchens & Bathrooms Programme Continuing covid restrictions have caused a delay in the programme.	(400)
Passenger Lifts, Supported Housing Two schemes will be completed during 2021/22 with the remaining programme completed in 2022/23.	(255)
Door Entry System Programme unlikely to be completed during 2021/22.	(140)

6 Collection Rates

- 6.1 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 13 – Collection Rates

Target Information	Council Tax	Business Rates	HRA Dwelling Rents
Annual collection rate	Target 98.68%	Target 99.16%	Target 98.50%
Target Collection rate to end of September 2021	55.86%	54.97%	48.68%
Actual collection rate to end of September 2021	56.52%	53.66%	48.53%

7 Consultation and Feedback Received, Including Overview and Scrutiny

7.1 Budget monitoring reports have been presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 20 July and 7 September. 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.

8 Reasons for the Recommendation (s)

8.1 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.

8.2 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 September 2021.

9 Financial Implications

9.1 These are included in the report and supporting appendices.

Financial Implications reviewed by: Alison Hall-Wright, Head of Finance and ICT

10 Legal and Governance Implications

10.1 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.

Legal Implications reviewed by: Graham Watts, Head of Democratic Services and Deputy Monitoring Officer

11 Equality and Safeguarding Implications

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

12 Risk and Mitigation

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

13 Community Safety Implications

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

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

14.1 The report has a neutral carbon impact.

15 Background Papers

15.1 Determination of Budget 2021/22 and indicative budgets to 2023/24 – 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>

15.2 Provisional Outturn Position 2020/21 report

<http://moderngov.southkesteven.gov.uk/documents/s30264/Outturn%20Position%20report%202021.pdf>

15.3 Finance Update Report– April to May 2021

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

15.4 Finance Update Report- April to July 2021

<http://moderngov.southkesteven.gov.uk/documents/s30699/Finance%20Update%20Report.pdf>

15.5 Finance Update Report – April to September 2021

<http://moderngov.southkesteven.gov.uk/documents/s31483/Finance%20Update%20Report%20April%20-%20September%202021.pdf>

16 Appendices

16.1 Appendix A – 2021/22 General Fund Significant Variance Analysis

16.2 Appendix B – 2021/22 HRA Revenue Summary - Forecast Outturn

16.3 Appendix C – 2021/22 Finance Risk Register