

# AGENDA SUPPLEMENT



- Committee - **CABINET**
- Date & Time - Tuesday, 16 February 2016 at 6.30 pm
- Venue - Council Chamber, Council Offices, Priory Road, Spalding

## **Membership of the Cabinet:**

Councillors: The Lord Porter of Spalding CBE (Leader), C N Worth (Deputy Leader), M G Chandler (Deputy Leader), A Casson, P E Coupland, R Gambba-Jones, C J Lawton, S-A Slade and G J Taylor.

**No substitutions permitted. Quorum 3.**

**Note: Cabinet reports may be referred to Council or Scrutiny Panels. They should therefore be kept for future reference during the current committee cycle.**

Persons attending the meeting are requested to turn mobile telephones to silent mode

Democratic Services  
Council Offices, Priory Road  
Spalding, Lincs PE11 2XE

Date: 11 February 2016

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## **AGENDA**

7. Open for Business Action Plan - Following consultation with partners and local businesses, an external economic analysis and an internal review of local economic indicators, this report proposes a practical 'Open for Business' Action Plan. (Joint report of the Deputy Leader of the Council / Portfolio Holder for Commercialisation and Executive Manager Growth enclosed) (Pages 8 - 23)
  
8. Financial Forecast Outturn Quarter Three 2015-16 - This report provides information on the draft year end financial position of the Council, as at 31<sup>st</sup> December 2015. For information and to approve recommendations. (Joint report of the Portfolio Holder for Finance and the Executive Director Commercialisation (S151) enclosed.) (Pages 24 - 41)

# Agenda Item 7.

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Deputy Leader of the Council and Portfolio Holder for Commercialisation and Executive Manager Growth

**To:** Cabinet – 16 February 2016

**(Author:** Gerry Dawson - Interim Executive Manager Growth)

**Subject:** Open for Business Action Plan

**Purpose:** Following consultation with partners and local businesses, an external economic analysis and an internal review of local economic indicators, this report proposes a practical ‘Open for Business’ Action Plan

### **Recommendation:**

- 1) That the attached “Open for Business” Action Plan be approved. This will form the basis of the Council’s approach to facilitating and enabling business and economic growth for the District. It will be the primary document employed by the Council’s Inward Investment Team in defining their Service Plan and will inform the Service Plans of other growth-related teams.

### **1.0 BACKGROUND**

- 1.1 On 21<sup>st</sup> July 2015, Cabinet received a report that offered an evidence-based approach to economic development within the Council. The approach was designed to deploy a mixture of statistical analysis and the outcome from consultation with the business community, to give an indication of priorities for a dedicated team and to confirm investment priorities for other groups of staff.
- 1.2 This report updates and enriches the earlier analysis, and combines this with the outcome of consultation with local businesses, to provide a solid analytic basis for a practical Open for Business Action Plan.

### **2.0 ECONOMIC ANALYSIS**

#### Industrial Structure

- 2.1 Although it would be an exaggeration to suggest that South Holland’s is a mono-economy, it is nevertheless true to say that activities based around the cultivation, harvesting, packing, storage, processing and distribution of agricultural products form the mainstay of its economic success.
- 2.2 The local economy is very strong nationally on processed foods and fresh produce The Business Register and Employment Survey (2012) includes ‘location quotients’ for each employment sector, where that for England and Wales is 1.0. Using this analysis, Food processing/ manufacturing in South Holland scores 12.6. Scores for Manufacturing, Wholesale, Logistics and Admin and support services (including employment agencies) are also above average.

- 2.3 The Greater Lincolnshire LEP's Agri-food Sector Plan 2014-20 adds 'colour' to these simple numbers:

*"With the exception of dairy, Greater Lincolnshire is strong in all the main product categories with nationally significant production of vegetables (25% of the national crop), wheat (12% of the national crop), ornamentals (21% of the national crop), break crops (e.g. 19% of the sugar beet) and substantial poultry (17% of broilers, 18% of ducks, 21% turkeys) and meat production..."*

*...The fresh produce and food processing cluster is in an area bounded by Grantham, Sleaford, Holbeach and Boston and centred on Spalding, although several companies lie outside this immediate area.*

*The cluster contains a diversity of companies from small local businesses to major national and international companies including Bakkavor, Greencore, HMC and QV Foods, Kerry Group, Mc Cains Foods (GB) Ltd, Moy Park, Princes, Produce World, Staples Vegetables and Univeg UK Ltd.*

*The cluster is also a centre for food logistics with one of the largest UK food logistics businesses, Fowler Welch, having its headquarters in Spalding, with reports suggesting that 360,000 lorry loads of food related freight leave the area every year for national and international markets.*

*As well as a food cluster, the South Lincolnshire area is also the leading area nationally for the production of ornamentals with a particularly strong cut flower and bulb sector, with over 1/5th of national production in the Greater Lincolnshire area."*

- 2.4 The global food chain (for fresh and processed produce) has continued to grow and all long-term projections show continued strong growth.

#### The Agri-food sector

- 2.5 South Holland is at the heart of a wider sub-regional centre for fresh produce and which is a nationally important area. This sub-regional centre encompasses Peterborough, Fenland, West Norfolk and Boston and South Kesteven. Spalding is the de facto capital of this area.
- 2.6 The proportion of people employed in the agriculture, fisheries and food identifies a much wider area – encompassing the majority of Lincolnshire and Norfolk, together with northern Suffolk, eastern Cambridgeshire and Leicestershire.
- 2.7 South Holland's strength in Wholesale is shared in a small cluster that also includes Fenland, North and South Kesteven.
- 2.8 South Holland strength in Logistics is unique in the region.
- 2.9 Likely growth trajectory: Given the dominance of the agri-food sector in the South Holland economy, it is important to articulate its likely future growth trajectory, together with trends relating to labour and technology. The following information is all taken directly from the Greater Lincolnshire Agri-Food Sector Plan (2014-2020).

