

APPENDIX A - South Holland District Council – Q3 Finance Report 2021/22

Finance Summary

- The revenue forecast shows a deficit position of £191k as at 31st December.
- The total efficiency savings requirement for SHDC was £1.676m of which £1.279m have been achieved as at 31st December with further efficiency savings to be identified.
- The HRA is forecasting a surplus budget of £1.663m.
- General Fund Specific and general reserves of the Council are forecast to be £13.182m at 31 March 2022.
- HRA reserves are forecast to be £28.230m at 31 March 2022.
- General Fund Capital spend at the end of Quarter 3 was £3.224m against a full year budget of £8.390m.
- HRA Capital receipts for the year are forecast to be £1.896m. Total HRA capital resources at the end of 2021/22 are forecast to be £31.949m.
- HRA Capital spend at the end of Quarter 3 was £3.071m against a full year budget of £14.984m.
- The Council held investments of £48.4m as at 31 December 2021.

Section 2 – Finance

Section 2.1	Key Financial Issues in Quarter 3 of 2021/22
Section 2.2	Revenue Budget
Section 2.3	Housing Revenue Account Budget
Section 2.4	Capital Budget
Section 2.5	Treasury Management
Section 2.6	Debt Collection
Section 2.7	Business Rates and Council Tax Collection

Section 2.1 – Key Financial Issues in Quarter 3 of 2021/22

- On 23rd October, the Department for Levelling up, Housing & Communities issued a press release to announce a £65m support package for vulnerable renters struggling due to the impact of the pandemic. The funding will be provided to Councils to support low-income earners in rent arrears. Councils should determine the best way to support each household on a case-by-case basis.
- On 29th October, the Department for Levelling up, Housing & Communities issued a press release to announce £66m funding to provide safe and warm accommodation over winter.
- On 27th October, HM Treasury published the Budget and Spending Review 2021 documents. The effects of this announcement have been built into the Council's draft budget plans for 2022/23 onwards.
- On 16th December, the Department for Levelling Up, Housing & Communities published various documents related to the provisional settlement. The 2022/23 local government finance settlement is for one year only and is based on the Spending Review 2021 (SR21) funding levels. This is the first time since 2015 that, in the context of a multi-year Spending Review, the government has only provided local authorities with a single-year settlement.

Inflation	October (%)	November (%)	December (%)
CPI	4.2	5.1	5.4
RPI	6.0	7.1	7.5

Section 2.2 – Revenue Budget

Table 1 details the forecast outturn by Assistant Director. This is based on the Quarter 3 forecast position as at 31st December 2021 and is based on officers' projections for the remainder of the financial year which indicates a service overspend of £328k.

Table 1 – Projected Net Spend by Assistant Director Area				
Assistant Director	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Corporate	2,814	2,840	26	(£13k) Reduction in PSPS MFD Recharge and consumables costs, (£6k) PIMMS system no longer used. £4k computer hardware and software cost increases (volume related). £30k pressure due to reduced partner contribution and inability to reduce costs.
Economic Growth	119	157	38	£50k reduction in GL LEGE Grant and (£12k) reduction in supplies and services in Economic Development due to reduced activity
Finance	2,338	2,454	116	£59k additional staff related costs offset by efficiencies in shared management costs in various cost centres. (£12k) Efficiencies on Revenue and Benefits costs as per latest forecast. £65k income pressure for renewable heat incentive grant budgeted in General Fund, which should be in HRA.
General Fund Assets	(245)	80	325	£166k Reduction in car park income. £3k additional business rates for some car parks following review by an external valuer. £117k staffing related costs in Delivery Unit £38k additional costs in Programme Maintenance, offset by efficiencies in previous recharges.
Governance	1,083	1,047	(36)	(£10k) efficiencies in Electoral Registration and Elections as spend will incur later in the calendar year and (£27k) staff related vacancy efficiencies in Democratic Services.

Table 1 – Projected Net Spend by Assistant Director Area

Assistant Director	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Leisure & Culture	888	851	(37)	(£15k) on Cultural Events and Sports due to lower activity and (£29k) pressure in Markets due to there being no fee charged until December 21. South Holland Centre (£187k) efficiencies in salaries due to restructure. £181k loss of income from films, live performances and room hire. Further £17k loss on income from sale of goods.
Neighbourhoods	4,271	4,390	119	£95k pressure – Increased costs for waste services to mitigate driver shortage. £12k pressure from additional agency costs.
Planning & Strategic Infrastructure	305	33	(272)	(£63k) Staff related efficiencies due to vacancies. (£200k) additional planning fee income.
Regulatory	504	627	123	(£58k) saving forecast on Environmental Health commercialisation as service has ceased. £11k overspend due to SHDC re-joining the SLA with Lincolnshire CC and a contribution to the Local Resilience Forum. (£26k) increase in Land Charges Income and £14k additional Professional & Contractors Fees. (£14k) forecast increase in building control income. £26k income reduction in building control consultancy.
Strategic Growth & Development	60	106	46	£41k additional staff costs, SWRR project reduction in grant of £30k partly offset by cost efficiencies of £24k
Wellbeing & Community Leadership	1,199	1,079	(120)	(£133k) income from B&B, rents and service charges, (£16k) unbudgeted grants. £15k net overspend on salaries after taking account of agency costs and vacancies. £37k Homelessness additional costs funded from reserves
Sub Total – Assistant Directors – Net Costs	13,336	13,664	328	
Covid Grant	0	(489)	(489)	Covid 19 Grant Allocation for 2021/22
Covid Related Spend	0	203	203	£157k Sports Hall and Swimming Pool spend, £42k Spend in Facilities offset against Covid Grant
Recharges to HRA	(3,130)	(3,130)	0	
Internal Drainage Boards and Parish Precepts	3,546	3,546	0	

