

## APPENDIX A - South Holland District Council – Q4 Finance Report 2021/22

### Finance Summary

- The revenue outturn shows a deficit position of £249k as at 31<sup>st</sup> March 2022.
- This will be financed from the Council Tax Reserve and partially offset by the £125k underspend achieved in 2020/21.
- Total efficiency savings of £1.241m had been achieved as at 31<sup>st</sup> March 2022 with further savings expected in 2022/23.
- The HRA outturn is a reduced surplus against the budget of £335k at 31<sup>st</sup> March 2022
- General Fund Specific and general reserves of the Council are £11.616m at 31<sup>st</sup> March 2022.
- HRA reserves are £32.766m at 31<sup>st</sup> March 2022.
- General Fund Capital spend (excluding SWRR) at the end of Quarter 4 was £4.438m against a full year revised budget of £4.643m.
- HRA Capital receipts for the year were £2.083m.
- HRA Capital spend at the end of Quarter 4 was £5.130m against a full year Revised budget of £5.703m.
- The Council held investments of £47.7m as at 31<sup>st</sup> March 2022.

### Section 2 – Finance

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Section 2.7	Business Rates and Council Tax Collection

#### Section 2.1 – Key Financial Issues in Quarter 4 of 2021/22

- On 7<sup>th</sup> January, HM Treasury issued a press release to announce new grant funding for business affected by the pandemic. The £700m will be delivered to affected businesses by local councils, with hospitality, leisure and accommodation businesses able to apply for one-off cash grants of up to £6,000.
- On 15<sup>th</sup> February, the Department for Levelling up, Housing & Communities issued a press release announcing £125m for councils to provide support services for domestic abuse victims during 2022/23. This funding is to go towards healthcare, social workers and benefits, interpreters, immigration advice and other specialist services. The funding will be issued as a non-ringfenced grant to councils, who will then be responsible for making decisions on how the funding is spent to benefit those in need.
- On 20<sup>th</sup> March, the Department for Levelling up, Housing & Communities published a collection of documents regarding the Traveller Site Fund 2022/23. The fund is £10m of capital funding to support local authorities in building new transit and permanent traveller sites, to refurbish existing permanent traveller and transit sites and provide temporary stopping places and facilities for travellers.
- On 23<sup>rd</sup> March the Department for Levelling Up, Housing & Communities published a prospectus providing guidance on submitting bids for local areas. The £4.8 billion fund will support town centre and high street regeneration, local transport projects, and cultural and heritage assets.

Inflation	January (%)	February (%)	March (%)
CPI	5.5	6.2	7.0

RPI	7.8	8.2	9.0
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## Section 2.2 – Revenue Budget

**Table 1** details the final outturn by Assistant Director. This is based on the Quarter 4 actual outturn position as at 31<sup>st</sup> March 2022 which indicates a revenue overspend of £249k

Table 1 – Final Outturn - Net Spend by Assistant Director Area				
Assistant Director	Revised Budget 2021/22 £'000	Actual Outturn 2021/22 £'000	Variance (underspend)/ overspend £'000	Comments on main variances
Corporate	2,411	2,459	48	£30k pressure due to reduced partner contribution and other minor variations.
Economic Growth	117	159	42	£50k reduction in GL LEGE Grant income offset by a (£12k) reduction in supplies and services in Economic Development due to reduced activity.
Finance	2,310	2,500	190	£140k historic savings budgeting issue relating to procurement, £18k overspend on Banking Charges and £65k error relating to a grant budgeted in General Fund, which should have been in the HRA.
General Fund Assets	43	457	414	£172k reduction in income on Car Parks, £212k spend over budget relating to Asset maintenance and improvement
Governance	1,111	1,046	(65)	(£10k) efficiencies in Electoral Registration (£17k) staff related vacancy efficiencies in Legal services and (£30k) in Democratic Services.
Leisure & Culture	508	381	(127)	(£38k) underspend due to lower activity. (£51k) business Rates saving from 20-21 on Sports Hall and (£18k) saving on Ayscoughfee budgets.
Neighbourhoods	3,441	3,543	102	£38k Markets largely due to reduced charging during this period. £19k overspend on Street Cleansing due to Insurance costs and Professional fees. £39k overspend on Environmental Services - Operational due to transport costs (£35k relates to fuel).
Planning & Strategic Infrastructure	111	(220)	(331)	(£15k) Staff related efficiencies due to vacancies. (£248k) additional planning fee income.
Regulatory	441	417	(24)	(£35k) increase in Land Charges Income