- 2.10 The food and drink sector has grown faster than any other major industry in the UK in the last 6 years. It is the largest manufacturing industry in the country. With projected large future increases in global demand, the prospects for future sustained growth are very positive. In addition, global constraints on production, notably water, land, climate change and energy supplies will require the adoption of technology to deliver sustainable intensification: producing more whilst impacting less and using resources more efficiently.
- 2.11 Greater Lincolnshire is fortunate to have the UK's largest and most progressive food sector based on clusters of dynamic businesses and well developed supply chains. The impact of the sector on the economy is much wider than farming, fishing and food processing, with sectors as diverse as logistics, packaging materials, professional and businesses services all dependent on the food chain for much of their livelihood.
- 2.12 The Greater Lincolnshire Agri-Food Sector Plan identifies two nationally important clusters within the county. One of these is centered on South Holland (see above), and includes fresh produce, food processing, ornamentals and logistics (the other is a seafood and food cluster centered on the Humber estuary).
- 2.13 Automation and innovation: The trend for automation and innovation within the UK food and drink sector is rapid and is being driven by (a) a growing focus on delivering efficiency along the whole supply chain through collaboration, waste reduction strategies and improved information flows, and (b) a need to embrace sustainability as resource costs increase and the demands from consumers and policy makers increase.
- 2.14 The sector's success in innovation and research and development is largely self-driven. The Greater Lincolnshire LEP's Agri-Food Sector Plan notes that the county's agri-food companies have relatively poor connectivity with publicly funded research and development. As new product development, production efficiency and sustainability all increase in importance the lack of a major national research facility in the area is a weakness. Whilst the area has some centres of innovation none are recognized and funded as major national facilities.
- 2.15 The adoption of technology across the entire food chain is creating demand for higher skill levels and the need to attract motivated, highly educated staff into the industry. At the same time, the need for lower-skilled labour even in the agricultural part of the food chain is projected to reduce over coming years.
- 2.16 Skills: Despite the contribution of the National Centre for Food Manufacturing at the Holbeach Campus of the University of Lincoln, South Holland still has a rapidly growing skills deficit relative to the needs of its dominant employment sector (see also below). The Greater Lincolnshire Agri-Food Sector Plan notes that while the contribution of the Holbeach Campus and other specialist centres for further education in Lincolnshire are invaluable, they are currently insufficient either in scale, or in "(the provision of) a clear skills offer to the commercial agri-food sector which unites the specialist provision across multiple centres".

#### Demographic Growth

- 2.17 South Holland's population is growing rapidly – outpacing either Lincolnshire or England in percentage terms. 60% of this growth has been, and is predicted to be concentrated within the District's main urban areas. Spalding in particular is planning for a growth in housing to accommodate this population increase.

- 2.18 The following table indicates the anticipated percentage change in South Holland's working age population compared with Peterborough and surrounding Districts.

<b>Population change, 2012 to 2021 (%)</b>	
16–64 years	
<b>South Holland</b>	<b>9.6</b>
<b>Fenland</b>	<b>7.4</b>
<b>King's Lynn and West Norfolk</b>	<b>0.9</b>
<b>Huntingdonshire</b>	<b>0.6</b>
<b>Peterborough</b>	<b>7.7</b>
<b>South Kesteven</b>	<b>2.6</b>
<b>Lincolnshire County</b>	<b>4.0</b>
<b>Cambridgeshire County</b>	<b>3.1</b>
<b>England</b>	<b>3.5</b>

Table 1: Estimated population change 2012 – 2021 (%) 16-64 years, Gtr Peterborough

- 2.19 Although these numbers are positive for South Holland, the average age of the population is much higher than the national average. The percentage of people aged over 64 years is very high and increasing, as is the District's economic dependency ratio.

#### Strength of the Economy

- 2.20 75.6% of South Holland's workforce is in employment. This is lower than either the East Midlands (77.6%) or England (77.4%). However, the majority of those not in employment either do not want (need?) a job, or are long-term sick. Only 1.3% of the population claim Job Seekers Allowance. This is lower than either the region (1.6% or the national figure (1.7%). For all practical purposes, therefore, South Holland benefits from near full employment. It is against this picture that employers encourage mainly EU migrants (the majority from Poland and Lithuania) to take an excess of mostly lower-paid jobs.
- 2.21 Levels of enterprise as measured by the number of new business start-ups expressed as a percentage of the enterprise stock is very low (9.3%) compared with either Lincolnshire (10.3%) or England as a whole (11.4%). However, it is on a par with South Holland's neighbours. Using a per capita measure produces a poorer comparison, still. The survival of start-ups in the District beyond 3 years is also low relative either to its neighbours, the county, the region or the national picture.
- 2.22 South Holland shares its characteristic low-wage economy with a large swathe of eastern England, extending across most of Lincolnshire and Norfolk and embracing parts of eastern Cambridgeshire and Northamptonshire.
- 2.23 South Holland's low-enterprise economy is shared with its neighbours. The survival of start-ups is low relative to neighbouring Districts, which themselves have a lower than national average survival rate.
- 2.24 South Holland's employment density is lower than the UK average but is relatively high regionally. Peterborough and Boston are in a similar position
- 2.25 While employment levels in South Holland continue to keep pace with the growth of the population, innovation among indigenous companies outside the agri-food sector is comparatively poor – as is the value they add to the local and regional economy.

2.26 The following table illustrates South Holland’s low-skilled workforce:

	South Holland (Level)	South Holland (%)	East Midlands (%)	Great Britain (%)
Individual Levels				
NVQ4 And Above	12,800	24.3	30.9	36.0
NVQ3 And Above	21,400	40.8	53.3	56.7
NVQ2 And Above	31,000	59.1	71.4	73.3
NVQ1 And Above	42,600	81.2	84.7	85.0
Other Qualifications	4,700	8.9	6.0	6.2
No Qualifications	5,200	9.8	9.3	8.8

Source: ONS annual population survey

Notes: For an explanation of the qualification levels see the definitions section.  
 Numbers and % are for those of aged 16-64  
 % is a proportion of resident population of area aged 16-64

Table 2: Qualifications Jan 2014 – December 2014. Source: NOMIS.

2.27 While it is true to say that South Holland shares this characteristic with the surrounding sub-region, this simply points to the need for a wider geographical approach to addressing the problem: There is a wide area of the East Midlands/ East of England that is economically handicapped by a low-skilled economy. The ‘shape’ of this area is as follows:

Low levels of people with higher-level qualifications (NVQ4+): Mainly the coastal Districts around the Wash. But also Peterborough and Breckland.

Low levels of people with mid-level qualifications (NVQ3+): A wider area, also including the north Norfolk coast and parts of eastern Cambridgeshire.

High levels of working-aged people with no qualifications: Similar geographical area. But particularly acute in a smaller area including South Holland, Fenland and Boston and (skipping Kings Lynn & West Norfolk), to include Breckland.

