

## East Lindsey District Council – Q4 Finance Report 2021/22

### Finance Summary

- The revenue outturn position shows a surplus of £868k
- Specific and general reserves of the Council are £31.094m at 31 March 2022
- Capital spend at the end of 2021/22 is £11.316m
- Capital receipts for the year are £780k. After funding the 2021/22 Capital Programme the capital resources are:
  - Capital Reserve - £6.172m
  - Capital Receipts - £3.597m
- The Council holds investments (including property funds and instant access accounts) of £79.0m as at 31 March 2022
- The Council held borrowing of £20.0m as at 31 March 2022

### Section 2 – Finance

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

**Section 2.2 – Revenue Budget**

**Table 1** details the outturn by Assistant Director. This is the actual position as at 31<sup>st</sup> March 2022 and shows a surplus of £868k against the revised budget approved. This outturn position is subject to external audit in July 2022.

<b>Table 1 – Net Spend by Assistant Director</b>				
<b>Assistant Director Area</b>	<b>Revised Budget 2021/22</b>	<b>Outturn 2021/22</b>	<b>Variance (underspend)/overspend</b>	<b>Comments on main variances</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Corporate	2,251	2,155	(96)	£(28)k additional income sharing of officers with Boston Borough council, software licences were underspent by £(24)k and £(44)k underspends in other areas.
Economic Growth	440	(1,256)	(1,696)	COVID grant of £(974)k received from the government. Sales, fees and charges grant claim £(608)k and other admin grants approx. £(114)k
Finance	4,270	4,333	63	Loss of Income contingency £(589)k. Strategic Alliance Savings budget held here but achieved across Authority £800k. Includes £(117)k PV income transferred to reserves below and £(31)k other underspends.
General Fund Assets	(4,016)	(2,935)	1,081	Loss of Income at Kingfisher Caravan Park and reduced dividend from INVEST East Lindsey £1,465k. Overachievement on Car Parking £(227)k and approx. £(157)k other underspends.
Governance	1,008	850	(158)	£(58)k savings on staffing and £(41)k savings on Register of Electors Costs and £(59)k saving on members' expenses (mileage etc).
Leisure and Culture	1,710	1,930	220	£96k agreed additional spend on contract costs and £124k overspend on Repairs and Maintenance.
Neighbourhoods	5,255	5,413	158	£202k overspend on staffing costs. £(167)k overachievement on green waste income and £51k additional expenditure on vehicle maintenance and £72k on other building costs.
Planning & Strategic Infrastructure	76	295	219	£112k reduced income from Planning applications £105k Local Development work funded from Reserve (see below).
Regulatory	1,470	1,282	(188)	Receipt of Land charges grant £(108)k transferred to reserves, salary savings in the HIMO Service of £(99)k offset by reduced Building Control Income of £53k and other savings £(34)k.
Wellbeing & Community Leadership	1,416	994	(422)	Additional homelessness prevention grant: £(404)k transferred to reserves (see below). Staffing underspends and other variances £(18)k.
<b>Sub Total – Assistant Director – net costs</b>	<b>13,881</b>	<b>13,061</b>	<b>(819)</b>	
Internal Drainage Boards and Parish Precepts	6,847	6,847	-	No variance

Table 1 – Net Spend by Assistant Director				
Assistant Director Area	Revised Budget 2021/22	Outturn 2021/22	Variance (underspend)/overspend	Comments on main variances
	£'000	£'000	£'000	
Investment Income	(777)	(708)	70	Reduced Investment returns (see Treasury section)
Voluntary Revenue Provision (VRP)	0	(1,194)	(1,194)	Reversal of VRP, set aside in previous years, and contributed to reserves (see below).
Impairment Allowance	100	(34)	(134)	Reduced provision needed for Housing Benefit Overpayments
Capital Expenditure Charged In Year	10,648	5,760	(4,888)	This reflects capital schemes which have been slipped into 2022/23
Transfers to/(from) Earmarked Reserves	(16,983)	(6,019)	10,964	This reflects less capital programme activity than budgeted, the transfer of Section 31 Grant to reserves, VRP transfer to reserves and the release of reserves to fund items in services above.
<b>Other Income and Expenditure</b>	<b>(165)</b>	<b>4,652</b>	<b>4,817</b>	
<b>General Fund Budget net costs</b>	<b>13,716</b>	<b>17,714</b>	<b>3,998</b>	
Funding (Council Tax, Government grants and business rates)	(13,716)	(18,582)	(4,866)	This is additional Section 31 grant which has been put into reserves above.
<b>Total Budget - (Surplus)/Deficit</b>	<b>0</b>	<b>(868)</b>	<b>(868)</b>	