**Table 1 – Final Outturn - Net Spend by Assistant Director Area**

<b>Assistant Director</b>	<b>Revised Budget 2021/22 £'000</b>	<b>Actual Outturn 2021/22 £'000</b>	<b>Variance (underspend)/overspend £'000</b>	<b>Comments on main variances</b>
Strategic Growth & Development	92	143	51	Variance due to structural salary changes as a result of the Shared Management changes.
Wellbeing & Community Leadership	1,038	794	(244)	(£229k) underspend on Homelessness and (£20k) additional Private Sector Housing income from grants and DFG admin fee income.
<b>Sub Total – Assistant Directors – Net Costs</b>	<b>11,623</b>	<b>11,679</b>	<b>56</b>	
Covid Grants	0	(1,525)	(1,525)	Covid 19 Grant Allocations for 2021/22. This funding was also used to cover additional expenditure and loss of income which is reflected above.
Covid Related Expenditure	0	1,359	1,359	£201k Leisure spend, £225k Spend on Test and Trace (offset by grant shown above), £159k on the COVID response across Council Services, £277k spend on Household Support Fund
Recharges to HRA	(3,087)	(3,100)	(13)	
Internal Drainage Boards and Parish Precepts	3,546	3,559	13	
Investment Income	(182)	(197)	(15)	Increased income due to interest rate rise
MRP	0	14	14	
Impairment Allowance	20	39	19	Adjustment after review of bad debt provision
Capital Expenditure Charged In Year	825	866	41	
Transfers to/(from) Earmarked Reserves	134	8	(126)	Transfer to Replacement & Refurbishment reserve not actioned
Efficiencies Requirement	(435)	-	435	See Table below for efficiencies
<b>Other Income and Expenditure</b>	<b>821</b>	<b>1,023</b>	<b>202</b>	
<b>General Fund Budget net costs</b>	<b>12,444</b>	<b>12,702</b>	<b>258</b>	
Funding (Council Tax, Government grants and business rates)	(12,444)	(12,453)	(9)	Business Rates Levy
<b>Total Budget - (Surplus)/Deficit</b>	<b>0</b>	<b>249</b>	<b>249</b>	

**Recommendation:**

- F1** That Cabinet notes the outturn position for 2021/22 as detailed in **Table 1** and recommends to Full Council its financing from the Council Tax Reserve.
- F2** That Cabinet recommends to Council approval of the following reserve movements: -
- A contribution of £1,419,065 to the Earmarked Grants reserve of additional section 31 grants received in year which are required to fund the Collection Fund Deficit in 2022/23.
  - A contribution from the Earmarked Grants Reserve of £2,922,033 which is required to drawdown section 31 grants received in 2020/21 but are required to fund the Business Rates deficit in 2021/22.