2.28 Unsurprisingly, skills levels are related to income levels (see above). These in turn are related to the occupational structure of the population. In short, the South Holland workforce is disproportionately represented in lower occupational classes.

2.29 The skills requirements of South Holland’s dominant agri-food sector is increasing. In the short-term industry has coped with the skills deficit through the employment of cheap intra-EU migrant labour. Whereas in the 1980s migrants tended to be employed at peak times of the year only, many of them are now working in the industry long term and in supervisory roles. Whilst this has allowed the industry to secure employees, there is concern within the industry that the supply of highly skilled migrants cannot be guaranteed given changing political and economic conditions. Within an Open for Business Action Plan such as this one, it is appropriate also to note the impact upon community cohesion of such a large number of intra-EU migrants within a relatively short period of time.  
The Peterborough factor

2.30 The consultants Grant Thornton have identified nine 'High Growth Corridors' in the UK. One of these is labelled "London - Cambridge":<sup>1</sup>



Figure 2: Grant-Thornton's nine "High Growth Corridors"

2.31 A detailed mapping of the London-Cambridge High Growth Corridor identifies a swathe of local authorities north from London to Cambridge/ Cambridgeshire including Huntingdonshire and terminating at Peterborough.

2.32 Although South Holland is presently in an economically relatively 'cold' area immediately to the north of Peterborough, its proximity to this fast-growing city is critical to its own economic growth and future success. Other largely rural district councils around Peterborough are in a similar position.

2.33 It is in an attempt to become a *de facto* part of the London-Cambridge/ Peterborough High Growth Corridor that South Holland has taken a decision to become a member of the Greater Cambridgeshire and Peterborough LEP (at the same time remaining a member of the Greater Lincolnshire LEP). In preliminary discussions with the Greater Cambridgeshire and Peterborough LEP, a decision has been taken to prioritise joint working on the skills agenda and on the potential of a shared business hub. The skills agenda is also a central part of Greater Lincolnshire's devolution proposition to government.

### 3.0 INSTITUTIONAL ANALYSIS

<sup>1</sup> 'Where growth happens: The High Growth Index of Places', Grant Thornton Place Analytics Insight, Autumn 2014.

- 3.1 South Holland DC is a member of the Greater Lincolnshire LEP, the Greater Cambridgeshire & Greater Peterborough LEP and the presently informal group of six local authorities around Peterborough focused on looking at skills. Although this situation is almost certainly transitory, pending the rationalisation of LEP geographies and/ or the creation of combined authorities, it is the ideal position for South Holland to be in. This is because of the critical cultural/ historical/ political importance of Lincolnshire and the critical economic/ cultural importance of the city of Peterborough.
- 3.2 Both LEP strategic economic plans lend strong support at a general level to the agri-tech sector and to improvements to infrastructure, skills and business support linked to economic growth within South Holland. However, it will be important to enhance existing links with these institutions, in order to influence detail as the strategies develop in sophistication and as funding becomes available for delivery.

#### 4.0 **STAKEHOLDER VIEWS**

4.1 As part of their 2014 report, Rose Regeneration conducted a series of stakeholder interviews with 13 South Holland businesses.

4.2 The responses were summarised by the researchers as follows:

*“Stakeholders have a very significant enthusiasm for improved infrastructure in the area, but limited views on how best to deliver it. There is also enthusiasm for improved broadband and rail facilities.*

*Peterborough is acknowledged as a very important influence on the area, whilst the linkages to the east into Norfolk are not as strongly perceived or valued...*

*... Key roles for the council were seen in terms of attracting investment, supporting business networking and acting more generally as a facilitator of growth in terms of its statutory functions such as planning. Interestingly whilst a number of respondents identified labour market and skills challenges, no one suggested that this should be an area of council activity or in terms of it lobbying of other players such as the Education Funding Agency. The limited further education offer in the area does suggest to us that there is merit in further investigation of the potential role of the council to build capacity in terms of the local learning infrastructure.*

*There was no evidence of any reluctance over measures to significantly grow the population base of the area. Sustaining and growing the food sector was seen as more important than diversifying the economy per se but there was no evidence of significant negativity about diversification activities either...*

*... Overall there is praise around the role of the council and its activities. There is however a feeling that to crack the infrastructure challenge faced by the area a major ramping up of activity is needed. It seems to us that this can only be achieved by aligning all those organisations from the LEP level downwards to deliver a clear economic development for the area. This will undoubtedly have the greatest impact where Boston, South Holland, Kings Lynn and West Norfolk, Breckland and Peterborough form common and effective alliances.”*

#### **A summary of the South Holland economy**

<b>Positives</b>	<b>Negatives</b>
<ul style="list-style-type: none"> <li>• A strong specialised economy predicated upon the production, processing and distribution of fresh produce.</li> <li>• A fast growing population.</li> <li>• A growing economic base.</li> <li>• High levels of economic activity.</li> <li>• High quality environment.</li> <li>• Good broadband connectivity.</li> <li>• Strong supply-chain links to Peterborough*</li> </ul>	<ul style="list-style-type: none"> <li>• Low skills// low wages// rapidly growing skills deficit.</li> <li>• A reliance amongst employers upon migrant EU labour.</li> <li>• Low levels of innovation &amp; GVA outside the <u>agri-food</u> sector.</li> <li>• Poor survival rates amongst new enterprise</li> <li>• Poor overall connectivity.</li> <li>• An ageing population.</li> </ul>

Figure 3: A summary of the strengths and weaknesses of the South Holland economy

## 5.0 SOUTH HOLLAND: A TIPPING POINT AND CALL TO ACTION

- 5.1 The success of South Holland's economy is predicated upon its highly dominant agri-food sector. As outlined above, a range of factors is stimulating rapid automation within the industry, with a particular focus on replacing basic food processing operatives and harvesting labour on the farm.
- 5.2 This will drive demand for new skills (ICT and engineering) and provide opportunities for companies that design, manufacture, supply, install and maintain these new systems. However, without action to improve skills levels, it could lead to unemployment and economic decline.
- 5.3 The South Holland economy is therefore at a tipping-point. The District can work with employers, training providers and the two LEPs' Employment & Skills Boards to upskill the workforce and to build new houses for skilled in-migrants, or it can spectate as employers import equipment (and in the short-term, labour) from countries that have already made this switch. And watch as, over time, geographically footloose companies re-locate to places that can offer a local pool of appropriately qualified labour.
- 5.4 The challenge is considerable and will require focussed support from a coordinated public sector, in relation to the carefully determined collection of 'Place', People' and 'Business' activities articulated within tables 3 and 4, below. If this can be achieved, South Holland is well-placed to become the economic centre of an agri-food cluster, enhanced in terms of salaries paid to skilled employees and its contribution to regional GVA.