Table 1 – Projected Net Spend by Assistant Director Area

Assistant Director	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/overspend £'000	Comments on main variances
Investment Income	(181)	(183)	(2)	As per latest treasury forecast.
Impairment Allowance	0	0	0	
Capital Expenditure Charged In Year	825	816	(9)	
Transfers to/(from) Earmarked Reserves	(276)	(303)	(27)	Rough sleepers spend funded from reserves.
Efficiencies Requirement	(1,676)	(1,279)	397	See Table for efficiencies
Other Income and Expenditure	(892)	(819)	73	
General Fund Budget net costs	12,444	12,845	401	
Funding (Council Tax, Government grants and business rates)	(12,444)	(12,654)	(210)	Business Rates Levy
Total Budget - (Surplus)/Deficit	0	191	191	

Recommendation:

F1 That Cabinet notes the forecast revenue position for 2021/22 as detailed in **Table 1**.

Progress Against Efficiencies Requirement

The 2021/22 budget included an efficiency target of £1.676m, efficiencies achieved so far are:

Table 2a – Efficiency Description	Amount £'000	Comments
Staff Vacancies	(230)	Efficiencies in Commercialisation & Growth, Corporate & Strategic Growth
Dividend Income	(107)	From Welland Homes
Homelessness	(64)	Homelessness Grant Income
Car Mileage and Allowances	(90)	Lower Transport Expenses
Local Council Tax Support Grant	(74)	Additional Grant Monies received
PSPS Contract Efficiencies	(56)	Result of Boston joining PSPS
Business Rates on Public Conveniences	(17)	Public conveniences no longer rateable
Business Rates in Leisure & Culture	(51)	Leisure Service - 100% reduction in 1st qtr and then 66% reduction
Garden Waste Income	(180)	Service expansion
Solo Management Structure	(389)	Post sharing arrangements changes to staff costs
Corporate HR apprentice Training	(21)	Efficiencies in HR for Apprentice Training
Total	(1,279)	
Target	(1,676)	

Table 2a – Efficiency Description	Amount £'000	Comments
Efficiencies to be Identified	397	

Other efficiencies have been identified and work is underway to quantify the full extent of potential efficiencies for example the South Holland Centre.

These efficiency savings are currently still within the service areas and the actual budget for these savings are within Finance. For the purposes of outturn and to better reflect the true position, it is recommended that a virement be approved up to the value of £1.676m.

Recommendation:

F1a That Cabinet recommends to Council that they approve a virement (internal transfer) of up to the value of £1.676m in 2021-22.

Covid Revenue General Grant

The allocation for SHDC for 2021/22 is (£489k). So far during the year an expense of around £203k has been offset against this grant, leaving an un-allocated amount of (£286k), other pressures within services can be seen which relate to Covid impacts and will be reflected in the year end position.

Reserves

At 31 March 2022 specific reserves are forecast to be £13.182m, after a net transfer from reserves of £0.311m to cover future revenue and capital expenditure. **Table 3** reflects the forecast position.

Table 3 – Specific and General Reserves Balance Forecast				
Reserve	Balances at 1 April 2021 £'000	Forecast Contributions into Reserves £'000	Forecast Use of Reserves £'000	Forecast Balances at 31 March 2022 £'000
General Fund				
Council Tax	1,809	49	-19	1,839
Investment and Growth	4,489	843	-1,174	4,063
Replacement and Refurbishment	172	136	-77	231
Transformation	71	0	-17	54
Earmarked Grants	4,874	0	52	4,822
Specific Reserves Total	11,415	1,028	-1,339	11,104
General Fund	2,078	0	0	2,078
Total	13,493	1,028	-1,339	13,182
Housing Revenue Account				
HRA Working Balance	22,828	1,663	(251)	24,240
Insurance	200	0	0	200
Major Repairs	4,356	3,785	(4,351)	3,790
Total	27,384	5,448	(4,602)	28,230

Please note the following reserve movements that are due to take place in 2021/22:

- Council Tax
 - Additions – Elections and Noise monitoring equipment
 - Use of reserve (Revenue) – Contribution towards noise monitoring equipment
 - Use of reserve (Capital) – South Holland Centre
- Investment and Growth
 - Additions – Repayment of Workshop van, Leisure management cost recovery, new homes bonus and green waste capital repayment.
 - Use of reserve (Revenue) – Digital Strategy, Delivery Unit, Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, ICT infrastructure, Accommodation works, Ayscoughfee Hall lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler and Future Towns.
 - Use of reserve (Capital) – Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, ICT infrastructure, Accommodation works, Ayscoughfee Hall lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler and Future Towns.
- Transformation Reserve
 - Use of reserve (Capital) – Public Protection Software
- Earmarked Grants Reserve
 - Use of reserve (Revenue) – Establishment Funding.