**Progress Against Efficiencies Requirement**

The 2021/22 budget included an efficiency target of £1.676m, efficiencies achieved in year were as follows, further efficiencies are expected in 2022/23:

<b>Table 2a – Efficiency Savings</b>		
<b>Efficiency Saving Description</b>	<b>£'000</b>	<b>Comments</b>
Staff Efficiencies	(122)	Commercialisation & Planning Policy
Welland Homes	(111)	Reduced costs
PSPS Contract Variation (BBC)	(56)	BBC onboarding
Homelessness	(64)	Reduced costs
Car Mileage and Allowances	(98)	Lower Transport Expenses
Local Council Tax Support Grant	(74)	Additional Grant Funding
Business Rates on Public Conveniences	(17)	Public conveniences no longer rateable
Business Rates in Leisure & Culture	(51)	Reduction in business rates payable
South Holland Centre	(272)	Restructure efficiencies
Garden Waste	(149)	Service expansion income generation
Shared and Solo Management Structures	(206)	Post sharing arrangements changes to staff costs
Corporate Apprentice Training	(21)	Staffing efficiencies
<b>Total</b>	<b>(1,241)</b>	
<b>Target</b>	<b>(1,676)</b>	
<b>Net</b>	<b>435</b>	

**Covid Revenue General Grant**

The allocation for SHDC for 2021/22 was (£1,525k). During the year direct costs of £1,359k were offset against this grant, leaving £166k to apply against other indirect costs incurred during the year.

## Reserves

At 31 March 2022 General Fund specific reserves are £9.538m, after a net transfer from reserves of £1.877m to cover revenue and capital expenditure. **Table 3** reflects the actual position.

Table 3 – Specific and General Reserves Balance				
Reserve	Balances at 1 April 2021 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2022 £'000
<b>General Fund</b>				
Council Tax	1,809	48	(271)	1,586
Investment and Growth	4,489	843	(1,196)	4,136
Replacement and Refurbishment	172	-	(95)	77
Transformation	71	26	-	97
Earmarked Grants	4,874	1,716	(2,948)	3,642
<b>Specific Reserves Total</b>	<b>11,415</b>	<b>2,633</b>	<b>(4,510)</b>	<b>9,538</b>
General Fund	2,078	0	0	2,078
<b>Total</b>	<b>13,493</b>	<b>2,633</b>	<b>(4,510)</b>	<b>11,616</b>
<b>Housing Revenue Account</b>				
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
<b>Total</b>	<b>27,384</b>	<b>5,448</b>	<b>(4,602)</b>	<b>28,230</b>

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

- Council Tax
  - Additions – Elections and Noise monitoring equipment
  - Use of reserve (Capital) – South Holland Centre, General Fund overspend.
- 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, Food Enterprise Zone, corporate efficiencies, Town Centre Improvement.
  - Use of reserve (Capital) – Temporary establishment funding, PSPS Transformation plan, Environmental Services vehicle and equipment replacements programme, Castle Sports fire alarm, ICT infrastructure, Accommodation works, Ayscoughfee Hall works, South Holland Centre emergency lighting, works to Priory Road offices and Industrial Units, Sports Hall Boiler, Spalding Cemetery and Future Towns.
- Replacement and Refurbishment
  - Use of reserve (Revenue) – Programmed use of reserve for revenue maintenance works.
  - Use of reserve (Capital) – Peel Leisure works
- Transformation Reserve
  - Additions – Underspends on staff training to be utilised in 2022/23
- Earmarked Grants Reserve
  - Additions – Additional S31 Grant received in year, surplus planning fees, elections grant, domestic abuse grant, NSAP surplus
  - Use of reserve (Revenue) – Section 31 Grant received in 2020/21.

