



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



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

21 February 2023

Report of
Councillor Adam Stokes
The Deputy Leader of the Council

Finance Update Report: October–December 2022

Report Author

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Purpose of Report

To inform Finance, Economic Development & Corporate Services Overview & Scrutiny Committee of the Council's forecast 2022/23 financial position as at the end of December 2022. The report covers the following areas:

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

Recommendations

That the Committee:

- 1. Reviews and notes the forecast 2022/23 outturn position for the General Fund and HRA Revenue and Capital budgets as at the end of December 2022.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Growth and our economy Housing that meets the needs of all residents Healthy and strong communities Clean and sustainable environment High performing Council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.1 The financial implications are included within the report.

Completed by: Richard Wyles, Chief Finance Officer

Legal and Governance

1.2 As part of good governance, it is important members are kept updated in respect of the financial position of Council expenditure during the year.

Completed by: Graham Watts, Assistant Director of Governance

Risk and Mitigation

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

Completed by: Tracey Elliott, Governance and Risk Officer

2 Background to the Report

2.1 During the current financial year, 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.

3 Revenue Budget 2022/23 – General Fund

3.1 The budget set by Council on 3 March 2022 was £18.247m. Table 1 shows the summary of movements.

Table 1 – General Fund Revenue Budget Amendments

Date of Approval	Revenue Budget amendment	£'000
		18,247
April 2022	Regeneration Reserve	30
April 2022	ICT Reserve	68
May 2022	Invest to Save Reserve	500
July 2022	2021/22 Budget Carry Forwards	1,632
August 2022	Waste Reserve	81
November 2022	SEA Reserve	20
November 2022	Inflation Reserve	199
November 2022	Inflation Reserve	200
November 2022	Local Priorities Reserve	280
November 2022	Local Priorities Reserve	880
January 2023	SEA Reserve	12
January 2023	Regeneration Reserve	49
Total		22,198

- 3.2 The budget adjustments approved by Council on 24 November 2022 together with forecast changes since the amended budget was approved is resulting in a reduction in the previously forecast overspend. The reduction in the forecast spend, additional projected investment interest and Minimum Revenue Provision (MRP) reduction is resulting in a forecasted balanced position as at 31 December 2022. These changes may lead to a reduction in the use of reserves for 2022/23 by £765k. However, given the uncertainty surrounding the Council's exposure to external cost changes, this position will remain under a monthly review.
- 3.3 Members are reminded that the net cost of budget includes an efficiency saving of £500k for the corporate restructure. This will be achieved in 2022/23.

Table 2 – General Fund Forecast Outturn Position

Description	2022/23 Original Budget	2022/23 Current Budget	2022/23 Forecast Spend	Forecast Variance
	£'000	£'000	£'000	£'000
Corporate	8,641	9,843	9,714	(129)
Finance	4,344	5,027	5,022	(5)

Growth & Culture	6,726	6,967	7,077	110
Housing & Property	1,323	3,148	2,956	(192)
HRA Recharge	(2,787)	(2,787)	(2,787)	0
Net Cost of Service	18,247	22,198	21,982	(216)
Investment Income	(101)	(101)	(501)	(400)
Minimum Revenue Provision	291	291	131	(160)
Revenue Contribution to Capital	55	55	55	0
Drainage Rates	792	792	803	11
Depreciation	(4,722)	(4,722)	(4,722)	0
Net Budget Requirement	14,562	18,513	17,748	(765)
Total Funding	(14,564)	(14,564)	(14,564)	0
Transfers to/(from) earmarked reserves	2	(3,949)	(3,184)	765
Net Budget (Surplus)/ Deficit	0	0	0	0

3.4 Table 3 shows the significant forecast variances which impact across all directorates for the General Fund revenue for 2022/23 as at 31 December 2022.

Table 3 – General Fund Revenue – Significant Variances

Explanation of Significant Variances	£'000
Net Cost of Service A number of minor variances across service areas	(216)
Investment Income Base rate increases have resulted in an increase on the interest rates available for investments. The Council is now able to secure interest rates above 3% compared with the budgeted rate of 0.5%	(400)
Minimum Revenue Provision (MRP) The Council is not required to make an MRP provision for the borrowing associated with the St Martins Park Stamford as the asset is currently under construction.	(160)

3.5 Appendix A provides further details of the outturn revenue position for each Directorate along with service specific variance comments other than those detailed in table 3.

