



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

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

22 February 2022

Report of: Councillor Adam Stokes

The Deputy Leader of the Council



Finance Update Report: April – December 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 December 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)	31 January 2022
Approved by:	Richard Wyles (Assistant Director of Finance & S151 Officer)	1 February 2022
Signed off by:	Councillor Adam Stokes (The Deputy Leader of the Council)	3 February 2022

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 December 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 £19.702m 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
October 2021	ICT Reserve	80
October 2021	Climate Change	20
October 2021	Maintenance Reserve	110
November 2021	Local Priorities Reserve	23
Total		19,702

Table 2 shows a current forecast deficit as at 31 December 2021 of £528k. The forecast deficit as at 31 July 2021 was reported as £1.022m and as at 30 September 2021 reported as £1.087m. Therefore the forecast deficit as at 31 December 2021 is a significant improvement on the projected outturn and work will continue for the remainder of the financial year to reduce the projected deficit further. The positive reduction in deficit forecast is as a result of in year vacancies in a number of service areas, improved car parking forecast income and additional reductions in expenditure from specific service areas (Arts and Culture, Markets, ICT, Community fund and premises running costs).

- In year vacant posts within ICT, Human Resources, Revenues & Benefits, Growth Management, OD & Change, Arts Centres and Public Protection (offset against the salary vacancy factor) £218k
- Car Park income forecast improvement £30k
- Additional grant income received (Arts Council £20k) and further reduction in performers fees with current programming for the remainder of 2021/22 (£40k). This offset in operational costs contributes towards the income reductions in the Arts.
- Markets – alignment of staffing saving of £30k
- ICT – reduced hardware costs during current working requirements
- Community Fund – The budget carry forward approved for this programme has not been required for the three rounds completed in 2021/22.(£83k)
- Utilities – Anticipated forecast reduction in running costs at both the Council Offices and South Kesteven House due to the hybrid staff working arrangements (£25k)

- Vacant office space above Savoy cinema - Reduction in running costs of units whilst the operational space remains vacant (£47k)

However, there are two significant budget variances that have adversely affected the forecast deficit position.

- Planning fee income reduced by £110k due to a lower receipt of major applications
- Workshop – A combination of increase in price and quantity of consumables, external and specialist repair work in particular on end-of-life vehicles has resulted in a current forecast overspend of £160k. It is proposed to fund these additional costs bet from the Waste reserve that was established to meet unforeseen financial pressures within the service. This will be subject to a non-key decision report in due course.

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	8,250	8,520	270	3.3%
Corporate	7,053	7,545	7,797	252	3.3%
Growth & Culture	5,211	5,604	5,607	3	0.1%
Housing & Property	179	1,062	999	(63)	(6.0%)
HRA Recharge	(2,759)	(2,759)	(2,759)	0	0.0%
Net Cost of Service	17,351	19,702	20,164	462	2.3%
Interest Payable and Receivable	(100)	(100)	(100)	0	
Minimum Revenue Provision	296	296	136	(160)	
Revenue Contribution to Capital	186	186	186	0	
Drainage Rates	746	746	742	(4)	
Depreciation	(4,586)	(4,586)	(4,586)	0	
Net Budget Requirement	13,893	16,244	16,542	298	
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	