Recommendation:

F2 That Cabinet notes the forecast reserve movements and balances as detailed in **Table 3**

Section 2.3 – Housing Revenue Account Budget

Table 4 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Rent Income – Dwellings	(15,280)	(15,280)	-	
Charges for Services and Facilities	(1,188)	(1,157)	31	Sewage Charge Income less than expected (£17k) and Private Lifeline Charges down (£14K).
Contributions to Expenditure	(22)	(29)	(7)	£17k reduction in Court income, which is offset by a corresponding reduction in Supervision and management Court Costs (£24k) Grant income to be used against professional fees in Housing Enabling
Total Income	(16,490)	(16,466)	24	

Table 4 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Repairs and Maintenance	3,553	3,235	(318)	<p>Repairs and Maintenance (£318k) underspend: (£20k) – Efficiencies forecast due to reprioritisation of work. (£54k) salary efficiencies – vacant positions unfilled (£9k) Saving on Staff Travel budgets due to less activity (£68k) Efficiencies forecast on professional and contractor fees due to work reprioritisation (£4k) General Maintenance underspend (£145k) Renewable heat energy incentive, previously budget within GF with a budget of (£65k). (£10K) PSPS contract Costs, efficiencies passed on to client</p>
Supervision and Management	2,690	2,848	158	<p>Supervision and Management (£158k) overspend (£59k) of the Budget allocation for Professional and Contractors fees within Housing Enabling is not currently anticipated to be spent following a reprofiling of activity. £30k (pressure) timing issues regarding project management costs, income was received earlier than profiled following acquisitions at the end of March 2021 resulting in the income falling into last year. The profile regarding the purchase of Affordable housing (HRA) will result in an underachievement in income for 2021/22, although this will be reprofiled into future years (£16k pressure). Repairs, mainly Housing Sewage Works, are expected to exceed budget by £120k. Fixed Contract costs are higher than budget, plus some exceptional unplanned repair costs are responsible for this overspend. £29k pressure on Salaries, Agency staff covering senior role. £31k Pressure on Insurance Premiums</p>
Rents, rates, taxes and other charges	72	53	(19)	<p>£5k efficiencies on projected Costs of Void shared ownership properties, but these have all been sold and no new builds this year £12k saving on HRA void tenancies</p>

Table 4 – Projected Net Spend by Service Area				
Service Area	Revised Budget 2021/22 £'000	Forecast Outturn 2021/22 £'000	Variance (underspend)/overspend £'000	Comments on main variances
Depreciation	3,324	3,785	461	Depreciation £461k Overspend This has been increased based upon last year's actual charges and additional charges on last year's capital spend. This is calculated based on assets in any given time and fluctuate.
Movement in Allowance for bad debts	271	271	-	
Statutory recharge to the HRA for support services	2,275	2,275	-	
Total Expenditure	12,185	12,467	282	
Contribution from Operations	(4,305)	(3,999)	306	
Investment Income	(12)	(11)	1	
Interest Payable	2,347	2,347	-	
Net (Surplus)/Deficit	(1,970)	(1,663)	307	

Section 2.4 – Capital Budget

This section covers:

- Revisions to the Capital Programme (General Fund Table 5 and HRA Table 9)
- Progress against the 2021/22 approved capital programme and the anticipated outturn (General Fund Table 6 and HRA Table 10)
- Financing of the Capital Programme (General Fund Table 6a and HRA Table 10a)

General Fund (GF) Capital Programme

Table 5 – General Fund Revisions to Capital Program		£'000
2021/22 Revised Capital Programme as approved by Council on 3rd March 2022		9,312
Movements from Previous Forecast		
Use of Capital Acquisitions		(962)
Ayscoughfee Pond Refurbishment		40
Total		(922)
2021/22 Revised Capital Programme as at 31st December 2021		8,390

Table 6 – 2021/22 Capital Programme and Q3 Forecast Outturn				
Scheme	Revised Budget 2021/22 £'000	Actual 31 Dec 2021 £'000	Forecast Outturn 2021/22 £'000	Variance (under)/over £'000
ICT Infrastructure	185	24	71	(114)
Public Protection Software	15	12	15	-
PSPS Transformation	113	-	-	(113)
AIM Upgrade	20	-	-	(20)
Priory Road Projects	155	-	-	(155)