**Recommendation:**

That the Executive Board:

- R1** Notes the provisional year end position, variations to the 2021/22 approved budget and resulting effect on the Council's balances and reserves as shown in **Table 1**.
- R2** Recommends to Council that the provisional revenue surplus (currently estimated to be £867,723) be transferred to the Transformation Reserve to fund future projects which will help realise future revenue savings, efficiencies and service improvements.
- R3** That delegated authority be given to the Deputy Chief Executive (Corporate Development) in consultation with the Portfolio Holder for Finance to use this amount for 'Invest to Save' projects and to cover any budget pressures which may arise during 2022/23.
- R4** Recommends to Council to transfer £4,866,072 to the Business Rates Volatility Reserve to fund the 2022/23 budget, this being the excess Section 31 grant allocated to the Council in 2021/22 but to be utilised in 2022/23.
- R5** Recommends to Council to return £1,000,000 to the Investments Volatility Reserve which was the amount withdrawn to cover fluctuations in Property fund asset valuations during the pandemic.
- R6** Approves the return of £193,941 to the Business Rates Volatility Reserve which was the amount used to cover fluctuations in Property Fund asset valuations during the pandemic.

**Additional revenue budget notes**Income

The Council has a number of demand-led budget areas which are reliant on income for services provided.

Table 2 – Trading Income Budgets				
Income Area	Revised Budget to 31 March 2022	Actual Income to 31 March 2022	Variance (above)/ below budget	Comments
	£'000	£'000	£'000	
Car Parking	(3,143)	(3,412)	(269)	Due to increased visitor numbers to the area and the use of contactless parking machines income has exceeded the budget
Kingfisher Caravan Park	(2,452)	(988)	1,464	This reflects the reduced pitch fees received in 2021/22
Planning	(1,508)	(1,407)	101	Reduced income in quarter four has meant the budget for the year has not been met.
Licensing	(333)	(280)	53	Reduced demand across a number of licensing functions has led to less income than anticipated
Markets	(100)	(68)	32	This reflects the reductions given in quarter one 2021/22
Land Charges	(121)	(94)	27	Reduced demand for the service has led to less income than anticipated
Building Control	(445)	(391)	54	Reduced demand for the service has led to less income than anticipated
Commercial Rents	(1,725)	(1,713)	12	
Green Waste	(1,165)	(1,332)	(167)	Demand for the service has remained strong during 2021/22
<b>Total</b>	<b>(10,992)</b>	<b>(9,685)</b>	<b>1,307</b>	

Reserves

At 31 March 2022 reserves were £29.272m, after a net transfer to reserves of £6.020m to cover future revenue and capital expenditure. **Table 3** reflects the revised adjustments required based on the confirmed closing balances.

Table 3 – Specific and General Reserves Balance Forecast				
Reserve	Balances at 1 April 2021	Contributions into Reserves	Use of Reserves	Balances at 31 March 2022
	£'000	£'000	£'000	£'000
Housing	2,276	279	525	2,030
Repair & Replacement	1,448	672	762	1,358
Carbon Reduction	106	-	-	106
Insurance	746	100	19	827
Capital	7,319	591	1,738	6,172
Service Transformation	598	48	421	225

Table 3 – Specific and General Reserves Balance Forecast				
Reserve	Balances at 1 April 2021 £'000	Contributions into Reserves £'000	Use of Reserves £'000	Balances at 31 March 2022 £'000
Business Rates Volatility	13,410	5,033	11,042	7,401
Investments Volatility Reserve	0	1,000	0	1,000
Legal & Appeals	415	23	6	432
Technology	1,522	68	797	793
Wellbeing	798	7	-	805
Economic Growth	5,477	5,718	4,250	6,945
COVID-19 Budget Pressures Smoothing	1,178	-	-	1,178
<b>Specific Reserves Total</b>	<b>35,293</b>	<b>13,539</b>	<b>19,560</b>	<b>29,272</b>
General Fund	1,822	-	-	1,822
<b>Total</b>	<b>37,115</b>	<b>13,539</b>	<b>19,560</b>	<b>31,094</b>

