



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Finance, Economic Development and Corporate Services Overview and Scrutiny Committee

19 July 2022

Report of: Councillor Adam Stokes

The Deputy Leader of the Council



Finance Update Report: April – June 2022

To inform Finance, Economic Development and Corporate Services Overview and Scrutiny Committee of the Council's 2022/23 financial position as at the end of June 2022. 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:	Alison Hall-Wright, Assistant Director of Finance	6 July 2022
Approved by:	Richard Wyles, Chief Finance Officer	6 July 2022
Signed off by:	Councillor Adam Stokes, The Deputy Leader of the Council	7 July 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 actual 2022/23 position for the General Fund and HRA Revenue and Capital budgets as at the end of June 2022 and identify any areas that require further action or investigation.

1 The Background to the Report

- 1.1 During the current financial year, the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee will be provided with regular finance reports that will be monitoring and assessing the current economic conditions for the Council. This is the first in a series of budget monitoring reports and at this stage of the financial year only shows actual costs incurred up to 30 June. Subsequent reports will show the projected outturn position as at 31 March 2023.

2 Revenue Budget 2022/23 – General Fund

- 2.1 The budget set by Council on 3 March 2022 was £18.247m. Budget carry forwards are subject to approval by Cabinet on 12 July 2022. If approved, these will increase the General Fund net cost of service budget by £1.632m which is shown at Table 1 below.

Table 1 – General Fund Revenue Budget Amendments

Date of Approval	Revenue Budget amendment	£'000
		18,247
April 2022	Regeneration Reserve	30
May 2022	Invest to Save Reserve	500
July 2022	2021/22 Budget Carry Forwards (subject to Cabinet approval)	1,632
Total		20,409

- 2.2 Table 2 shows the actual position as at 30 June 2022:

Table 2 – General Fund Actual Position

Description	2022/23 Original Budget	2022/23 Current Budget (including Budget C/F's)	2022/23 Actual spend
	£'000	£'000	£'000
Corporate	8,641	8,960	763
Finance	4,344	4,730	1,988
Growth & Culture	6,726	6,679	(761)
Housing & Property	1,323	2,827	(34)
HRA Recharge	(2,787)	(2,787)	(705)
Net Cost of Service	18,247	20,409	1,251
Investment Income	(101)	(101)	
Minimum Revenue Provision	291	291	
Revenue Contribution to Capital	55	55	
Drainage Rates	792	792	
Depreciation	(4,722)	(4,722)	
Net Budget Requirement	14,562	16,724	

Total Funding	(14,564)	(14,564)
Transfers to/(from) earmarked reserves	2	(2,160)
Net Budget Deficit	0	0

2.3 There are a number of grants that have been received in the first quarter of 2022/23 which have offset costs in the above table.

- Growth & Culture: Future High Street Fund grant £1.118m
- Housing & Property: Flexible Supported Housing grant £345k
- Housing & Property: Rough Sleeper Initiative grant £754k

3 General Fund Capital Programme 2022/23

The budget set by Council on 3 March 2022 for the 2022/23 General Fund Capital programme is £19.608m. Table 3 shows the summary of movements:

Table 3 – General Fund Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		19,608
March 2022	Changing Places Facilities – Grant award	160
April 2022	Street Scene Vehicle Procurement – delivery of vehicles in March 22 (funding utilised from 22/23)	(525)
May 2022	Disabled Facilities Grant- additional award	115
July 2022	2021/22 Budget Carry Forwards (subject to Cabinet approval)	990
Total		20,348

3.1 Table 4 summarises the General Fund Capital position as at 30 June 2022:

Table 4 – General Fund Capital Actual Position

Capital Scheme	2022/23 Original Budget	2022/23 Current Budget (including Budget C/F's)	2022/23 Actual & Committed spend
	£'000	£'000	£'000
Corporate	2,517	2,349	415
Finance	0	27	0
Growth & Culture	13,992	14,059	1,299
Housing & Property	3,099	3,913	300
Total Expenditure	19,608	20,348	2,017
Financed By:			
Capital Grant and Contributions	(4,128)	(4,457)	
Capital Reserve	(100)	(114)	

Internal Borrowing	(10,663)	(11,134)
Revenue Reserve Funding	(3,362)	(3,482)
Useable Capital Receipts	(1,355)	(1,161)
Total Financing	(19,608)	(20,348)

4 Revenue Budget 2022/23 – Housing Revenue Account

The budget set by Council on 3 March 2022 for the 2022/23 HRA Revenue Budget is £6,116m. The budgeted surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 5 shows the summary of movements:

Table 5 – HRA Revenue Budget Adjustments

Date of Approval	HRA Budget amendment	£'000
		(6,116)
March 2021	Electrical Testing	150
July 2022	2021/22 Budget carry forwards (subject to Cabinet approval)	200
Total		(5,766)