- Use of reserve (Capital) – Spalding Specials contribution to Cemetery works

**Recommendation:**

**F3** That Cabinet notes the reserve movements and balances as detailed in **Table 3**

**Section 2.3 – Housing Revenue Account Budget**

Table 4- Net Spend by Service Area				
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend) / Overspend £'000	Comments on Main Variances
Rent Income - Dwellings	(15,280)	(15,265)	15	
Rent Income Non Dwellings	-	(10)	(10)	£5K Rent , £3K misc land rents
Charges for Services & Facilities	(1,188)	(1,144)	44	Lower Sheltered Housing Fees and alarm income
Contribution towards Expenditure	(22)	(58)	(36)	£24K saving – additional grant funding
<b>Total Income</b>	<b>(16,490)</b>	<b>(16,477)</b>	<b>13</b>	
Repairs and Maintenance	3,006	2,739	(267)	£183k Income OFGEM Re Energy Grant, £61k savings on professional & contactors fees within Programmed Repairs , £70k staff savings, £10k travel related efficiencies, £27K communication costs savings, £26k pressure on Repairs (Insurance Claims), £81k pressure on responsive repairs. (
Supervision and Management	2,424	2,401	(23)	
Rents, Rates, Taxes and Other Charges	71	55	(16)	
Depreciation and Impairment of Non-Current Assets	3,324	4,214	890	Buildings increased in value and depreciated accordingly
Movement in the Allowance for Bad Debts	271	15	(256)	£271k budget was assuming major adverse effect of universal credit which has not materialised
Statutory Recharges to the HRA For Support services	3,089	3,092	3	
<b>Total Expenditure</b>	<b>12,185</b>	<b>12,516</b>	<b>331</b>	
<b>Contribution from Operations</b>	<b>(4,305)</b>	<b>(3,961)</b>	<b>344</b>	
Interest and investment income	(12)	(21)	(9)	
Interest payable and similar charges	2,347	2,347	-	
<b>Net (Surplus) / Deficit</b>	<b>(1,970)</b>	<b>(1,635)</b>	<b>335</b>	

## Section 2.4 – Capital Budget

This section covers:

- The final outturn against the 2021/22 approved capital programme (General Fund Table 5 and HRA Table 7)
- The financing of the Capital Programme (General Fund Table 5a and HRA Table 7a)
- Comments on the delivery of the capital programme (General Fund Table 6 and HRA Table 8)
- HRA capital resources (Table 9)

### General Fund (GF) Capital Programme

Table 5 – General Fund Revisions to Capital Program		£'000
<b>2021/22 Revised Capital Programme From Q3 Report</b>		<b>8,390</b>
Movements from Previous Forecast		
Carry Forward of Budget to 2022/23 (Q3 Report)		(3,747)
<b>Total</b>		<b>(3,747)</b>
<b>2021/22 Revised Capital Programme as at 31st March 2022</b>		<b>4,643</b>

Table 6 - General Fund 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
ICT Infrastructure	85	100	15
Public Protection Software	15	11	(4)
South Holland Centre Projects	71	82	11
Priory Road Projects	-	21	21
Swimming Pool Boiler	78	89	11
Caste Sports Pool Fire Alarm	31	48	17
West Marsh Road Fire Alarm	13	-	(13)
West Marsh Road Electrical Rewiring	43	-	(43)
Ayscoughfee Hall	186	146	(40)
Temporary Accommodation	20	19	(1)
Spalding Cemetery	159	159	-
Peele Leisure Lighting	19	18	(1)
NSAP Property Acquisitions	277	290	13
RSAP Property Acquisitions	698	662	(36)
Kings Road Land Acquisition	116	11	(105)
Grants for Growth	703	673	(30)
Food Enterprise Zone	2	6	4
Garden Waste	184	240	56
Grounds Maintenance	25	16	(9)
Environmental Services Operational	1,138	1,138	-
Fleet Maintenance Vehicles	38	-	(38)
Disabled Facilities Grants	639	681	42
Decent Homes	75	-	(75)
Welland Homes	28	28	-
<b>Grand Total</b>	<b>4,643</b>	<b>4,438*</b>	<b>(205)</b>

\*Please Note: In addition to the capital spend reported in Table 6, the council has accounted for £6.508m in relation to the South Western Relief Road, which has been 100% funded from grant, total capital spend was £10.946m

Table 6a - General Fund 2021/22 Capital Funding and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Borrowing	(1,267)	(1,252)	15
Grants & Contributions	(1,419)	(8,257)	(6,838)
Capital Reserves		(570)	(570)
Direct Revenue Financing	(1,957)	(867)	1,090
<b>Total</b>	<b>(4,643)</b>	<b>(10,946)</b>	<b>(6,303)</b>