4 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 4 shows the summary of movements:

Table 4 – 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	990
September 2022	Loan to LSK Ltd for gym equipment	137
November 2022	St Martin's Park - Regeneration Reserve	193
Total		20,678

4.1 Table 5 summarises the General Fund Capital forecast outturn position as at 31 December 2022.

Table 5 – General Fund Capital Forecast Outturn Position

Capital Scheme	2022/23 Original Budget	2022/23 Current Budget	2022/23 Forecast spend	Forecast Variance
	£'000	£'000	£'000	£'000
Corporate	2,517	2,486	1,996	(490)
Finance	0	27	27	0
Growth & Culture	13,992	14,252	2,421	(11,831)
Housing & Property	3,099	3,913	1,931	(1,982)
Total Expenditure	19,608	20,678	6,375	(14,303)

4.2 Table 6 shows the significant forecast variances for the General Fund capital schemes for 2022/23 as at 31 December 2022.

Table 6 – General Fund Capital – Significant Variances

Explanation of Significant Variances	£'000
<p>Street Scene Vehicle Procurement</p> <p>There is an underspend as the purchase of one vehicle cannot be delivered until 2023/24, a budget carry forward has therefore been requested as part of the 2023/24 budget report.</p>	(127)
<p>CCTV Camera Replacement</p> <p>This project has been delayed as the current analogue line needs to be replaced by a digital line due to the reduced availability of analogue cameras. The line is expected to be replaced in the new financial year. A budget carry forward of £353k has therefore been requested to enable this project to be completed in 2023/24.</p>	(353)
<p>Future High Street Fund</p> <p>Grant applicants have not progressed as quickly as anticipated which has caused a delay in the award of grants. Schemes are progressing but it is unlikely that any will be paid in quarter 4. A budget carry forward of £444k has been requested as part of the 2023/24 budget report.</p>	(444)
<p>Deepings Leisure Centre Refurbishment</p> <p>Following a meeting of Full Council on 24 November 2022 it has been agreed not to proceed with the refurbishment of Deepings Leisure Centre.</p>	(10,562)
<p>Deepings All Weather Pitch</p> <p>Following a meeting of Full Council on 24 November 2022 it has been agreed not to proceed with the development of a 3G pitch in Deepings.</p>	(700)
<p>Shop Front Scheme</p> <p>It is anticipated that this year's programme will be funded from the Heritage Action Zone budget. A budget carry forward has been requested as part of the 2023/24 budget report which will enable the Council to continue to provide contributions towards enhanced shop fronts.</p>	(125)
<p>Welham Street- Resurfacing, Lift & Car Park barriers</p> <p>The lift replacement and drainage repairs will be completed during 2023/24 so a budget carry forward has been requested as part of the 2023/24 budget report.</p>	(275)
<p>Empingham Road S106 Grants</p> <p>Until terms and conditions of the S106 monies have been fully met, funds cannot be transferred. This is unlikely to occur in 2022/23 so a budget carry forward has been requested as part of the 2023/24 budget report.</p>	(303)
<p>Sustainable Warmth Grant</p> <p>The grant terms and conditions have impacted on the Council's ability to utilise the grant as the Council is only able to spend up to 50% on EPC D rated properties.</p>	(374)
<p>Meres Leisure Centre Boiler</p> <p>Stock condition surveys have been completed at the leisure centre sites. Replacement boiler works will be completed as part of the required works that have been identified in these surveys. A budget carry forward has been</p>	(65)

requested to enable these works to be completed in 2023/24.	
Cycle Centre and Changing Room The Council is in the process of identifying a suitable site for the replacement cycle centre and changing room. A budget carry forward has been requested as part of the 2023/24 budget report.	(40)
Guildhall Arts Centre – Renovations Scheme is now complete and is under budget.	(35)
Stamford Arts Centre Roof The procurement process has been completed for this project and the contract has been awarded. The works will commence Spring 2023 and works expected to take 6-8 months, a budget carry forward has therefore been requested as part of the 2023/24 budget report.	(400)
Stamford Arts Centre – Renovations This project has now been completed and the underspend is a budget saving.	(64)
Decarbonisation Scheme The next Salix funding round will take place in late Summer 2023. A budget carry forward has been requested as part of the 2023/24 budget report to ensure the Council has match funding available.	(261)
Changing Places – Public Conveniences Initial feasibility works have been completed at the Meres Leisure Centre & South Street Toilets sites. Designs have been reviewed and procurement is currently underway. The two remaining locations are currently at feasibility stage.	(96)

5 General Fund Reserves

- 5.1 Appendix B details the General Fund forecast reserve movements for 2022/23. The appendix shows the actual balances as at 31 March 2022 and their projected use for the current and future financial years subject to approval by Council on 1 March 2023.