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

- Housing
  - Additions to – transfer to reserve where external funding has not been fully utilised or received later in the year, to be used in future years.
  - Use of reserve - use of Community Housing Fund Grant for capital purposes
- Repairs and Replacement
  - Additions to – contributions from services paying back into the reserve where savings have been made and Solar PV FIT income.
  - Use of reserve – purchases of service vehicles, fleet maintenance works, fitness suite refurbishment and Kingfisher Enhancements.
- Insurance Reserve
  - Additions to – the £100k contribution from services' base budgets
  - Use of reserve – the £19k payment is for claims below the £25k de-Minimis level in year
- Capital Reserve
  - Additions to – transfer of New Homes Bonus to reserve to fund the Capital Programme
  - Use of reserve – for the capital projects: capitalised planned enhancements, PSPS investment, Station Sports, pumping works and other capital works. Transfer of £1.132m into Economic Growth Reserve to support ongoing capital projects.
- Service Transformation
  - Additions to – underspends of staff training budgets to be utilised next year and contributions from services paying back into the reserve where savings have been made.
  - Use of reserve – legal appeals and transfer to Economic Growth Reserve to support ongoing capital projects.
- Business Rates Volatility Reserve
  - Additions – transfer of additional Section 31 grant received in year to be used in future years.
  - Use of reserve – use of additional Section 31 grant received in 2020/21 and transfer to Economic Growth Reserve to support ongoing capital projects.
- Legal and Appeals
  - Additions – S106 monies received in year
  - Use of reserve – spend of S106 monies previously received.

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- Technology Reserve
  - Additions to – from previous savings in IT budget (5 years at £68k) and other service contributions.
  - Use of Reserve – IT projects in the Capital Programme and transfer to Economic Growth Reserve to support ongoing capital projects.
- Wellbeing
  - Additions to – surplus of on Wellbeing contract to be used to fund future costs.
- Economic Growth
  - Additions to – benefit of Business Rates pooling, Levelling Up funding received, payback of capital expenditure from previous years, leisure investment payback and Invest East Lindsey payback. Transfer from other reserves to support ongoing projects.
  - Use of Reserve – Public Sector Hub, deprivation projects, town centre grants, strategic flood risk assessment, vital and viable markets towns, local plan, capacity fund and Towns Fund.

### **Recommendation:**

That the Executive Board:

**R7** Notes and approves the use of reserves in **Table 3**.

## **Section 2.3 – Capital Budget**

This section covers:

- Outturn compared against the 2021/22 approved Capital Programme
- Capital receipts received in 2021/22
- Financing of the Capital Programme
- Recommended amendments to the 2022/23 Capital Programme

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Table 4 – 2021/22 Capital Programme and Q4 Outturn Expenditure										
Scheme	Capital Programme 2021/22			External Grants £000	Funding of the Capital Programme					
	Approved Budget 2021/22 £000	Actual 2021/22 £000	Variance (Under)/over £000		Revenue Funding £000	Other Reserves £000	Internal Borrowing £000	Capital Reserve £000	Capital Receipts £000	Total £000
Capitalised Planned Enhancements	370	51	(319)					51		51
Car Park Resurfacing	25	51	26					51		51
Car Parking Machines	50	50	-						50	50
Gibraltar Rd Wall Collapse	153	-	(153)							-
London Road Astro turf	175	175	-			175				175
Disabled Facilities Grants	1,562	1,838	276	1,803	35					1,838
Annual general provision for flood alleviation works	-	54	54	54						54
CCTV Refurbishment	19	-	(19)							-
Pumping Works on Foreshore	146	-	(146)							-
Vehicle Purchases	124	79	(45)			79				79
IT Investment	670	177	(493)			177				177
Community Housing Fund	1,179	525	(654)			525				525
Skegness Foreshore Masterplan	502	503	1	170				333		503
Traveller Site Purchase	525	-	(525)							-
PSPS Investment	249	-	(249)							-
Public Sector Hub	6,202	4,284	(1,918)	779		3,505				4,284
Invest	2,680	1,880	(800)				1,880			1,880
Fleet Maintenance	454	452	(2)			452				452
Green Homes Grants	2,300	321	(1,979)	321						321
Kingfisher Enhancements	162	53	(109)			53				53
Sustainable Warmth – BEIS	100	34	(66)	34						34