Table 7 - 2021/22 GF Capital Program - Comments on Delivery	
ICT Infrastructure	£15k - Timing Issue Consultancy and Infrastructure work late March
West Marsh Road Fire Alarm	(£13k) Work not completed until April 2022
West Marsh Road Electrical Rewiring	(£43k) Work not completed until First Quarter 2022/23
NSAP	£13k to be re-profiled in 2022-23
RSAP	£(36k) to be re-profiled in 2022-23
Kings Road Land Acquisition	£(105k) – Expenditure incurred in May 2022
Grants for Growth	(£30k) Additional grant not fully spent
Garden Waste	£56k to be re-profiled in 2022-23
Fleet Maintenance Vehicles	(£38k) underspend - Late Delivery of Vehicle
Disabled Facilities Grants	£42k to be re-profiled in 2022-23
Decent Homes	(£75k) Underspend – Demand Driven and no requirement for 2021/22



**Table 8 – General Fund Capital Program Revised 2022/23**

<b>Scheme</b>	<b>Revised Budget 2022/23 £'000</b>	<b>Budget c/f 2021/22 £'000</b>	<b>Revised Budget 2022/23 £'000</b>
ICT Infrastructure	380	(15)	365
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	170	(21)	149
South Holland Centre Projects	88	(11)	77
Castle Sports Boiler	45	(11)	34
Swimming Pool Boiler	58	-	58
Caste Sports Pool Fire Alarm	26	(17)	9
Castle Posts Hot Water Pressurisation Replace	24	-	24
West Marsh Road Fire Alarm	-	13	13
West Marsh Road Electrical Rewiring	-	43	43
West Marsh Road Projects	85	-	85
Ayscoughfee Hall	169	40	209
Temporary Accommodation	31	-	31
Industrial Units	63	-	63
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	3,138	-	3,138
Electric Vehicle Charging	29	-	29
NSAP Property Acquisitions	97	(13)	84
RSAP Property Acquisitions	218	36	254
Kings Road Land Acquisition	-	105	105
Crease Drove Industrial Units	1,350	-	1,350
Grants for Growth	217	30	247
South Western Relief Road (Council Contribution)	1,000		1,000
Garden Waste	487	(56)	431
Grounds Maintenance	76	9	85
Environmental Services Operational	36	-	36
Fleet Maintenance Vehicles	31	38	69
Street Cleansing	35	-	35
Disabled Facilities Grants	1,564	(42)	1,522
Decent Homes	75	-	75
Welland Homes	2,234	-	2,234
<b>Total (including new items)</b>	<b>12,542</b>	<b>128</b>	<b>12,670</b>

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	(6,820)	(14)	(6,834)
HRA Capital Receipts	(410)	-	(410)
Grants & Contributions	(2,368)	42	(2,326)
Direct Revenue Financing	(2,944)	(156)	(3,100)
<b>Total (including new items)</b>	<b>(12,542)</b>	<b>(128)</b>	<b>(12,670)</b>

**Recommendation:**

**F4** That Cabinet note the general fund capital position and recommends to Council to approve the 2021/22 capital budget carry forward to 2022/23 due to slippage/re-profiling as detailed in column 3 of **Table 8**.

**Housing Revenue Account (HRA) Capital Programme**

Table 9 – HRA to Capital Programme	£'000
<b>2021/22 Revised Capital Programme From Q3 Report</b>	<b>14,984</b>
Movements from Previous Forecast	
Carry Forward of Budget to 2022/23 (Q3 Report)	(9,281)
<b>Total</b>	<b>(9,281)</b>
<b>2021/22 Revised Capital Programme as at 31st March 2022</b>	<b>5,703</b>