## 6.0 THE SOUTH HOLLAND OPEN FOR BUSINESS ACTION PLAN

6.1 The Appendix to this report links actions, timescales and officer-level ownership to the key strategic economic drivers. **This is the draft South Holland Open for Business Action Plan.**

## 7.0 OPTIONS

7.1 **Option 1** – That Cabinet adopt the ‘Open for Business’ Action Plan as set out in the Appendix to this report.

7.2 **Option 2** – That Cabinet does not adopt the ‘Open for Business’ approach as set out in the Appendix to this report.

7.3 **Option 3** – That Cabinet adopts the ‘Open for Business’ Action Plan as set out in the Appendix to this report, with amendments.

## 8.0 REASONS FOR RECOMMENDATION

8.1 **Option 1** - The Council is already pursuing its pivotal role within the district’s growth agenda to fulfil its commitment within our corporate plan priority ‘**To support the local economy to be vibrant with continued growth**’.

8.2 The Council has an opportunity to refresh its approach to economic and business growth to ensure it meets local business needs and maximises its contribution to the prosperity of the district. This in a context where the two LEPs have resources to commit to local and national economic growth priorities.

## 9.0 EXPECTED BENEFITS

9.1 The Open for Business Action plan focuses the activities of the economic development team and related services on those drivers that have a demonstrable and evidence-based impact upon the economy.

9.2 Tangible economic benefits will come from the activities and projects that the ‘Open for Business’ approach delivers and will be measured by the Council’s corporate and team plans, performance management systems and project evaluation reports.

9.3 Overall the district should see measurable growth in jobs, housing, inward investment, business turnover figures, infrastructure development, Gross Domestic Product (GDP) and Gross Value Added (GVA).

## 10.0 IMPLICATIONS

### 10.1 Constitution & Legal

10.1.1 This is a non-statutory service. The council has general powers that permit such projects, including s1 Localism Act 2011. Legislation and the Council’s Constitution designate this matter as an executive function.

10.1.2 Changes have already been made to the constitution to facilitate better access for local suppliers to council contracts subject of course of course to all legal requirements being complied with. Further review of the Council’s processes will be undertaken in the light of ongoing engagement with suppliers.

10.1.3 South Holland DC is an “overlapping Council”, in that it is a member of two LEPs – Greater Cambridgeshire & Greater Peterborough, and Greater Lincolnshire. This is in

recognition of its economic geography and of the Council's objective to maximise the impact of the growth of Peterborough within South Holland.

## 10.2 **Corporate Priorities**

10.2.1 'To support the local economy to be vibrant with continued growth'.

## 10.3 **Financial**

10.3.1 It is the opinion of the Report Author that there are no direct financial implications. Critical activities within team plans will deliver the Council's corporate priorities and be funded through service budgets or through external funding sources. 'Meet the South Holland Buyer Event' can be funded within existing budgets.

## 10.4 **Risk Management**

10.4.1 No risks directly as a result of this report. Risk management will be dealt with at both a Corporate and project level.

## 10.5 **Staffing**

10.5.1 South Holland's economic development team has hitherto had an important focus in regard to the highly successful Grants4Growth programme. It is our hope that this programme will continue through a second phase. If our bid for ESIF funding for Grants4Growth is successful, it is anticipated that this will continue to sit within Economic Development/ Inward Investment. While the programme will be line-managed by the Inward Investment Manager, it is anticipated that the primary focus of the three-person economic development team will be directed to the delivery of the Open for Business agenda.

## 10.6 **Stakeholders / Consultation / Timescales**

10.6.1 Consultation on draft proposals was carried out as outlined in section 1.2. Further consultation on an arising action plan and procurement policy review will be undertaken early autumn.

## 11.0 **WARDS/COMMUNITIES AFFECTED**

11.1 All South Holland Wards.

## 12.0 **ACRONYMS**

ESIF	European Structural & Investment Funding
ICT	Information & Communication Technology
NVQ	National Vocational Qualification
GDP	Gross Domestic Product
GVA	Gross Value Added
LEP	Local Enterprise Partnership

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Background papers:- None

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### **Lead Contact Officer**

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**Key Decision:** No

**Exempt Decision:** No

**This report refers to a Discretionary Service**

**Appendices attached to this report:**

Appendix A Draft South Holland Open For Business Action Plan

## APPENDIX A: DRAFT SOUTH HOLLAND OPEN FOR BUSINESS ACTION PLAN

Key strategic economic driver	Action by SHDC	Timescale	Officer-level ownership
<b>GETTING THE BASIC DISTRICT COUNCIL FUNCTIONS RIGHT</b>			
1. Business-friendly planning and other regulatory services,	Working closely with the GL LEP and Boston DC and through planning officers, establish a Planning Charter that publicly commits the authority to a business-friendly planning service.	September 2016	Strategic Planning Manager
2. An improved public sector procurement process, aimed at supporting local businesses and enhancing local skills levels.	Hold a Meet the Buyer event to promote the opportunities for supply to SHDC with local businesses	February 2016	Inward Investment Manager
	Review procurement process with a view to improving transparency and equity, and access to opportunities by South Holland SMEs and micro-businesses.	September 2016	Director of Commercialisation
	Consider the applicability of community benefits clauses to selected contracts (especially large-scale construction-related), with a view to promoting apprenticeships and skills amongst local people.		
3. Support for practical links between South Holland business and CHE/CFEs – focussing initially upon the National Centre for Food Manufacturing at Holbeach;	Integration of physical plans for Phase 3 of the development of the National Centre for Food Manufacturing into those for the Holbeach FEZ	March 2016	Place Manager, South Holland
4. The provision of high quality and appropriate business support and signposting services;	Engage with the GL LEP. Ensure the Business Hub is providing a sufficient number of business advisers in South Holland, and that they are being utilised appropriately/ effectively	Ongoing	Inward Investment Manager
	Understand the service sector-led approach of the GCGP Business Hub. Use existing local service sector business links and the B2B networking events to enhance the GCGP 'offer' in South Holland and to create a sustainable	September 2016	Inward Investment Manager