Table 6 – 2021/22 Capital Programme and Q3 Forecast Outturn				
Scheme	Revised Budget 2021/22 £'000	Actual 31 Dec 2021 £'000	Forecast Outturn 2021/22 £'000	Variance (under)/over £'000
South Holland Centre Projects	71	39	65	(6)
Castle Sports Boiler	5	-	-	(5)
Swimming Pool Boiler	136	34	78	(58)
Caste Sports Pool Fire Alarm	31	-	32	1
West Marsh Road Fire Alarm	13	-	13	-
West Marsh Road Electrical Rewiring	43	-	43	-
Ayscoughfee Hall	186	146	186	-
Temporary Accommodation	29	-	20	(9)
Industrial Units	63	-	-	(63)
Spalding Cemetery	159	159	159	-
Peele Leisure Lighting	19	19	19	-
Capital Acquisitions	138	-	-	(138)
Electric Vehicle Charging	29	-	-	(29)
NSAP Property Acquisitions	374	217	277	(97)
RSAP Property Acquisitions	846	315	698	(148)
Kings Road Land Acquisition	116	6	116	-
Grants for Growth	775	427	703	(72)
Food Enterprise Zone	2	-	-	(2)
South Western Relief Road	1,000	-	-	(1,000)
Garden Waste	213	184	184	(29)
Grounds Maintenance	42	24	25	(17)
Environmental Services Operational	1,174	1,138	1,138	(36)
Fleet Maintenance Vehicles	69	-	38	(31)
Street Cleansing	35	-	34	(1)
Disabled Facilities Grants	1,072	480	639	(433)
Decent Homes	75	-	-	(75)
Welland Homes	1,187	-	28	(1,159)
Total	8,390	3,224	4,581	(3,809)

Table 6a – 2021/22 Capital Funding and Q3 Forecast Outturn				
Scheme	Revised Budget 2021/22 £'000	Actual 31 Dec 2021 £'000	Forecast Outturn 2021/22 £'000	Variance (under)/over £'000
Borrowing	(3,600)	(1,224)	(1,252)	2,348
Grants & Contributions	(2,436)	(1,397)	(1,828)	608
Direct Revenue Financing	(2,354)	(603)	(1,501)	853
Total	(8,390)	(3,224)	(4,581)	3,809

Table 7 – Capital Programme – Comments on Delivery	
Scheme	Comments
ICT Infrastructure	(£114k) Delay to Wireless Upgrade due to procurement exercise
PSPS Transformation	(£131k) Various projects will now take place in 2022/23 eg Joint Telephony Project and Self Scanning
Priory Road Projects	(£155k) Delay in window replacement (£87k), Supply issues on Fire Doors and Access (£17k) and Atrium Heating project costings (34k) only prepared in March. All planned to take place in 2022/23
Castle Sports Swimming Pool Boiler	(£58k) Project started but will not complete until 2022/23
Industrial Units	(£63k) Postponed until 2022/23
Capital Acquisitions re Commercialisation and Growth	(£138k) of the £1.1m allocated, £846k was used for RSAP and £116k for Kings Road Project, the balance will be carried forward to 2022/23
NSAP	£97k underspend - delay in completing property due to roof void issues and some contingency not required.
RSAP	(£148k) Still significant conversion work to complete in 2022/23
Grants for Growth	(£72k) Additional grant not fully spent
HIF Funding	(£1m) Funding to be carried forward to 2022/23
Garden Waste	(£29k) New vehicle slightly under budget and delay in delivery of bins
Grounds Maintenance	(£17k) Mower cost less than expected and carry over from last year not spent
Environmental service Operational	(£36k) delay in delivery of vehicle
Disabled Facilities Grants	(£433k) most of normal work programmed but not completed but £261k of Discretionary Grant not spent
Welland Homes	(£1,159k) behind programme due to lack of available properties and high prices making projects not financially viable

The current Capital Programme is financed from reserves and external borrowing in line with the Capital Strategy.

Table 8 – General Fund Capital Program Revised 2022/23			
Scheme	Original Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
ICT Infrastructure	280	100	380
Office ICT Equipment Refresh	66	-	66
PSPS Transformation	-	113	113
AIM Upgrade	-	20	20
Member IT Equipment Refresh	50	-	50
Technology Refresh for Meeting Rooms	27	-	27
Priory Road Projects	15	155	170
South Holland Centre Projects	88		88
Castle Sports Boiler	40	5	45
Swimming Pool Boiler	-	58	58
Castle Sports Pool Fire Alarm	26	-	26
Castle Posts Hot Water Pressurisation Replace	24	-	24
West Marsh Road Projects	85	-	85
Ayscoughfee Hall	169	-	169
Temporary Accommodation	22	9	31
Industrial Units		63	63