Table 10 - HRA 2021/22 Capital Program and Outturn			
Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Central Heating	942	954	12
Kitchen/Bathroom	1,191	1,167	(24)
Renewable Energy	52	47	(5)
Smoke Alarms	118	108	(10)
Electrical Upgrade	90	115	25
Roofs and Gutters	960	936	(24)
Doors and Windows	7	-	(7)
Chimneys	182	160	(22)
Paths and Drives	43	50	7
Boundary Walls	154	80	(74)
Fees	233	233	-
Sewerage Treatment Plant	33	-	(33)
The Square	11	7	(4)
ICT Strategy / Infrastructure	45	49	4
Housing IT Systems Upgrade	168	168	-
Major Adaptions	623	590	(33)
Sheltered Alarm Upgrade	40	40	-
Housing Repairs Vehicles	50	48	(2)
Grounds Maintenance	7	9	2
Weston Development Scheme	5	5	-

**Table 10 - HRA 2021/22 Capital Program and Outturn**

Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Purchase of Units	6	4	(2)
Wignals Gate S106	392	360	(32)
Albion street Crowland	9	-	(9)
Scheme Subject to detailed approval	342	-	(342)
<b>Total</b>	<b>5,703</b>	<b>5,130</b>	<b>(573)</b>

**Table 10a - HRA 2021/22 Capital Funding and Outturn**

Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Capital Receipts	(1,350)	(457)	893
Major Repairs Reserve	(4,353)	(4,626)	(273)
Direct Revenue Financing	-	-	-
Grants		(47)	(47)
<b>Total</b>	<b>(5,703)</b>	<b>(5,130)</b>	<b>573</b>

**Table 11- HRA 2021/22 Capital Program - Comments on Delivery**

Schemes subject to detailed approval	(£342k) Underspend – Offers rejected on projects
All Other items	Profiling of spend

**Table 12- Capital Resources HRA**

Service Area	Revised Budget 2021/22 £'000	Outturn 2021/22 £'000	Variance (Underspend)/ Overspend £'000
Capital Resources* available at start of each year	26,018	29,964	32,766
Capital Investment (estimate in future years)	(4,722)	(5,130)	(8,219)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	1,833	2,083	1,999
- Funding from other reserves and internal borrowing			
- Major Repairs Reserve	3,816	4,214	3,390
- HRA Working Balance	3,019	1,635	1,278
<b>Estimated Capital Resources* at end of each year</b>	<b>29,964</b>	<b>32,766</b>	<b>31,214</b>

\* Capital Reserve and Capital Receipts

Table 13 – HRA Capital Programme Revised 2022/23			
Scheme	Revised Budget 2022/23 £'000	Budget c/f 2021/22 £'000	Revised Budget 2022/23 £'000
Central Heating	917	(12)	905
Kitchen/Bathroom	1,571	25	1,596
Renewable Energy	1,100	5	1,105
Smoke Alarms	104	10	114
Electrical Upgrade	-	-	-
Roofs and Gutters	545	24	569
Doors and Windows	5	7	12
Flat Entrance Doors Sheltered Schemes	530		530
Chimneys	546	22	568
Paths and Drives	36	(7)	29
Boundary Walls	204	74	278
Fees	219		219
Sewerage Treatment Plant	612	33	645
The Square	1,250	4	1,254
Car Parks	142		142
ICT Strategy / Infrastructure	261	(4)	257
Housing IT Systems Upgrade	12		12
Replacement Laptops	44		44
Technology Refresh for Meeting Rooms	18		18
Major Adaptations	668	73	701
Sheltered Alarm Upgrade	785		785
Housing Repairs Vehicles			
Grounds Maintenance	21		21
South Holland Maintenance	65		65
Weston Development Scheme	13		13
Wignals Gate S106	1,045	32	1,077
Albion street Crowland	254	9	263
Scheme Subject to detailed approval	3,778	344	4,122
<b>Total</b>	<b>14,745</b>	<b>599</b>	<b>15,344</b>
Schemes Subject to detail approval carried forward beyond 2022/23	2,912	0	2,912
<b>Revised Total</b>	<b>17,657</b>	<b>599</b>	<b>18,256</b>