6 Revenue Budget 2022/23 – Housing Revenue Account

- 6.1 The budget set by Council on 3 March 2022 for the 2022/23 HRA Revenue Budget was £6.116m. 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
		(6,116)
March 2021	Electrical Testing	150

July 2022	2021/22 Budget carry forwards	200
July 2022	Earlesfield Grantham Project	1,364
November 2022	HRA Priorities Reserve	167
December 2022	Pay Award	249
Total		(3,986)

6.2 Table 8 shows an increased surplus for the HRA of £4.298m compared to a budgeted surplus of £3.986m. The surplus is due to an increase in interest rates receivable on investments which will be used to partially offset the forecasted inflationary increases (£600k) and additional budget following the Pay Award (£163k). This is offset by increased repairs and maintenance costs (£260k) and removal of the salary vacancy factor forecasts (£136k) which will be monitored throughout the remainder of the financial year and additional costs of completing a second Tenant Satisfaction survey (£24k). Further details of these variances are provided in table 9.

Table 8 – HRA Revenue Forecast Outturn Position

Description	2022/23 Original Budget £'000	2022/23 Current Budget £'000	2022/23 Forecast spend £'000	Forecast Variance £'000
Income	(26,512)	(26,512)	(26,296)	216
Expenditure	18,261	20,391	20,463	72
Net Cost of HRA Services	(8,251)	(6,121)	(5,833)	288
Interest Payable	2,335	2,335	2,335	0
Investment Income	(200)	(200)	(800)	(600)
Surplus for the year	(6,116)	(3,986)	(4,298)	(312)

6.3 Table 9 shows the significant forecast variances for the HRA Revenue fund schemes for 2022/23 as at 31 December 2022.

Table 9 – HRA Revenue – Significant Variances

Explanation of Significant Variances	£'000
Repairs & Maintenance Compliance works have required an additional £150k of electrical testing, £94k of additional costs for compensation payments and management fees being made due to disrepair claims received by the Council.	260
Supervision & Management – General There are additional costs of completing a second Tenant Satisfaction survey £18k during 2022/23.	24
Pay Award	(163)

There has been an increase in the number of vacancies within the Directorate which has reduced the need of the increased budget relating to the pay award despite the increase in the use of agency staff. This will reduce the reserve movement at Outturn.	
Salary vacancy factor A reduction in vacant posts across the Council, an increase in notice periods and increases in agency provision will have a direct impact on the achievement of the salary vacancy factor. This will continue to be monitored during the year and the forecast amended accordingly.	136
Investment Income Base rate increases have resulted in an increase on the interest rates available for investments. The Council is now able to secure interest rates over 3% compared with the budgeted rate of 0.5%.	(600)

6.4 Appendix C provides further details of the HRA revenue forecast outturn position.

7 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 10 shows the summary of movements:

Table 10 – HRA Capital Programme Budget Adjustments

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

7.1 Table 11 summarises the HRA Capital forecast outturn position as at 31 December 2022.

Table 11 – HRA Capital Forecast Outturn Position

Capital Scheme	2022/23 Original Budget £'000	2022/23 Current Budget £'000	2022/23 Forecast spend £'000	Forecast Variance £'000
Energy Efficiency Initiatives	3,885	4,230	2,000	(2,230)
ICT	1,170	1,220	728	(492)
Repairs Vehicles	178	178	178	0
New Build Programme	3,820	4,120	930	(3,190)
Refurbishment and Improvement	7,300	9,486	4,739	(4,747)

Total Expenditure	16,353	19,234	8,575	(10,659)
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7.2 Table 12 shows the significant forecast variances for the HRA capital schemes for 2022/23 as at 31 December 2022.