Table 8 – General Fund Capital Program Revised 2022/23			
Scheme	Original Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
Bus Depot Resurfacing	75	-	75
Car Park Resurfacing	70	-	70
Footway Lighting	55	-	55
Spalding Cemetery	25	-	25
Moulton Park Play Area Development	100	-	100
New Sheep Market Toilets	200	-	200
Clear Old swimming pool Area	15	-	15
Capital Acquisitions	3,000	138	3,138
Electric Vehicle Charging	-	29	29
NSAP Property Acquisitions	-	97	97
RSAP Property Acquisitions	70	148	218
Kings Road Land Acquisition	-	-	-
Crease Drove Industrial Units	1,350		1
Grants for Growth	145	72	350
South Western Relief Road		1,000	1,000
Garden Waste	458	29	487
Grounds Maintenance	59	17	76
Environmental Services Operational		36	36
Fleet Maintenance Vehicles		31	31
Street Cleansing		35	35
Disabled Facilities Grants	1,131	433	1,564
Decent Homes	75	-	75
Welland Homes	1,075	1,159	2,234
Total (including new items)	8,795	3,747	12,542

Table 8a – General Fund Capital Funding Revised 2022/23			
Scheme	Original Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
Borrowing	(4,473)	(2,347)	(6,820)
HRA Capital Receipts	(410)	-	(410)
Grants & Contributions	(1,351)	(1,017)	(2,368)
Direct Revenue Financing	(2,561)	(383)	(2,944)
Total (including new items)	(8,795)	(3,747)	(12,542)

Recommendation:

F3 That Cabinet note the general fund capital position and recommends to Council the 2021/22 capital amendments shown in **Tables 5 and 6** and approves the budget carry forward due to slippage as detailed in column 3 of **Table 8**.

Housing Revenue Account (HRA) Capital Programme

Table 9 – HRA to Capital Programme		£'000
2021/22 Revised Capital Programme as at Council on 3rd March 2022		14,990
Amendment to Technology Refresh to Meeting Rooms		(6)
2021/22 Revised Capital Programme		14,984
Movements from Previous Forecast		
Purchase of Units – allocated back from Schemes subject to detailed approval		6
Wignals Gate – Allocated from Schemes subject to detailed approval		193
Albion Street Crowland – Allocated from Schemes subject to detailed approval		263
Schemes subject to detailed approval reallocated		(462)
Total		Nil
2021/22 Revised Capital Programme as at 31st December 2021		14,984

Table 10 – 2021/22 HRA Capital Programme and Q3 Forecast Outturn				
Scheme	Approved Budget 2021/22 £'000	Actual 31 Dec 2021 £'000	Forecast Outturn 2021/22 £'000	Variance (under)/over £'000
Central Heating	942	598	942	-
Kitchen/Bathroom	1,491	746	1,191	(300)
Renewable Energy	1,152	-	52	(1,100)
Smoke Alarms	118	68	118	-
Electrical Upgrade	90	70	90	-
Roofs and Gutters	960	750	960	-
Doors and Windows	7	-	-	(7)
Flat Entrance Doors Sheltered Schemes	530	-	-	(530)
Chimneys	532	15	182	(350)
Paths and Drives	43	-	43	-
Boundary Walls	269	43	154	(115)
Fees	233	-	233	-
Sewerage Treatment Plant	433	10	33	(400)
The Square	1,011	5	11	(1,000)
Car Parks	117	-	-	(117)
ICT Strategy / Infrastructure	154	-	45	(101)
Housing IT Systems Upgrade	180	50	168	(12)
Major Adaptions	893	399	623	(270)
Sheltered Alarm Upgrade	690	18	45	(645)
Housing Repairs Vehicles	50	-	48	(2)
Grounds Maintenance	7	9	9	2
South Holland Maintenance	65	-	-	(65)
Weston Development Scheme	10	-	10	-
Purchase of Units	6	6	6	-
Wignals Gate S106	748	-	392	(356)
Albion street Crowland	263	-	9	(254)
Scheme Subject to detailed approval	3,990	-	-	(3,990)
Total (including new items)	14,984	3,071	5,359	(9,625)

Table 10a – 2021/22 HRA Capital Funding and Q3 Forecast Outturn				
Scheme	Approved Budget 2021/22 £'000	Actual 31 Dec 2021 £'000	Forecast Outturn 2021/22 £'000	Variance (under)/over £'000
Capital Receipts	(2,800)	(6)	(1,350)	1,530
Major Repairs Reserve	(8,842)	(3,065)	(4,009)	4,833
Direct Revenue Financing	(3,262)	-	-	3,262
Total (including new items)	(14,984)	(3,071)	(5,359)	9,625

Table 10b – HRA Capital Programme – Comments on Delivery	
Scheme	Comments
Kitchen / Bathroom	(£300k) Challenges relating to covid, material shortages, lead time issues and skilled labour shortage
Renewable Energy	(£1,100k) Slow start on program but increased activity in 2022/23
Flat Entrance Doors Sheltered Schemes	(£530k) Program still at tender stage, will start in 2022/23
Chimneys	(£350k) Slow start on program but increased activity in 2022/23
Boundary Walls	(115k) No work carried out; program carried forward to 2022/23
Sewage Treatment Works	(£400k) Large carry over from last year - unable to fit all of it into program
The Square	(£1m) – Delay in program due to amount of planning required and ensuring compliance. Program to start in 2022/23
Car Parks	(£117k) Lack of time / resource to plan in 2022/23
ICT Strategy	(£101k) Delay to wireless upgrade due to procurement exercise
Major Adaptations	(£270k) Most work programmed / contracted but not completed
Sheltered Alarm Upgrade	(£645k) Project officers in place but no equipment orders placed, carried forward to 2022/23
Wignals Gate	(£356k) Only 3 of the 7 properties planned were delivered in March 2022, 4 more to be delivered in April 2022
Albion Street Crowland	(£254k) Properties expected to be delivered in March 2022, slightly delayed and expected in April
Schemes subject to detailed approval	(£3.99m) Lack of suitable properties and property price rises making schemes not financially viable

Table 11 indicates the forecast capital resources for the HRA available to the Council at the end of 2021/22. The estimated position for the following two years is also provided.