Table 13a – 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	(4,229)	(385)	(4,614)
Grants and Contributions	(887)	-	(887)
Major Repairs Reserve	(8,334)	(214)	(8,548)
Direct Revenue Financing	(1,295)	-	(1,295)
<b>Total</b>	<b>(14,745)</b>	<b>(599)</b>	<b>(15,344)</b>
Direct Revenue Financing for future programme	(2,912)	-	(2,912)
<b>Revised Total</b>	<b>(17,657)</b>	<b>(599)</b>	<b>(18,256)</b>

## 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, there is a time limit for these receipts to be used on new builds or acquisitions, if not expended in time the funding is then payable to DLUHC. This time limit for expenditure 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 31<sup>st</sup> March 2022. The next risk point will be 31<sup>st</sup> March 2024.

### **Recommendation:**

**F5** That Cabinet note the HRA capital position and recommends to Council to approve the budget carry forward due to slippage/re-profiling as detailed in column 3 in **Table 12**.

## **Section 2.5 – Treasury Management**

### **Investments at 31<sup>st</sup> March 2022**

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

Detailed below are the investments held by the Council at 31 March 2022 excluding accrued interest. Note this represents the position at this one point in time. The peaks and troughs in cash flow are managed daily. As 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.

<b>Table 13 – Cash Investments as at 31<sup>st</sup> March 2022</b>			
<b>Financial Institution</b>	<b>Amount (£)</b>	<b>Maturity Date</b>	<b>Yield</b>
Lloyds Current Account	1,142,489	Instant Access	0.65%
Handelsbanken Plc	4,994,523	Instant Access	0.25%
CCLA Money Market Fund	5,600,000	Instant Access	0.58%
Lloyds 95 Day Notice Account	4,996,554	95 Day Notice	0.10%
Bayerische Landesbank London	3,000,000	07/04/2022	0.19%
Helaba Bank	3,000,000	18/05/2022	0.35%
Close Brothers	2,500,000	24/05/2022	0.40%
Standard Chartered	3,000,000	01/06/2022	0.30%
Goldman Sachs Investment Bank	5,000,000	30/06/2022	0.495%
Australia & New Zealand Bank	2,500,000	08/08/2022	1.05%
Australia & New Zealand Bank	2,500,000	15/08/2022	0.18%
Standard Chartered	2,000,000	16/09/2022	1.46%
Close Brothers	2,500,000	22/09/2022	1.20%
National Westminster Bank (CD)	5,000,000	17/03/2023	1.71%
<b>Total</b>	<b>47,733,566</b>		

In addition to the above investments, the Council has made loans to Welland Homes totalling £3,738,318 at a rate of 3.50%. These loans are classified as long-term debtors in the financial statements.

The Council's equity stake in Welland Homes has increased from £2.889m as at 31 March 2021 to £3.672m as at 31 March 2022.

Also, the Council's equity stake in South Holland Community Housing Company has increased from £1.074m as at 31 March 2021 to £1.169m as at 31 March 2022.

**Table 14 - Maturity Structure as at 31<sup>st</sup> March 2022 (incl. Welland Homes)**

Duration	Amount (£)	Percentage of Total
Less than one week	14,737,012	23%
Less than one month	0	6%
One to three months	13,500,000	26%
Three to six months	14,496,554	28%
Six to nine months	-	0%
Nine to twelve months	5,000,000	10%
More than twelve months	3,738,318	7%

**Return on Investments**

The Council's 2021/22 budget for investment income is £194k. At the end of March 2022 annual investment income was £213k which was £19k above budget. This interest is split £193k to the General Fund and £20k to the HRA.

Treasury investments achieved an average rate of 0.17% for 2021/22. The benchmark average 3-month SONIA rate was 0.8% as at March 2022.

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

The combined rate achieved on all investments was estimated to be approximately 0.416%.