4.1 Table 6 shows the HRA position for 2022/23 as at 30 June 2022.

Table 6 – HRA Revenue Actual Position

Description	2022/23 Original Budget £'000	2022/23 Current Budget (including Budget C/F's) £'000	2022/23 Actual spend £'000
Income	(26,512)	(26,512)	(5,846)
Expenditure	18,261	18,611	2,345
Net Cost of HRA Services	(8,251)	(7,901)	(3,501)
Interest Payable and Similar Charges	2,335	2,335	
Interest and Investment Income	(200)	(200)	
Surplus for the year	(6,116)	(5,766)	

5 HRA Capital Programme 2022/23

The budget set by Council on 3 March 2022 for the 2022/23 HRA Capital programme is £16.353m. Table 7 shows the summary of movements:

Table 7 – HRA Capital Programme Budget Adjustments

Date of Approval	GF Budget amendment	£'000
		16,353
July 2022	2021/22 Budget Carry Forwards (subject to Cabinet approval)	2,881
Total		19,234

5.1 Table 8 summarises the HRA Capital position as at 30 June 2022.

Table 8 – HRA Capital Actual Position

Capital Scheme	2022/23 Original Budget £'000	2022/23 Current Budget (including approved Budget C/F's) £'000	2022/23 Actual & Committed spend £'000
Energy Efficiency Initiatives	3,885	3,885	511
ICT	1,170	1,220	92
Repairs Vehicles	178	178	57
New Build Programme	3,820	4,120	617
Refurbishment and Improvement	7,300	9,831	763
Total Expenditure	16,353	19,234	2,040
Financed By:			
HRA Capital Receipts Reserve	(3,300)	(3,600)	
HRA Improvement Reserve	(1,140)	(1,190)	
Major Repairs Reserve	(11,363)	(13,894)	
S106	(550)	(550)	
Total Financing	(16,353)	(19,234)	

6 Inflationary pressures Update

6.1 Since the budgets were prepared last autumn and approved by Council in March 2022, there has been an unprecedented and completely unforeseen increase in inflation and energy costs. This context along with potential pressures on the salary budgets is causing concern that the budget framework for 2022/23 will come under pressure as the year progresses.

As part of the outturn report, an inflation reserve of £500k has been recommended for the General Fund in order to absorb any potential cost pressures during the current financial year. Whilst this will provide some short term funding, there will be a funding pressure going into 2023/24 if the Government does not provide some additional funding for local government.

6.2 Fuel

The Council's fuel budget is £690k for 2022/23 (90% General Fund and 10% HRA). Fuel usage is approximately 625,000 litres per annum and the budgeted price per litre was set

at £1.10. The unit price paid for the week ending 24 June was £157.62 (and average increase of 0.87% per week). If this increase at the same rate for the remainder of the year then there will be a pressure of circa £400k for the year and likely to be a similar pressure in the next financial year.

6.3 Utilities

The General Fund budget for electricity for 2022/23 is £517k which is an increase of 17% compared to 2021/22. The HRA budget is £155k which is an increase of 36% compared to 2021/22. The General Fund budget for gas for 2022/23 is £70k, an increase of 24% compared to 2021/22. The HRA budget is £149k which is an increase of 18% compared to 2021/22. These costs remain an area of concern although the Council is taking advantage of a procurement framework that will help ensure the optimum price is obtained. The Council has been notified that from April 2022 gas tariff rates will increase by 70% and electricity tariff rates will increase by 100% from October 2022 (when compared to 2021/22). The increases are expected to continue into 2023/24 and further information will be provided in future budget monitoring reports.

7 Collection Rates

- 7.1 Table 9 shows the collection rates as at the end of June 2022. The rates will continue to be reviewed on a monthly basis and any significant variances will be presented to members.

Table 9 – Collection Rates

Target Information	Council Tax	Business Rates	Rents
Annual collection rate	Target 98.60%	Target 98.32%	Target 97.35%
Target Collection rate to end of June 2022	29.05%	26.42%	24.34%
Actual collection rate to end of June 2022	28.43%	30.85%	23.00%

8 Consultation and Feedback Received, Including Overview and Scrutiny

- 8.1 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.

9 Reasons for the Recommendation (s)

- 9.1 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.

9.2 This report provides an overview of the actual 2022/23 financial position for the Council and focuses on the position as at the end of June 2022.

10 Financial Implications

10.1 These are included in the report and supporting appendices.

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

11 Legal and Governance Implications

11.1 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, Assistant Director of Governance and Deputy Monitoring Officer

12 Equality and Safeguarding Implications

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

13 Risk and Mitigation

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

14 Community Safety Implications

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

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

15.1 The report has a neutral carbon impact.

16 Background Papers

16.1 Determination of Budget 2022/23 and indicative budgets to 24/25 – General Fund, Revenue Account and associated Capital Programmes Report

[Council Budget Report.pdf \(southkesteven.gov.uk\)](#)

16.2 Provisional Outturn Position 2021/22 report

[Outturn report 2021-22 Cabinet.pdf \(southkesteven.gov.uk\)](#)

17 Appendices

17.1 Appendix A – 2022/23 Finance Risk Register