Table 12 – HRA Capital – Significant Variances

Explanation of Significant Variances	£'000
<p>Central Heating, Ventilation and Boilers</p> <p>Slippage on this year's programme will lead to a reduced programme which will mean that inflationary increase can be absorbed in the existing budget. A budget carry forward of £207k has been requested in the 2023/24 budget report to fund the Earlesfield programme.</p>	(2,230)
<p>Housing System Enhancements</p> <p>The system is forecast to go live in April 2023. Further modules will be delivered over the next 4 years and the in year underspend will be used to fund these modules in future years so a budget carry forward is proposed as part of the 2023/24 budget report.</p>	(470)
<p>Communal Rooms</p> <p>Reduced programme and emphasis on works related to landlord health and safety. Strategic review of the communal rooms offer is planned so the immediate focus is on compliance work. It is proposed to carry forward budget of £80k into 2023/24</p>	(80)
<p>Replacement Doors & Windows Programme</p> <p>Difficulties with current supplier capacity has led to the need to identify an alternative supplier in order to recommence the programme. A budget carry forward of £52k has been requested in the 2023/24 budget report to fund the Earlesfield programme.</p>	(1,157)
<p>Housing Growth</p> <p>Swinegate, Grantham and Elizabeth Road, Stamford expected to start on site March 2023. Two further projects at Uplands Drive, Grantham and Larch Close, Grantham are currently in the planning stage. This year's programme will also include the acquisition of properties on the open market. A budget carry forward of £1.5m has been requested in the 2023/24 budget report to ensure there is sufficient budget to fund the new build projects detailed above.</p>	(3,190)
<p>Kitchens & Bathrooms Programme</p> <p>There is an impact on the contractor delivering the programme due to other SK works being prioritised, coupled with contractor staff shortages causing capacity issues. This is causing a delay in the programme delivery. A budget carry forward of £903k has been requested in the 2023/24 budget report to fund the Earlesfield programme.</p>	(1,675)

Door Entry System Review of procurement arrangements to be undertaken therefore a smaller improvement scheme is planned for this year.	(310)
Exterior Refurbishment Significant inflation risk, materials and inflation uplift in contract. Mitigations - Programme to be adjusted. Delay in programmes will affect the energy efficiency targets.	(460)
Re-wiring Due to delays in starting the Earlesfield programme which commenced in October, it is not likely that the initial programme will be completed in this financial year. A budget carry forward of £303k has been requested in the 2023/24 budget report to fund the Earlesfield programme.	(495)
Passenger Lifts, Supported Housing Scheme Pending contract award, inflation risk but budget provision likely to allow containment as tenders lower than anticipated. Lack of in-house expertise in this specialist field has led the Council to engage consultancy to procure and manage works.	(495)
Fire Prevention The underspend of this budget is a result of the procurement process that was undertaken for the fire compartmentation surveys delaying the identification of resulting works, the underspend shall be spent in the first few months of the next financial year.	(100)

8 HRA Reserves

- 8.1 Appendix D details the HRA forecast reserve movements for 2022/23. The appendix shows the actual balances as at 31 March 2022 and their projected use for the current and future financial years subject to approval by Council on 1 March 2023.

9. Collection Rates

- 9.1 Table 13 details the current collection rates against target for 2022/23.

Table 13 – 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 January 2023	93.05%	87.05%	81.37%
Actual collection rate to end of January 2023	92.22%	87.33%	81.41%

- 9.2 Council Tax – during the national mourning period in September, there was a cessation of recovery activity where reminders or summonses were not issued. The current cost of living pressures are resulting in an increased number of DDR cancellations causing delays to receipt of payments.
- 9.3 Business Rates – the target shown above is a comparison to the January 2022 position. There is difficulty in measuring this target due to variances in business rates over the last 3 years.

10. Reasons for the Recommendations

- 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 2022/23 financial position for the Council and focuses on the position as at the end of December 2022.

11. Consultation

- 11.1 Budget monitoring reports have been presented to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on 19 July, 22 September and 22 November. 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.

12. Background Papers

- 12.1 Determination of Budget 2022/23 and indicative budgets for 24/25 – General Fund, Housing Revenue Account and associated Capital Programmes Report.
<http://moderngovsvr/documents/s32627/Council%20Budget%20Report.pdf>
- 12.2 Provisional Outturn Position 2021/22 report
<http://moderngovsvr/documents/s35223/Draft%20Financial%20Outturn%20202122.pdf>
- 12.3 Finance Update – April – August
[Finance Update Report April-August 2022 Report.pdf \(southkesteven.gov.uk\)](http://southkesteven.gov.uk/Finance%20Update%20Report%20April-August%202022%20Report.pdf)

12.4 Finance Update April - October

[Finance Update Report.pdf \(southkesteven.gov.uk\)](https://www.southkesteven.gov.uk/finance/finance-update-report.pdf)

13. Appendices

13.1 Appendix A – 2022/23 General Fund Significant Variance Analysis

13.2 Appendix B – 2022/23 General Fund Reserves

13.3 Appendix C – 2022/23 HRA Revenue Summary - Forecast Outturn

13.4 Appendix D – 2022/23 HRA Reserves

13.5 Appendix E - Finance Risk Register