

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

| | |
|-------------|--|
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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

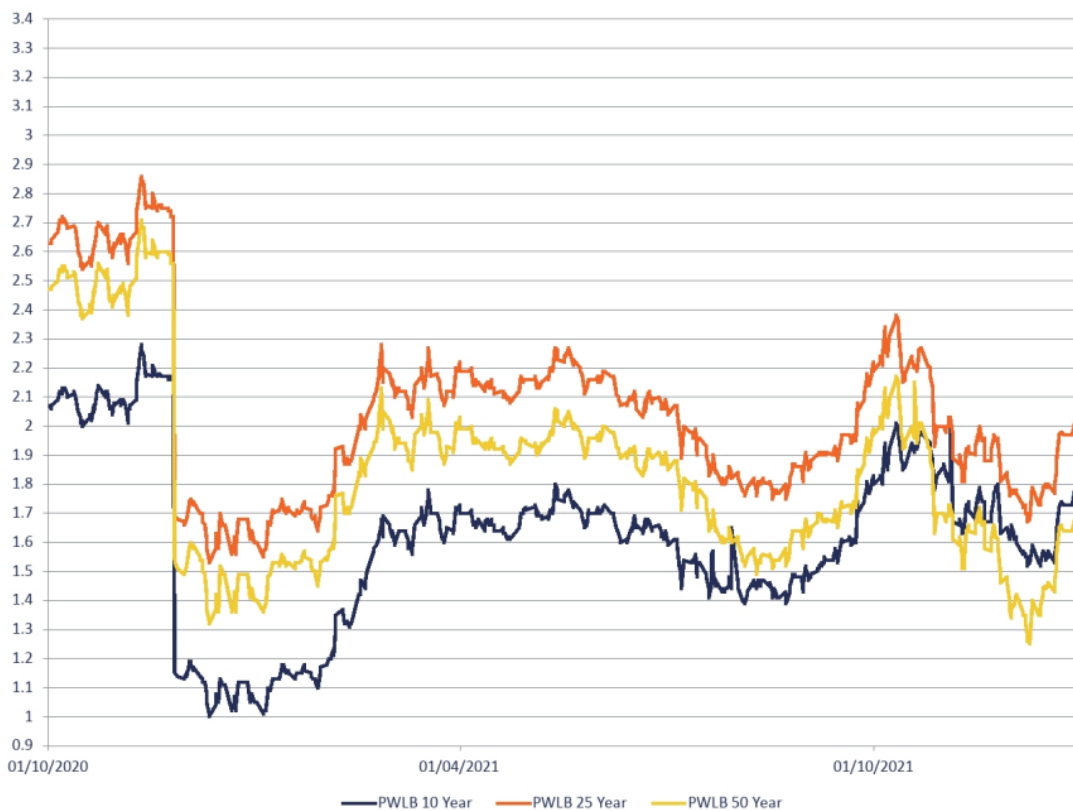
The Council has £67.5m of external borrowing as per the table below.

| 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.