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Table 4 – 2021/22 Capital Programme and Q4 Outturn Expenditure										
Scheme	Capital Programme 2021/22			Funding of the Capital Programme						
	Approved Budget 2021/22 £000	Actual 2021/22 £000	Variance (Under)/over £000	External Grants £000	Revenue Funding £000	Other Reserves £000	Internal Borrowing £000	Capital Reserve £000	Capital Receipts £000	Total £000
Fitness Suite Refurbishment	280	4	(276)			4				4
Cattle Market	8	8	-					8		8
<b>Total Non-Towns Fund Projects</b>	<b>17,935</b>	<b>10,539</b>	<b>(7,396)</b>	<b>3,161</b>	<b>35</b>	<b>4,970</b>	<b>1,500</b>	<b>443</b>	<b>50</b>	<b>10,539</b>
Skegness Foreshore	2,500	24	(2,476)			24				24
Skegness Railway Station	2,500	6	(2,494)	6						6
Skegness Town Centre Transformation	55	6	(49)	6						6
Skegness Police Training Centre	2,103	6	(2,097)	6						6
Skegness Multi-User Trail	1,433	6	(1,427)	6						6
Skegness Learning Campus	1,000	6	(994)	6						6
Skegness Cultural	417	15	(402)	15						15
Sutton on Sea Colonnade	1,180	200	(980)	101					99	200
Mablethorpe Campus for Future Living	-	165	165	165						165
Mablethorpe Leisure and Learning Hub	1,250	322	(928)			161		161		322
Mablethorpe Sandilands	-	6	6	6						6
Mablethorpe Mobihub	-	9	9	9						9
Mablethorpe High Street	36	6	(30)	6						6
<b>Total Towns Fund Projects</b>	<b>12,474</b>	<b>777</b>	<b>(11,697)</b>	<b>332</b>	<b>-</b>	<b>185</b>	<b>-</b>	<b>161</b>	<b>99</b>	<b>777</b>
<b>Grand Total</b>	<b>30,409</b>	<b>11,316</b>	<b>(19,093)</b>	<b>3,493</b>	<b>35</b>	<b>5,155</b>	<b>1,500</b>	<b>604</b>	<b>149</b>	<b>11,316</b>



Table 5 – Capital Programme – Comments on Delivery and Recommended Slippage/Adjustments	
Scheme	Comments
Capitalised Planned Enhancements	Focus within the current year has been around utilising current assets and delivery of Public Sector Hub leading to delays in Enhancement projects.
Gibraltar Rd Wall Collapse	Further work required on the scheme due to wildlife on site.
Vehicle Purchases	Delays in delivery due to the current economic climate, slippage required.
IT Investment	Slippage primarily relates to IT at the Public Sector Hub, initial delays of build have knocked on to procurement of IT hardware.
Community Housing Fund	Schemes are in progress, delays in relation to supplies. Slippage required.
Traveller Sites	Key item in the delivery of the local plan with further works needed therefore slippage required.
PSPS Investment	The project is delayed for reasons linked to both COVID and system configurations and data migration. Slippage required.
Public Sector Hub	Delay in demolition works has had knock on effects for the rest of the build. Slippage required.
Kingfisher Enhancements	Expectation had been that works would be completed prior to the 2022 season, project has been delayed until after the current season. Slippage required.
Green Homes Grants	Scheme ongoing to support local homes, approval gained to allow scheme extension into 2022/23 from Government. Slippage required.
Fitness Suite Refurbishment	Works now completed in 2022/23 ahead of the summer. Slippage required.
Towns Fund	Business Cases were signed off in March 2022 leading to slippage of various schemes.

### Capital Financing

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

Table 6 indicates the capital resources available to the Council at the end of 2021/22. The estimated position for the following two years is also provided.

Table 6 – Capital Resources			
	2021/22 £'000	2022/23 £'000	2023/24 £'000
Capital Resources* available at start of each year	10,281	9,769	3,166
Capital Investment (estimate in future years)	(11,316)	(71,791)	(15,847)
Additional Sources of Finance			
- New Capital Receipts (estimate in future years)	780	352	352
- Funding from other reserves and internal borrowing	5,155	13,568	475
- External Grants	3,531	51,524	14,502
- Revenue Contributions	-	-	-
- Internal borrowing	1,880	-	-
- Budgeted contributions to capital reserve	591	1,244	-
- Transfer from Capital Reserve to support ongoing projects	(1,133)	(1,500)	-
<b>Estimated Capital Resources* at end of each year</b>	<b>9,769</b>	<b>3,166</b>	<b>2,618</b>

\* Capital Reserve and Capital Receipts

## Capital Slippage

As a result of the variances shown in **Table 4** and **Table 5**, changes are required to the 2022/23 Capital Programme. These are reflected in the revised Capital Programme shown in **Table 7**. The slippage of expenditure into 2021/22 will be funded in line with the approval already obtained for the relevant project.