Key strategic economic driver	Action by SHDC	Timescale	Officer-level ownership
	model for the future.		
	Review and enhance the business page of the SHDC web site.	March 2016	Inward Investment Manager
	Establish a monthly digital business newsletter, including signposts to grants and other forms of support.	April 2016	Inward Investment Manager
	Support for business-to-business networking and the sharing of information from SHDC, JCP, LEPs, etc, through a commitment to hosting and funding a 2-monthly 'top businesses' breakfast networking event.	Ongoing	Inward Investment Manager
	Manage and deliver a new Grants4Growth Programme.	January 2016	Inward Investment Manager
<b>PROMOTING AND DELIVERY MANAGING A SMALL NUMBER OF TRANSFORMATIONAL PROJECTS</b>			
5. Improved infrastructure (roads and digital) to accommodate anticipated demographic and economic growth, including:			
Dualling of the A16;	Use the opportunity presented by the SHDC CEO portfolio lead for the Greater Lincolnshire Infrastructure Strategy, to influence and lobby for these schemes.	Long-term.	CEO, supported by Exec Manager for Growth
Dualling of the A17 between Holbeach and Heckington			
The proposed Spalding Rail Freight Interchange	Local business-led		
Enhancements to digital broadband speeds and connectivity.	Decision-making re priority roll-out relatively set. However, use opportunities of LEP engagement to influence onlincolnshire – especially re employment and rural areas.	Medium-term	Inward Investment Manager
6. Support for the following strategic priorities:			
A 'whole town' approach to the regeneration and growth of Spalding, including the Spalding Western Relief Road	Identification of a 'menu' of potential projects, tools and methods, along with an estimate of impact, risk and cost.	March 2016	Executive Manager Growth
	Formal dialogue with Members and partners (including the Chamber of Commerce and town	Ongoing	

Key strategic economic driver	Action by SHDC	Timescale	Officer-level ownership
	centre retailers).		
	Agreement re an Action Plan (including actual and potential funding sources).	June 2016	
The Holbeach Food Enterprise Zone	Land assembly and creation of the framework for an LDO	Present – March 2016	Place Manager, South Holland
	Consultation with Members and private and public sector partners re the nature of a Holbeach FEZ	April 2016	Executive Manager Growth
	Establishment of a privately-led Delivery Board	September 2016	Executive Manager Growth
	Creation of a Programme Plan, risk and benefits matrices, etc.	February 2016	Programme Delivery Manager
	Delivery against agreed priorities	Ongoing	Executive Growth Manager
Housing growth	Delivery of housing growth as an economic driver and means to enhance skills levels.	Ongoing	Strategic Planning Manager
<b>STRENGTHENING PARTNERSHIP WORKING</b>			
7. Building excellent strategic relationships with neighbouring local authorities, sub-regional organisations, emerging combined authorities and key influencing personalities, with a view to optimising benefit for South Holland's economy.	a) Creating an optimal operating environment to enable more tangible deals to be done.	Ongoing	CEO Director of Commercialisation
8. Support for much improved FE provision in South Holland and neighbouring places, and HE provision in Peterborough;	a) Use membership of high-level groupings, and regional relationship to influence the decisions of colleges and universities. Create attractive offers for skills providers.	Long-term	Executive Manager for Growth
	b) Engage with the officer-level activities of the GL ESB and the GCGP ESB. Influence a review of strategies, policies and the deployment of resources to meet South Holland's skills requirements.	Ongoing	Inward Investment Manager

Key strategic economic driver	Action by SHDC	Timescale	Officer-level ownership
9. Encouragement and support for workplace-based training, particularly apprenticeships;	a) Through structured conversations with local businesses, hone understanding of the local skills needs of employers.	Ongoing	Inward Investment Manager
	b) Engage with the officer-level activities of the GL ESB and the GCGP ESB. Influence a review of strategies, policies and the deployment of resources to meet South Holland's skills requirements.	Ongoing	Inward Investment Manager
	c) Appoint an apprentice to support the Inward Investment team	March 2016	Inward Investment Manager
10. Provision of information and connections for local businesses, to enable them to use the facilities of JCP to recruit labour from local, regional and super-regional pools	Through structured conversations with local businesses, hone understanding of the local skills needs of employers. a) Through a B2B networking event, enable JCP to share its offer to business. Reinforce this message regularly through subsequent events (see below).	September 2016	Inward Investment Manager
11. Sector-related support for growth in the agri-tech and related sectors such as logistics (through indigenous growth and inward investment);	a) Enhance understanding of the growth-requirements of local businesses by instituting a programme of visits to South Holland's 'top 50' businesses. These would be followed up by action, most likely on Planning, Regulation and Skills – related matters.	Ongoing	Inward Investment Manager
	b) Establish a South Holland Agriculture and Horticulture Board, linked with the Lincs Agriculture & Horticulture Forum and planned Lincolnshire Food Board.	April 2016	Director of Commercialisation
12. Support for high potential growth start-ups, particularly focussed upon survival beyond the second year of operation;	Develop proposals for a project, probably linked to the Holbeach FEZ that would provide sustainable business incubation facilities and support for potentially high-growth start-ups.	April 2016/ ongoing.	Executive Manager for Growth

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# Agenda Item 8.

## SOUTH HOLLAND DISTRICT COUNCIL

**Report of:** Portfolio Holder Finance and the Executive Director Commercialisation (S151)

**To:** Cabinet – 16 February 2016

**(Author:** Ken Trotter-Interim Chief Accountant)

**Subject:** Financial Forecast Outturn Quarter Three 2015-16

**Purpose:** This report provides information on the draft year end financial position of the Council, as at 31<sup>st</sup> December 2015. For information and to approve recommendations

### **Recommendations to Full Council:**

1. That the report and Appendix 1 be noted;
2. That £164,000 of Local authority useable capital receipts be used for any capital purpose within the Council as defined by the Local Government Act 2003 (as Amended);
3. That £1,660,000 of Accelerated funding of the Minimum Revenue Provision (borrowing repayment in year) is agreed in accordance with paragraphs 5.1.5 & 5.1.6 of this report which includes a £723,000 contribution from the Council Tax reserve, use of in year savings of £773,000 and application of £164,000 of useable capital receipts;
4. To agree that useful life criteria as identified in paragraph 5.1.7 of the report is adopted for current and future use;
5. To agree the establishment of £100,000 in the Council Tax reserve in respect of potential additional costs from a revised specification of the Grounds maintenance and Street cleansing services as per paragraph 5.1.8 of this report; and
6. To agree in principle to the restructuring of council reserves in line with paragraph 5.1.9 of this report.