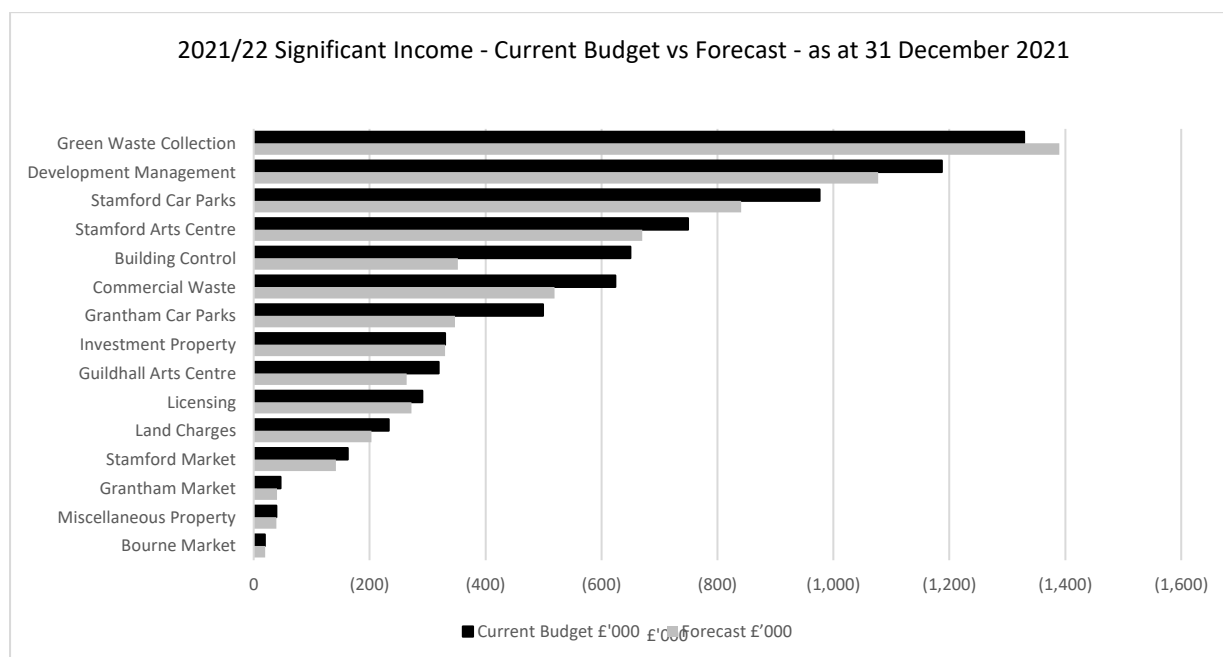
New Homes Bonus	(1,045)	(1,045)	(1,045)	0
Collection Fund (Surplus)/Deficit	51	51	51	0
Co-payment losses contribution	0	0	(130)	(130)
Total Funding	(14,348)	(14,348)	(14,478)	(130)
Transfers to/(from) earmarked reserves	455	(1,896)	(1,536)	360
Net Budget Deficit	0	0	528	528

- 2.2 The above net budget deficit includes a forecast for additional costs of £160k within the Commercial & Operations directorate which is proposed to be funded by a reserve movement from the Waste reserve. This would reduce the net budget deficit to £368k.

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)	(1,390)	(61)	(4.6%)
2	Development Management	(1,187)	(1,187)	(1,077)	110	9.3%
3	Stamford Car Parks	(976)	(976)	(841)	135	13.8%
4	Stamford Arts Centre	(749)	(749)	(670)	397	53.0%
5	Building Control	(650)	(650)	(352)	(20)	(3.1%)
6	Commercial Waste	(497)	(624)	(519)	105	16.8%
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)	(264)	55	17.2%
10	Licensing	(291)	(291)	(272)	19	6.5%
11	Land Charges	(233)	(233)	(203)	30	12.9%
12	Stamford Market	(162)	(162)	(142)	20	12.3%
13	Grantham Market	(46)	(46)	(40)	6	12.9%
14	Miscellaneous Property	(39)	(39)	(39)	0	0.0%
15	Bourne Market	(19)	(19)	(20)	(1)	(5.3%)
	NET TOTAL	(7,326)	(7,453)	(6,506)	947	12.7%
	Co-payment income losses scheme				(130)	
	TOTAL				817	

Chart 1 – General Fund Significant Income Streams



- 2.3** 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. Appendix A provides these net positions for each of the service areas.
- 2.4** Table 3 shows the total forecast variance for the key income areas and projects a significant variance of £947k which is reduced to £817k following the final co-payment losses scheme claim.
- 2.5** Appendix A provides further details of the outturn revenue position for each Directorate along with variance comments.
- 2.6** 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 nine months of 2021/22 confirms that expenditure is below budgeted levels.