**External 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%

Interest costs for 2021/22 on this borrowing was £2.347m.

**Public Works Loan Board (PWL) Borrowing Rates**

PWL borrowing rates have risen in March in line with the Bank of England Base rate rise to 0.75% on 17th March. There was a fall in PWL rates in the days leading up to Financial Year End and as at 31st March 2022 the 50 year PWL certainty rate was 2.05%. The PWL increase since December 2021 reflects the inflationary pressures in the economy due to the Ukraine war, utility price increases and wage growth pressure. The temporary fall in PWL rates w/c 28<sup>th</sup> March most likely relates to Year End and funding needs as at 31<sup>st</sup> March.



## Summary

Interest rates rose but remained historically low during March 2022. The Bank of England Base Rate rose from 0.50% to 0.75% in March. Market expectations are for further rate hikes during 2022/23 and at the time of writing this report it had already increased to 1.25%. With the economy growing post pandemic, focus for the MPC will firmly be on tackling inflationary pressures. Retail Prices Index inflation was at 7% at the end of the financial year and at the time of writing this report had increased to 11.7% for May 22 with the added pressure on utilities and grain from the war in Ukraine.

Rates on new investments with financial institutions and local authorities now range from 1.20% for one-month deposits through to 2.75% for one-year deposits. One year deposit rates have risen sharply, reflecting the Base rate rise to 1.25% and the market sentiment that rates will continue to rise to fight inflation.

PWLB borrowing rates have risen during March. PWLB rates, especially long dates such as 50yrs, have risen due to inflationary concerns. The energy/oil price rises combined with the wage growth pressure in the UK economy are having a large impact on inflation indexes. The PWLB Rates dropped at the end of March but these have subsequently increased in the first quarter of the 2022/23 financial year and currently stands at 3.37% for a 50 year maturity loan.

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

An analysis of the sundry debts the Council held as at 31<sup>st</sup> March 2022 is shown 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
£	£	£	£	£	£	£	£
43,623	11,911	57,535	1,086	3,810	87,885	210,525	416,375

Note: This does not include details of invoice amounts (£115,899) 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 4 collection rate remains lower than pre-covid, however the Council Tax support caseload is comparable to pre-covid levels. There remains some uncertainty of the overall ongoing impact on collection and recovery as a result of covid. In recognition, we continue to remain prudent in setting the bad debt provision in this area.

### Council Tax – Quarter 4 In-Year Collection

The collectable debit for 2021/22 was £54.4m with a collection rate of 96.91% achieved at 31 March 2022 (96.91% at 31 March 2021).

### 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)	(21,269,527)	3,767,547
Less: LCC share (10% for 21/22)	2,503,707	2,126,953	(376,754)
Less: Government Share (50% for 21/22)	12,518,537	10,634,764	(1,883,773)
South Holland District Council’s income (excluding renewables) (40% for 21/22)	<b>(10,014,830)</b>	<b>(8,507,810)</b>	<b>1,507,020</b>

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 £1.42m of income has been received in 2021/22 and this will need to be transferred into reserves as outlined in the recommendations of this report. The difference between this income and the deficit above (£88k) 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 March 2022 the Rateable Value amount for properties under appeal in 2010 list was £210k, relating to 3 properties on the latest list of outstanding appeals. The appeals provision (£0.5m) is considered sufficient to cover the potential impact of these appeals.

#### **Business Rates – 2021/22 In-Year Collection**

The collectable debit for 2022/23 was £24m with a collection rate of 98.50% achieved at 31 March 2022 (92.46% at 31 March 2021). Due to the continued application of some COVID related additional reliefs in 2021/22 the collectable debit remains around £2.3m lower than usual. This makes comparison to pre-covid collection rates less meaningful.

The Covid Additional Relief Fund (CARF) scheme will provide rate relief support against 2021/22 financial year for businesses impacted by covid but who have not been supported through other relief schemes. This relief will be awarded in June 2022.