### **1.0 BACKGROUND**

- 1.1 This report provides information on the projected full year financial performance in the following areas
- 1.2 Revenue Budgets for the General Fund (GF), Housing Revenue Account (HRA) and Spalding Special Expenses are examined in detail
- 1.3 Balance sheet Reserves position and collection performance for all major income streams
- 1.4 Capital Programme position statement GF & HRA
- 1.5 Treasury performance year to date

## 2.0 OPTIONS

2.1 To note the report and to approve the recommendations detailed in appendix 1 with amendments; and

2.2 To note the report and not approve the recommendations detailed in appendix 1.

2.3 Do Nothing

## 3.0 REASONS FOR RECOMMENDATIONS

3.1 To provide timely information to Members on the overall finances of the Council and to make the best use of resources available.

## 4.0 EXPECTED BENEFITS

4.1 To ensure that Members are updated regularly on the overall Council financial position and to act on any budget amendments required to reflect the latest position of spend and income.

## 5.0 IMPLICATIONS

### 5.1 Financial

5.1.1 The report is of a financial nature and financial details are included within the appendix.

5.1.2 The Draft Budget and Medium Term Financial plan were presented to a Joint meeting of the Performance Monitoring Panel & the Policy Development panel on 14<sup>th</sup> December 2015. A presentation was also given which explained the history of the acquisition of the refuse vehicles in 2014/15 and why a minimum revenue provision was necessary in future years. The committee reviewed the use of usable capital receipts and recommended that *“in the absence of a policy on how the Council will use residual receipts from Right to buy sales, £164,000 useable capital receipts from housing sales be utilised towards the capital expenditure costs for the refuse vehicles”* as identified in Table 2 of Appendix 1

5.1.3 The Housing Revenue Account quarter two financial forecast together with the draft 2016/17 budget & Medium Term Financial Plan were presented to a special meeting of the Governance and Audit committee on 21<sup>st</sup> January 2016. The Forecast report was noted with no concerns recorded by the committee. In respect of the Draft Budget & Medium Term Financial Plan it was agreed the following outcomes be reported back to Cabinet: *“That the HRA draft capital and revenue budget estimates, the medium term financial plan and the capital strategy be forwarded for consideration by the Cabinet; That with regard to the National Rent Policy, it be recommended to the Council that it do nothing until the Welfare Reform & Work Bill had gone through Parliament and the National Rent Policy had been set; and That it be recommended to the Council that the revisions to the Asset Management Plan, particularly in respect of useful life changes proposed for current and future use, be adopted.”*

5.1.4 A report on the history of the weekly waste collection support grant was also reviewed by the Governance & Audit Committee and it was agreed that the following outcomes be reported back to the Cabinet: *“that the Committee considered that the scheme conditions had been fulfilled and that monies had been expended in line with these conditions; and that the Committee considered that the remaining balance of funds should be released from Reserves in the 2015/16 financial year.”* A presentation on the workings of the prudential borrowing code was also given which supplemented the Treasury management strategy

considered by the committee in December 2015 and this used the acquisition of the Refuse vehicles as a working example to explain the technical differences between the Capital Financing Requirement (Borrowing Need) and the Minimum Revenue Provision (Borrowing repayment).

- 5.1.5 Statutory accounting adjustments are proposed in respect of accelerated funding for Waste collection vehicles acquired in 2014/15. The net cost of these vehicles to the council was £1,507k and there is a Minimum Revenue Provision charge of £243k expected in 2015/16. Net funding of £1,213k to repay internal borrowing is therefore sought in order to avoid Budget pressure in future years. Table 2 of Appendix 1 identifies the source of this required funding.
- 5.1.6 Detailed work on the Capital Financing Requirement (CFR) of the General Fund was carried out in the quarter and it identified other internal borrowing from pre 2008 which also demands, under regulations, a MRP charge in future years. Net Funding of £396,000 is required to reduce the CFR to nil for MRP purposes. This change also reflects the debt free position of the General Fund at this time. Table 2 of Appendix 1 identifies the source of this required funding.
- 5.1.7 Replacement of dwelling components is based on the premise that only assets that have failed will be replaced. Useful life criteria adopted in 2012 has been examined and changes are proposed in line with actual experience over the last 4 years. These changes will be introduced into the new asset management system during installation and will also facilitate component accounting when it is introduced to Local government. Table 10 of Appendix 1 identifies the required changes.
- 5.1.8 The Pride in South Holland project is due to be completed in 2015/16. The results of the project have been provisionally reviewed and a further phase of activity is proposed for 2016/17. £100k from the environmental services savings is to be transferred to the council tax reserve as potential financing. The Street Cleansing standard is to be reviewed in 2016/17 together with the terms of reference for Grounds Maintenance with a view to incorporating the principles of the pride project into these functions within a revised specification for both services. The environmental services budget is being examined as part of the Moving forward programme and any changes associated with the pride project will be submitted as part of the Draft Budget & Medium Term Financial plan activity in 2016/17.
- 5.1.9 Reserves are monitored in year by the S151 Officer and interim chief accountant and a review of all balances has been completed during the quarter. Several reserves are to be closed and any remaining balances transferred to revenue. New reserves will be established during the closedown period at the end of the financial year in line with Table 4 in Appendix 1. These movements will be subject to external audit and examination by the Governance and Audit committee. The change in presentation reflects the Medium term financial plan and the move towards investment and growth which is required to support the introduction of local taxation during the life of this Parliament.

## 5.2 **Risk Management**

- 5.2.1 Risks are highlighted within the appendix.

## 6.0 **WARDS/COMMUNITIES AFFECTED**

- 6.1 Budget implications affect all wards.