<b>Table 7 – Revised Capital Programme 2022/23</b>			
<b>Scheme</b>	<b>Approved Budget (as per Council) £'000</b>	<b>Changes to approved budget £'000</b>	<b>Revised Capital Programme £'000</b>
Capitalised Planned Enhancements	199	319	518
Car Park Resurfacing	250	-	250
Gibraltar Rd Wall Collapse	-	153	153
Disabled Facilities Grants	1,562	-	1,562
Pumping Works on Foreshore	-	146	146
Vehicle Purchases	-	45	45
IT Investment	794	493	1,287
Community Housing Fund	-	654	654
Traveller Sites	165	525	690
PSPS Investment	-	249	249
Public Sector Hub	2,088	1,918	4,006
London Road	175	-	175
Kingfisher Enhancements	-	109	109
Green Homes Grants	-	1,979	1,979
Sustainable Warmth – BEIS	7,255	66	7,321
Fitness Suite Refurbishment	-	276	276
<b>NON TOWNS FUND PROJECTS</b>	<b>12,488</b>	<b>6,932</b>	<b>19,420</b>
Leisure and Learning Hub	7,925	928	8,853
Sutton on Sea Colonnade	5,035	980	6,015
Skegness Foreshore	2,250	2,476	4,726
Skegness Railway Station	2,105	2,494	4,599
Skegness Town Centre Transformation	612	49	661
Police Training Centre	8	2,097	2,105
Multi-User Trail	-	1,427	1,427
Learning Campus	10,860	994	11,854
Skegness Cultural	1,000	402	1,402
Campus for Future Living	6,199	(165)	6,034
Sandilands	2,980	(6)	2,974
Mobihub	1,410	(9)	1,401
Mablethorpe High Street	290	30	320
<b>TOWNS FUND PROJECTS</b>	<b>40,674</b>	<b>11,697</b>	<b>52,371</b>
<b>GRAND TOTAL</b>	<b>53,162</b>	<b>18,629</b>	<b>71,791</b>

### Recommendation:

That the Executive Board:

**R8** Notes the capital position shown in **Table 4** and agrees the changes required to the Capital Programme for 2022/23 as detailed in **Table 5**.

**R9** Recommends to Council the carry forward of Capital Budget of £18.62m as detailed in **Table 7**.

## Section 2.4 – Treasury Management

### *Investments at 31 March 2022*

During the financial year, the Council has made investments in line with the 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 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 ELDC's own resources.

### **Cash Investments as of 31 March 2022**

<b>Financial Institution</b>	<b>Amount (£)</b>	<b>Start Date</b>	<b>Maturity Date</b>	<b>Yield</b>
Barclays Bank Current Account	135,259	31/03/22	<b>01/04/2022</b>	0.00%
Barclays Bank	4,965,368	31/03/22	<b>01/04/2022</b>	0.55%
Handelsbanken Plc	4,945,853	31/03/22	<b>01/04/2022</b>	0.25%
CCLA Money Market Fund	7,500,000	31/03/22	<b>01/04/2022</b>	0.58%
Australia & New Zealand Bank	5,000,000	04/02/22	<b>04/08/2022</b>	1.00%
DMO	6,000,000	30/03/22	<b>11/04/2022</b>	0.55%
Standard Chartered Bank	5,000,000	18/11/21	<b>18/05/2022</b>	0.29%
Goldman Sachs	5,000,000	31/12/21	<b>30/06/2022</b>	0.495%
First Abu Dhabi Bank	2,500,000	15/06/21	<b>15/06/2022</b>	0.16%
National Bank of Kuwait	5,000,000	15/06/21	<b>15/06/2022</b>	0.21%
First Abu Dhabi Bank	2,500,000	28/07/21	<b>28/07/2022</b>	0.16%
<b>TOTAL</b>	<b>48,546,480</b>			

## Property Fund Investments

The Council has purchased property fund units and the table below provides a breakdown in relation to the purchase of these units:

**Table 8a**

Fund	Date of Purchase	Net Asset Value at Date of Purchase £	Premium/ (Discount) on Purchase £	Premium/ (Discount) on Purchase %	Total Cost £
Hermes Property Unit Trust	24/06/16	1,621,443	48,643	3.00	1,670,086
	30/09/16	234,555	5,435	2.32	239,990
	26/01/17	556,376	33,547	6.03	589,923
	02/10/17	344,460	9,087	2.64	353,547
	28/11/17	248,899	5,686	2.28	254,585
	26/12/17	192,410	3,517	1.83	195,927
	26/04/19	<u>694,860</u>	<u>1,033</u>	<u>0.15</u>	<u>695,893</u>
	TOTAL	<b>3,893,003</b>	<b>106,948</b>	<b>2.75</b>	<b>3,999,951</b>
Schroder UK Real Estate Fund	07/07/16	2,021,637	(25,629)	(1.27)	1,996,008
	07/10/16	505,375	(6,373)	(1.26)	499,002
	01/12/17	1,478,726	18,280	1.24	1,497,006
	07/09/18	<u>813,680</u>	<u>(5,659)</u>	<u>(0.70)</u>	<u>808,021</u>
	TOTAL	<b>4,819,418</b>	<b>(19,381)</b>	<b>(0.40)</b>	<b>4,800,037</b>
Threadneedle Property Unit Trust	31/08/18	2,902,441	86,572	2.98	2,989,013
	28/09/18	483,966	16,116	3.33	500,082
	31/10/18	<u>1,267,037</u>	<u>42,855</u>	<u>3.38</u>	<u>1,309,892</u>
	TOTAL	<b>4,653,444</b>	<b>145,543</b>	<b>3.13</b>	<b>4,798,987</b>
BlackRock UK Property Fund	28/09/18	<b>4,734,550</b>	<b>65,482</b>	<b>1.38</b>	<b>4,800,032</b>
M&G Investments UK Property Fund	14/09/18	<b>4,694,293</b>	<b>105,707</b>	<b>2.25</b>	<b>4,800,000</b>
AEW UK Core Property Fund	31/10/18	<b>4,505,538</b>	<b>294,462</b>	<b>6.54</b>	<b>4,800,000</b>
<b>TOTAL</b>		<b>27,300,246</b>	<b>694,761</b>	<b>2.54</b>	<b>27,999,007</b>

**Table 8b** Property Fund Investments as of 31 March 2022

Financial Institution	Purchase Cost (£)	Estimated Revenue Received 2021/22 (£)	Projected Annualised Distribution Yield 2021/22	Net Asset Value (£)	Total Gain/(Loss) Since Purchase (£)	Monthly Gain/(Loss) (£)	2021/22 Annualised Fund Capital Gain/(Loss) Since 1/4/21	2021/22 Estimated Combined Return
Federated Hermes Property Unit Trust	3,999,951	152,740	3.83% Estimate	4,782,797	782,846	146,680	16.93%	20.76%
Schroder UK Real Estate Fund	4,800,037	163,261	3.30% Estimate	5,866,608	1,066,571	158,557	14.81%	18.21%
Threadneedle Property Unit Trust	4,798,987	180,336	3.72% Estimate	5,032,984	233,997	68,317	16.86%	20.58%
BlackRock UK Property Fund	4,800,032	145,925	2.90% Estimate	5,450,646	650,613	214,190	17.89%	20.79%
M&G Investments UK Property Fund	4,800,000	156,373	3.26% Estimate	4,439,352	(360,649)	35,235	6.37%	9.63%
AEW UK Core Property Fund	4,800,000	229,035	4.94% Estimate	4,878,728	78,728	67,481	15.30%	20.24%
<b>TOTAL</b>	<b>27,999,007</b>	<b>1,027,671</b>		<b>30,451,115</b>	<b>2,452,106</b>	<b>690,460</b>		

The Projected Annualised Distribution Yield is the projected yield for the year based on dividends already received during the current financial year.

The 2021/22 Annualised Fund Capital Gain/Loss is the projected gain/loss in the capital value of the fund since the start of the financial year calculated by reference to the change in the Net Asset Value from 31 March 2021 to the period end.

The estimated combined return is the total of the Projected Dividend Distribution Yield and the Annualised Fund Capital Gain/Loss.

Please note that this is the position as of 31 March 2022 and the capital values will fluctuate year on year.

An analysis of dividend distributions received and borrowing costs incurred since the purchase of the property funds to 31 March 2022 can be found in **Table 8c** below:

**Table 8c Analysis of Dividend Distributions**

<b>Financial Institution</b>	<b>Actual Dividend Distributions Received Pre 2021/22</b>	<b>Original Budgeted Distribution for 2021/22</b>	<b>Estimated Dividend Distributions Received 2021/22</b>	<b>Total Distributions Received Since Purchase</b>
Federated Hermes Property Unit Trust	573,454	128,796	152,740	726,194
Schroder UK Real Estate Fund	608,306	154,560	163,261	771,567
Threadneedle Property Unit Trust	513,092	214,992	180,336	693,428
BlackRock UK Property Fund	392,463	178,560	145,925	538,388
M&G Investments UK Property Fund	440,194	158,400	156,373	596,567
AEW UK Core Property Fund	525,011	215,520	229,035	754,046
<b>Total Revenue</b>	<b>3,052,520</b>	<b>1,050,840</b>	<b>1,027,671</b>	<b>4,080,191</b>
Borrowing Costs	(1,135,312)	(492,996)	(492,996)	(1,628,308)
<b>Net Revenue Position</b>	<b>1,917,208</b>	<b>557,844</b>	<b>534,675</b>	<b>2,451,883</b>