Table 11 – Capital Resources HRA			
	2020/21 £'000	2021/22 £'000	2022/23 £'000
Capital Resources* available at start of each year	26,018	29,964	31,949
Capital Investment (estimate in future years)	(4,722)	(5,359)	(8,219)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	1,833	1,896	1,999
- Funding from other reserves and internal borrowing			
- Major Repairs Reserve	3,816	3,785	3,390
- HRA Working Balance	3,019	1,663	1,278
- Transfer from Capital Reserve to support ongoing projects			
Estimated Capital Resources* at end of each year	29,964	31,949	30,397

* Capital Reserve and Capital Receipts

Table 12 – HRA Capital Programme Revised 2022/23			
Scheme	Original Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
Central Heating	917	-	917
Kitchen/Bathroom	1,271	300	1,571
Renewable Energy	-	1,100	1,100
Smoke Alarms	104	-	104
Electrical Upgrade	-	-	-
Roofs and Gutters	545	-	545
Doors and Windows	5	-	5
Flat Entrance Doors Sheltered Schemes	-	530	530
Chimneys	196	350	546
Paths and Drives	36	-	36
Boundary Walls	89	115	204
Fees	219	-	219
Sewerage Treatment Plant	212	400	612
The Square	250	1,000	1,250
Car Parks	25	117	142
ICT Strategy / Infrastructure	152	109	261
Housing IT Systems Upgrade	-	12	12
Replacement Laptops	44	-	44
Technology Refresh for Meeting Rooms	18	-	18
Major Adaptions	398	270	668
Sheltered Alarm Upgrade	135	650	785
Housing Repairs Vehicles	-	-	-
Grounds Maintenance	21	-	21
South Holland Maintenance	-	65	65
Weston Development Scheme	-	13	13
Purchase of Units	-	-	-
Wignals Gate S106	689	356	1,045
Albion street Crowland	-	254	254
Scheme Subject to detailed approval	3,050	728	3,778
Total	8,376	6,369	14,745
Schemes Subject to detail approval carried forward beyond 2022/23	0	2,912	2,912
Revised Total	8,376	9,281	17,657

Table 12a – HRA Capital Programme Funding Revised 2022/23			
Scheme	Original Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
Capital Receipts	(2,699)	(1,530)	(4,229)
Grants and Contributions	(887)	-	(887)
Major Repairs Reserve	(3,845)	(4,489)	(8,334)
Direct Revenue Financing	(945)	(350)	(1,295)
Total	(8,376)	(6,369)	(14,745)
Direct Revenue Financing for future programme	0	(2,912)	(2,912)
Revised Total	(8,376)	(9,281)	(17,657)

Right To Buy Receipts

There are 32 receipts from Right to buy Sales which can be used for funding new house purchases within the HRA, but there is a time limit for these receipts to be used on new builds or acquisitions, or the money is payable to DLUHC. This limit was increased from 3 to 5 years in March 2021 and is calculated on an annual basis. There is currently no payback risk for SHDC at 31st March 2022. The next risk point will be 31st March 2023 and an evaluation will be done in April 2022 to establish if there is a risk of payback at March 2023 if no further House Purchases are made during the 2022/23.

Recommendation:

F4 That Cabinet note the HRA capital position and recommends to Council the 2021/22 capital amendments shown in **Table 9 and 10** and approves the budget carry forward due to slippage as detailed in column 3 in **Table 12**.

Section 2.5 – Treasury Management

Investments at 31 December 2021

During the financial year the Council has made investments in line with the agreed Treasury Management Strategy.

Detailed in **Table 13** are the investments held by the Council at 31st December 2021 excluding accrued interest. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed on a daily basis. Because the Council collects money on behalf of other organisations which are paid out at future dates (e.g., Council Tax and Business Rates) the value of investments held at any point in time does not represent the value of SHDC's own resources.