## 7.0 ACRONYMS

7.1	<b>GF</b>	General Fund
	<b>HRA</b>	Housing Revenue account
	<b>CFR</b>	Capital financing Requirement
	<b>MRP</b>	Minimum Revenue Provision
	<b>CPBS</b>	Compass Point Business Services
	<b>RTB</b>	Right to Buy
	<b>ICT</b>	Information and communications technology
	<b>MTFP</b>	Medium Term Financial Plan
	<b>ED</b>	Economic Development

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Background papers:- None

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### **Lead Contact Officer**

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(Interim Chief Accountant (Deputy S151))

**Key Decision:** No

**Exempt Decision:** No

**This report refers both Mandatory Service and Discretionary Services**

### **Appendices attached to this report:**

Appendix 1 - Financial Report for the quarter ending 31<sup>st</sup> December 2015

## South Holland District Council

### Financial Report for the quarter ending December 2015

#### Revenue Budget

#### General Fund

Total Budget requirement for the year is £12,403,000 as approved by Council on 20<sup>th</sup> February 2015.

Forecast out turn for 2015/16 is £12,159,000 (98%) which is £244,000 lower than budget and is analysed in Table 1. These savings will be assigned to the council tax reserve at the end of the year.

**Table 1 –Revenue forecast Outturn**

Major Variances	Expenditure (Under)/Over budget £'000	Income (Over)/ under budget £'000	Total (Over) /Under Budget £'000	Comments
<b>Corporate Contingency</b>	<b>24</b>	<b>(55)</b>	<b>(31)</b>	<b>Brought forward from Q1</b>
HRA service Review		(384)	(384)	Review of HRA service Costs
Recurring variance exercise	(60)	(18)	(78)	Agreed with budget holders
Homelessness grants budget	(28)		(28)	Commitments review
Lease mowers	(25)		(25)	New leased mowers savings
Members pensions	(29)		(29)	Pension scheme ceased
CPBS contract inflation	(39)		(39)	1% inflation not agreed
<b>Recurring savings</b>	<b>(181)</b>	<b>(402)</b>	<b>(583)</b>	
Devolution project	30		30	Greater Lincolnshire bid
Planning application income		(54)	(54)	Major applications
Legal services	(38)	(26)	(64)	Demand led service. 14/15
ICT invest to save	35		35	Oracle savings 20k savings
Salary Forecast	36		36	Invest to save - £157k cost
Investment income		(25)	(25)	Improved investment returns
Funding- Personal search fees		(57)	(57)	Windfall personal search fee
Funding-New Burdens		(19)	(19)	Additional new burdens
Environmental Services	37	(173)	(136)	Weekly collection grant /
Transfer from Insurance reserve		(37)	(37)	
Statutory accounting adjustments	1,660		1,660	Voluntary MRP (Table 2)
Transfer to Earmarked Reserves	100		100	Pride in South Holland
Transfer from earmarked reserves		(723)	(723)	Council tax reserve
Capital Expenditure financed from reserve		(164)	(164)	Useable Capital Receipts
<b>One off adjustments</b>	<b>1,860</b>	<b>(1,278)</b>	<b>582</b>	

<b>Total corporate contingency</b>	<b>1,703</b>	<b>(1,735)</b>	<b>(32)</b>	
Funding-forecast Q3		(202)	(202)	NNDR additional income
Funding-New Homes Bonus		(10)	(10)	Final grant determination
<b>Sub total funding adjustments</b>	<b>0</b>	<b>(212)</b>	<b>(212)</b>	
<b>Total Forecast budget Savings</b>	<b>1,703</b>	<b>(1,947)</b>	<b>(244)</b>	

## **HRA & Other Recurring Savings (£583,000)**

### **Housing Revenue Account (HRA) Service Review (£384,000)**

A review of all services provided to the HRA has been completed as part of the Medium Term Financial Plan for 2016-17 to 2019-20

Compass Point Business Services activities in respect of: Rent income; rent accounting; responsive repairs & maintenance and Capital Programme accounting were examined as additional management activity is present in all these areas. Apportionment of costs was further examined as our partner Authority (East Lindsey District Council) no longer has an active HRA. Additional costs of approximately £150k were identified and the cost allocation model adjusted accordingly.

Treasury management, including debt management is an integral part of the function of the HRA. This was identified separately under the Housing Subsidy Regime but was omitted from the budget and Business plan approved under self financing regulations. Cost of £75k including treasury advisory service has been identified (£43k in 2011 before additional borrowing of £67m) and this is now being correctly charged to the HRA.

Corporate & Democratic core costs have not been reviewed since the inception of self-financing and have been charged at £335k without adjustment. Corporate management budgets and Members activities & costs have been reorganised during this time and an additional £75k approx. is to be charged to the HRA based on an officer assessment of management & member time required for strategic management of the service.

Member's budgets for Area wide improvements are currently funded entirely from the General fund and a £19k contribution from the HRA based on good Landlord practise has been identified.

Landlord services within the HRA are also being examined in respect of core / non-core activities. Life-line alarms are classified as non-core and therefore management of the function is to be transferred to Community Development. As part of this transfer £65k of income from services to private residents has been identified which will be subject to commercialisation in the future and accordingly will be accounted for in the Community Development Budget. Other potential assets which benefit the wider community are currently being examined for inclusion in 2016/17 commercialisation projects. A separate report on garages / car parking spaces for rent is included on the agenda for cabinet on 16<sup>th</sup> February 2016.

The overall position of the HRA was examined in detail by the Governance & Audit committee on 21<sup>st</sup> January 2016.

## Other Recurring Savings (£199,000)

All budgets are subject to a rolling review and additional savings have been identified, and agreed with budget holders, during the current budget setting phase of the Medium term Financial Plan.

The Members Pension scheme has been closed with no new members being admitted in accordance with the Local Government Pension Scheme (Transitional Provision, Savings and Amendment) Regulations 2014 which came into effect on 1 April 2014. Regulation 26 revoked the previous councillor provisions. Budget reduction is in respect of new council contributions no longer necessary.

CPBS contract inflation applied in the 2015/16 Budget has been deleted as it has been agreed that this can be financed from efficiency savings in the contract.

## One off adjustments Net cost £582,000

### Statutory Accounting Adjustments Net Cost £773,000

Between 2013 & 2015 the Waste collection fleet (30 vehicles) was replaced including 8 Refuse freighters which were financed from the capital element of the weekly waste collection support grant awarded in 2012. Lease funding was used previously for the fleet but this replacement programme was funded from cash balances rather than external financing. The use of these funds however constituted internal borrowing which is reflected in a charge to the revenue budget based on the Minimum Revenue Provision (MRP) policy. This policy was changed in 2014/15, in line with central government guidelines, with the charge to revenue being based on the useful life of the asset rather than a 4% flat charge as per previous guidelines. Net cost of replacement vehicles was £1,507k (after Grant funding of approx. £960k) and the useful life of the vehicles is set at 7 years for Depreciation & MRP purposes giving an annual charge to the revenue budget of approx. £215k. This charge contributed to the shortfall identified in the Medium Term Financial Plan in 2015/16 and a change to Financing is recommended to avoid future pressure in the budget from this acquisition as set out in table 2.