**Maturity Structure of Investments at 31 March 2022 (including property funds)**

Less than one week	£ 17,546,480	-	22%
Less than one month	£ 6,000,000	-	8%
One to three months	£ 17,500,000	-	22%
Three to six months	£ 7,500,000	-	9%
Six to nine months	£ 0	-	0%
Nine months to a year	£ 0	-	0%
>12 Months	£ 30,451,115	-	39%

**Return on Investments**

The Council's 2021/22 gross budget for investment income is £1.272m. At the end of March 2022 investment income earned was £1.201m which was £70K below the profiled budget.

Treasury investments achieved an average rate of 0.3739% compared to the benchmark average 3-month SONIA rate of 0.87%.

Property fund investments are estimated to have achieved an estimated average rate of 3.59%.

The combined rate achieved on all investments was estimated to be approximately 1.596%.

## External Borrowing

The Council has £20m of external borrowing for property funds as per the table below.

Entity	Amount (£)	Start Date	Maturity Date	Rate
Public Works Loan Board	10,000,000	10/12/2018	10/12/2068	2.54%
Public Works Loan Board	10,000,000	13/12/2018	13/12/2068	2.39%
<b>TOTAL</b>	<b>20,000,000</b>			<b>2.465% Average</b>

Interest costs for 2021/22 on this borrowing are £493,000.

### Public Works Loan Board (PWLB) Borrowing Rates

PWLB 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 PWLB rates in the days leading up to Financial Year End and as at 31st March 2022 the 50 year PWLB certainty rate was 2.05%. The PWLB 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 PWLB rates w/c 28<sup>th</sup> March most likely relates to Year End and funding needs as at 31<sup>st</sup> March.