Table 13 – Investments as at 31 December 2021			
Financial Institution	Amount (£)	Maturity Date	Yield
Lloyds Current Account	887,064	Instant Access	0.00%
Handelsbanken Plc	4,993,244	Instant Access	0.05%
CCLA Money Market Fund	4,500,000	Instant Access	0.13%
Lloyds 95 Day Notice Account	4,995,836	95 Day Notice	0.05%
Australia & New Zealand Bank	2,500,000	07/02/2022	0.11%
Thurrock Borough Council	2,000,000	11/03/2022	0.30%
Standard Chartered	2,000,000	16/03/2022	0.08%
National Westminster Bank (CD)	5,000,000	17/03/2022	0.16%
Close Brothers	2,500,000	24/03/2022	0.25%
Bayerische Landesbank London	3,000,000	07/04/2022	0.19%
Heleba Bank	3,000,000	18/05/2022	0.35%
Close Brothers	2,500,000	24/05/2022	0.40%
Australia & New Zealand Bank	2,500,000	15/08/2022	0.18%
Standard Chartered	3,000,000	02/06/2022	0.30%
Goldman Sachs Investment Bank	5,000,000	31/06/2022	0.495%
TOTAL	48,376,144		

Table 14 - Maturity Structure as at 31 December 2021

Duration	Amount (£)	Percentage of Total
Less than one week	10,380,308	20%
Less than one month	-	0%
One to three months	18,995,836	36%
Three to six months	16,500,000	32%
Six to nine months	2,500,000	5%
Nine to twelve months	-	0%
More than twelve months (Welland Homes)	3,722,289	7%

Return on Investments

The Council's 2021/22 budget for investment income is £194k. At the end of December 2021 investment income projected to the end of the year is £194k. This figure is still an estimate as the actual returns on all investments may change during the fourth quarter of the financial year.

Treasury investments achieved an average rate of 0.184% compared to the benchmark average 3 month LIBID rate of 0.039%.

Welland Homes investments have achieved an average rate of 3.5%.

The combined rate achieved on all investments was estimated to be approximately 0.441%.

Borrowing

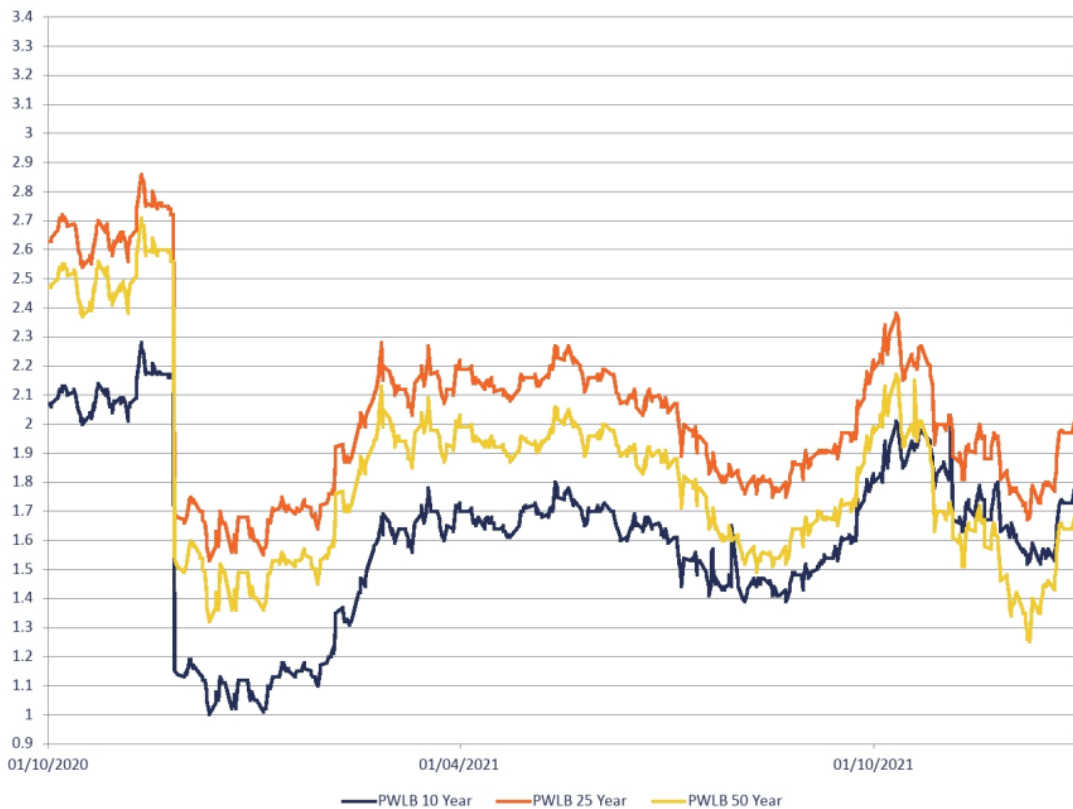
The Council has £67.5m of external borrowing as per the table below.

Entity	Amount (£)	Start Date	Maturity Date	Rate
Public Works Loan Board	67,456,000	28/03/2012	28/03/2062	3.48%

Borrowing costs for 2021/22 are projected to be £2.347m.

PWLB borrowing rates have risen in December in line with the Bank of England Base rate rise of 0.15%. As at 31st December 2021 the 50 year PWLB certainty rate was 1.75%. This increase reflects the change in Base rate and

market sentiment regarding future interest rate rises, and how this would curb inflationary pressures.