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	80,350	(20,900)
Printing	40,400	25,100	(15,300)
Postage	170,100	128,400	(41,700)
Advertising	63,200	35,900	(27,300)
Utilities	538,450	508,900	(29,550)

Total	913,400	778,650	(134,750)
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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 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 31 December 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	5,088	(1,619)	(24.1%)
Corporate	50	50	50	0	0.0%
Growth & Culture	1,673	1,363	335	(1,028)	(75.4%)
Housing & Property	0	599	348	(251)	(41.9%)
Total Expenditure	4,085	8,724	5,821	(2,898)	(33.2%)

3.2 Table 7 shows the significant forecast variances for the General Fund capital schemes for 2021/22 as at 31 December 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)
Welham Street Car Park Refurbishment Scheme under review – revised scheme for 2022/23.	(390)
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)
Heritage Action Zone Delays in establishing property grant scheme.	(138)
Shop Front Scheme Eligible schemes are being funded through the Heritage Action Zone grant during 2021/22.	(125)
Arts Centre Refurbishments Full expenditure anticipated but completion of the project expected in 2022/23.	(270)

3.3 COVID Recovery Reserve - £1.249m

It has been agreed that the Covid reserve should be used to fund the deficit however the impact should be minimised in order to utilise the balance of the COVID reserve to replenish other revenue reserves that are coming under pressure from budget demands.

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 31 December 2021.

Table 9 – 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)	(24,820)	914	3.5%
Expenditure	18,018	19,738	20,198	460	2.3%
Net Cost of HRA Services	(7,716)	(5,996)	(4,622)	1,374	22.9%
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)	(2,341)	1,374	

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 31 December 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	3,250	(2,016)	(38.2%)
ICT	720	720	50	(670)	(93.1%)
Repairs Vehicles	248	248	142	(106)	(42.7%)
New Build Programme	11,165	11,165	2,400	(8,325)	(74.6%)
Refurbishment and Improvement	6,243	6,417	4,264	(2,593)	(40.4%)
Total Expenditure	22,716	23,816	10,106	(13,710)	(57.6%)

The table above shows a further reduction in forecast spend of £2.340m from £12.446m since October, with changes to the following programmes as agreed with the Head of Technical Services

- Heating and Ventilation scheme (£526k)
- Replacement door scheme (£1,088k)
- Fencing scheme (£320k)
- New Build programme (£200k)

5.2 Table 12 shows the significant forecast variances for the HRA capital schemes for 2021/22 as at 31 December 2021.

Table 12 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
Heating & Ventilation	(2,016)
The planned installations have been delayed by issues with contract delivery. An additional provider is progressing installations further.	

Housing System Enhancements The newly appointed assistant director is now completing market testing. It is anticipated that the project will be delivered in 2022/23	(640)
Repairs Vehicles HRA vehicle strategy is under review.	(106)
Communal Rooms Awaiting fire precautions review- delivery likely to be 2022/23.	(130)
Replacement Door Programme Procurement of contractor delayed.	(1,288)
Housing Growth Reprofiling of the Housing Growth as per the detailed summary provided to the Committee on 7 September 2021.	(8,325)
Kitchens & Bathrooms Programme Continuing covid restrictions have caused a delay in the programme.	(370)
Passenger Lifts, Supported Housing Two schemes will be completed during 2021/22 with the remaining programme completed in 2022/23.	(325)
Fencing Material and labour shortages. Full review of scheme being undertaken in the light of asset management strategy	(320)
Door Entry System Programme will now be completed during 2021/22.	(160)

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 December 2021	83.83%	80.90%	73.01%
Actual collection rate to end of December 2021	83.94%	79.89%	72.13%

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, 7 September and 3 December 2021. The Committee requested that regular reports be presented at each Overview and Scrutiny Committee 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 December 2021.

9 Financial Implications

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

Financial Implications reviewed by: Richard Wyles, Assistant Director of Finance and s151 Officer

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