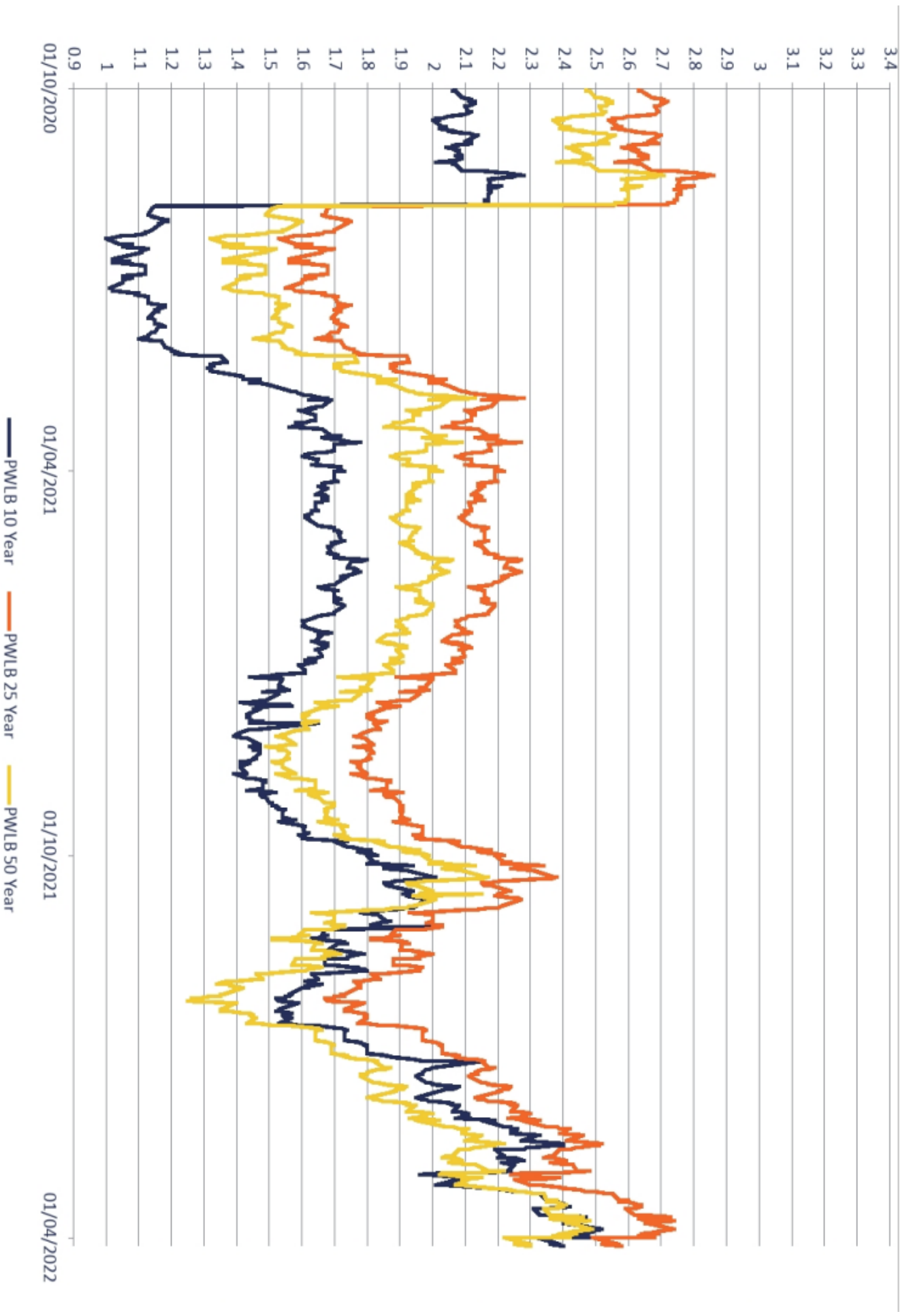
### Summary

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 a further rate hike at the next Bank of England MPC meeting on 5<sup>th</sup> May. With the economy growing post pandemic, focus for the MPC will firmly be on tackling inflationary pressures. Retail Prices Index inflation is at 7% and could potentially go higher with the added pressure on utilities and grain from the war in Ukraine. There is market expectation of several Base rate increases in 2022.

Rates on new investments with financial institutions and local authorities now range from 0.68% for one-month deposits through to 2.10% for one-year deposits. One year deposit rates have risen sharply, reflecting the Base rate rise to 0.75% 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 I feel this is temporary based on Financial Year End and needing to attract funds around 31<sup>st</sup> March.

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 2.5 – Insurance

### 2021/22 Claims Statistics

**Table 9** details the number of formal insurance claims for Quarter 4 of 2021/22 (figures in brackets are comparable figures for 2020/21).

Table 8 – Insurance Claims					
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Public Liability	0(1)	2(1)	1(2)	1(0)	4(4)
Employers Liability	0(1)	0(0)	0(0)	0(0)	0(1)
Motor	2(1)	2(1)	5(2)	1(1)	10(5)
Property	0(0)	0(0)	0(1)	0(0)	0(1)
Officers Indemnity	0(0)	0(0)	0(2)	0(1)	0(3)
<b>Total</b>	<b>2(3)</b>	<b>4(2)</b>	<b>6(7)</b>	<b>2(2)</b>	<b>14(14)</b>

## Section 2.6 – Debt Collection

A review of debts is undertaken every month, and monitoring is reported against targets. In line with the new financial procedure limits there are no debts in excess of £50,000 requiring Executive Board approval for write off. Debts below this level have been submitted to the s151 Officer and Portfolio Holder for write off.

An analysis of the sundry debts the Council held as at 31 March 2022 is show in **Table 8**.

Table 8 – 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
£	£	£	£	£	£	£	£
258,013	42,031	(39,412)	4,317	(63,041)	199,092	175,844	576,844

Note: This does not include details of invoice amounts (£1,071,133) 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 2022/23 was £85.5m with a collection rate of 96.29% achieved at 31 March 2022 (96.37% at 31 March 2021).

### Business Rates

**Table 9 – 2021/22 Business Rates Retention**

	Base Estimate included in 2021/22 budget  £	Actual position at 31 March 2022  £	(Surplus)/Deficit in 2021/22 – will impact next year's budget  £
Non Domestic rating income for the year	(37,259,812)	(25,016,188)	12,243,624
Less: LCC share (10% for 21/22)	3,725,981	2,501,619	(1,224,362)
Less: Government Share (50% for 21/22)	18,629,906	12,508,094	(6,121,812)
East Lindsey District Council's income (excluding renewables) (40% for 21/22)	<b>(14,903,925)</b>	<b>(10,006,475)</b>	<b>4,897,450</b>

The position in **Table 9** 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 £4.9m of income has been 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 March 2022 the Rateable Value amount for properties under appeal in 2010 list (excluding multiple appeals for the same property) was £2.2m, relating to 8 properties on the latest list of outstanding appeals. 97% of this value comes from just 6 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 (£1.929m) 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 £26.8m with a collection rate of 95.19% achieved at 31 March 2022 (93.90% 31 March 2021). Due to the continued application of some COVID related additional reliefs in 2021/22 the collectable debit remains around £10m 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.