Summary

Interest rates rose but remained low during December 2021. The Bank of England Base Rate rose from 0.1% to 0.25% in December. Market expectations have moved towards a further rate hike before the end of Q1 2022. This is dependent on the economy continuing to rebound, the Covid pandemic remaining stable and inflationary pressures continuing.

Rates on new investments with financial institutions and local authorities now range from 0.02% for one-month deposits through to 0.60% for one-year deposits. One year deposit rates have doubled from August, reflecting the Base rate rise of 0.15% and the market sentiment that rates may rise again before financial year end.

PWLB borrowing rates have risen during December. PWLB rates, especially long dates such as 50yrs, have risen due to the Bank of England base rate rising to 0.25% and expectation that interest rates will rise in the coming months to curb inflation concerns.

Risks prevail in the financial markets and are subject to a continued high level of scrutiny with any significant issues arising being reported to the Council's Audit and Governance Committee. Changes to credit ratings of financial institutions are monitored daily and where required reported to the Section 151 Officer for an agreed course of action to be taken.

Section 2.6 – Debt Collection

In line with the financial procedure limits debts below £1,050 require sign off by the Chief Finance Officer with all debts for this amount or over requiring Cabinet approval.

An analysis of the sundry debts the Council held as at 31 December 2021 is show in **Table 15**.

Table 15 – Sundry Debt Analysis							
0-30 days £	31-60 days £	61-90 days £	91-120 days £	121-183 days £	184-365 days £	Over 365 days £	Total £
44,753	-99,722	3,909	8,304	17,148	254,986	199,524	428,902

Note: This does not include details of invoice amounts (£385,993) that are not yet due.

Section 2.7 – Council Tax and Business Rates

Council Tax Support Scheme (CTS)

Following the statutory annual review during 2020/21, the 2021/22 scheme remains unchanged from the previous year, allowing for national up-ratings. This scheme continues to support the Government’s Welfare Reform agenda to bring further reductions to the national benefits bill. The scheme sustains the required protection of those of pension age, protects vulnerable customers and encourages people into employment.

Quarter 3 collection rate remains lower, and the Council Tax Support caseload remains higher, than pre-covid levels. There remains some uncertainty of the overall ongoing impact of covid. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

Council Tax – Quarter 3 In-Year Collection

The collectable debit for the year at 31 December 2021 was £54.4m with a collection rate of 83.55% achieved at 31 December 2021 (83.80% at 31 December 2020).

Business Rates

Table 16 – 2021/22 Business Rates Retention			
	Base Estimate included in 2021/22 budget £	Forecast position at 31 March 2022 £	(Surplus)/Deficit in 2021/22 – will impact next year’s budget £
Non-Domestic rating income for the year	(25,037,074)	(20,432,164)	4,604,910
Less: LCC share (10% for 21/22)	2,503,707	2,043,216	(460,491)
Less: Government Share (50% for 21/22)	12,518,537	10,216,082	(2,302,455)
South Holland District Council’s income (excluding renewables) (40% for 21/22)	(10,014,830)	(8,172,866)	1,841,964

The position in **Table 16** shows a large deficit against the base estimate, the main reason for this is the retail discount offered by the government in response to the Coronavirus pandemic to assist retailers. This discount will be reimbursed by the government however due to the way the Collection Fund is accounted for the income is received in 2021/22 but the Business Rates deficit will not be seen in the Council’s accounts until 2022/23. As a result of this

circa £1.4m of income is due to be received in 2021/22 and this will need to be transferred into reserves at the end of the financial year for use in the 2022/23 budget. The difference between this income and the deficit above is due to a reduction in gross rates across all businesses which is being closely monitored.

Business Rates Appeals

Except in certain circumstance, new appeals can no longer be made against the 2010 list.

As at 31 December 2021 the Rateable Value amount for properties under appeal in 2010 list (excluding multiple appeals for the same property) was £2.2m, relating to 9 properties on the latest list of outstanding appeals. 97% of this value comes from just 7 properties and does present some significant risk to the overall level of collectable debit should these appeals be successful, leading to significant reductions in rateable value. The appeals provision (£2.232m) is considered sufficient to cover the potential impact of these appeals.

Business Rates – 2021/22 In-Year Collection

The collectable debit for the year to 31 December 2021 is £24.1m with a collection rate of 81.59% achieved at 31 December 2021 (77.99% 31 December 2020). The target collection rate for 2021/22 remains at the pre-covid level of 97.1%, and the forecast will be reviewed during quarter 4. Following the reduction from 100% to 66% in the COVID related additional reliefs from July 2021, the increased collectable debit will be payable over the remainder of the financial year. Due to the continued application of some COVID related additional reliefs in 2021/22 the collectable debit remains around £3m lower than usual. Collection rates compared to the previous financial year is less meaningful than usual.

The government has recently announced the Covid Additional Relief Fund (CARF) to provide rate relief support in 2021/22 for businesses impacted by covid but who have not been supported through other relief schemes. The scheme for SHDC is currently being developed.