Detailed work on the General Fund Capital Financing Requirement (CFR) was carried out during the quarter which identified other internal borrowing from pre 2008 capital expenditure which also demands, under regulations, an MRP charge in future years. Other minor items relate to a scheme financed from borrowing and the identification of Finance Lease obligations.

**Table 2 – Capital financing**

Area	£ 000's	£ 000's	Comment
Refuse Vehicles	1,507		Borrowing Need (internal)
Pre 2008 Expenditure	362		Borrowing Need (internal)
Power Optimisation Project	21		Borrowing Need (internal)
Finance Lease obligations	13		Borrowing Need (internal)
MRP charge in 2015/16	(243)		Borrowing Repayment
<b>Net Balance to be Financed</b>		<b>1,660</b>	
In Year Savings	(773)		As per Table 1
Useable Capital Receipts	(164)		Recommended by PMP & PDP
Council Tax Reserve	(723)	(1,660)	One off charge
<b>Net Balance to be Financed</b>		<b>0</b>	

**NB:** Treatment of technical adjustments in the annual statement of accounts has been provisionally agreed with the external Auditors using voluntary MRP (Accelerated repayment of debt to avoid charges to the revenue budget in future years).

Due to invigorated Right to buy regulations annual sales of dwellings have increased to 20 from 7 assumed in the HRA Business plan. A portion of the receipts from these sales is available for capital expenditure in the Authority as defined in s11 of the Local Government Act 2003 (as amended). It is recommended that the policy of the council be confirmed in accordance with the provisions of the act i.e. useable capital receipts can be applied to any legitimate capital purpose.

The council tax reserve is able to bear this one off charge without any additional pressure on the revenue budget or the reserve position in respect of risks going forward. Other reserves or in year savings may be used if they become available during the closedown of the accounts in March 2016. Any such changes will be included in the Out turn report for the 2015/16 financial year.

#### **Other one off net savings (£191,000)**

Earmarked reserves have been reviewed during the quarter and several reserves are to be closed in respect of income received in advance.

All conditions of the weekly waste collection grant have been met and the balance of the grant of £173k has been released. This represents project costs that had not been charged correctly over the life of the grant. The Planning Reserve included fees received in advance of £154k and as all work associated with relevant applications has been completed the income has been released. The forecast for planning fees is now £654k which is £54k above budget.

The Pride in South Holland project is due to be completed in 2015/16. The results of the project have been provisionally reviewed and a further phase of activity is proposed for 2016/17. £100k from the environmental services savings is to be transferred to the council tax reserve as potential financing. The Street Cleansing standard is to be reviewed in 2016/17 together with the terms of reference for Grounds Maintenance with a view to incorporating the principles of the pride project into these functions within a revised specification for both services. The environmental services budget is being examined as part of the Moving forward programme and any changes associated with the pride project and the transformation review will be submitted as part of the Draft Budget & Medium Term Financial plan activity in 2016/17.

The Devolution bid and associated project activities for Greater Lincolnshire are in progress and is supported by external expertise at a cost of £30k for 2015/16. A further £30k is likely to be incurred in 2016/17.

Environmental services have three insurance claims in year and excess charges of £37k have been incurred. This has been financed from the Insurance reserve.

Other net savings of £94k include recovery of personal fee costs (£57k), additional investment income (£25k), New Burdens Grant (£19k) and a refund of 2014/15 legal costs £64k offset by invest to save costs in ITC (£35k) and senior salaries (£36k)

#### **Funding (£212,000)**

Additional income in this area is likely to be moved to earmarked reserves at the end of the financial year.

National Non Domestic Rates income is forecast £202k over budget. However the position in respect of appeals from 2005 & 2010 rateable valuation adjustments is not yet secure. Possible appeals from NHS trusts have been identified during the quarter and the provision for appeals is forecast at approx. £1.4m at the end of the year.

New Homes bonus does not support the base budget, with in year income being moved to reserves except for £262k agreed as part of the budget setting process and £24k to fund an empty homes officer post.

Revenues & Benefits expenditure is being closely monitored following the additional burden placed on the budget in 2014/15 from LA error and the subsequent loss of subsidy. Current performance is forecast to achieve budget in 2015/16 which is based on LA error being below the threshold in Housing Benefit regulations for Subsidy purposes.. Revised monitoring reports are in progress and a full analysis of the area has been compiled. However empirical data indicates adjustments are made post audit which is carried out in October / November of each year and therefore additional checks are being performed in all areas of the system to verify the position and underpin the latest forecast. The Council Tax reserve contains an operational risk balance for items of this nature.

### Members Budgets

Members have a budget of £15,000 for the term of office (£111k p.a. in the budget). These are closely monitored and reported on in the course of the year. Year to date expenditure is £49k any amount under or over the budget will be transferred to / from an earmarked reserve at the end of the financial year.

## Housing Revenue Account

Total Budget requirement for the year is £391,000, £147,000 as approved by Council on 20<sup>th</sup> February 2015 and £244,000 of capital expenditure carried forward from the 2014/15 programme approved by council on 24<sup>th</sup> June 2015. Forecast out turn for 2015/16 is nil and main variances are analysed in Table 3

**Table 3: HRA Major Variances**

	Expenditure	Income	Total	
	£'000	£'000	£'000	Comments
Approved HRA net expenditure	147		147	
C/F of capital budgets from 14-15	244		244	Capital programme 14-15 c/f into 15-16 (approved Q4)
<b>Revised budget</b>	<b>391</b>		<b>391</b>	
Service Charges	52	747	799	Recharges deleted
Supervision & Management	150		150	Revised Central services costs
Revised Corporate & Democratic Core costs	75		75	management & members changes since 2011/12.
Contribution to Members Budgets	19		19	Contribution to area wide improvements
Debt Management	75		75	Treasury Activity including investments
Supervision & Management	(37)		(37)	Vacancy management
Property maintenance	(973)		(973)	Revised Position in line with 2014/15 Out turn and

				informed by a mid year review of all work streams
Bad debt provision	(273)		(273)	Revised provision in line with 2014/15 Out turn and informed by a mid year review of collection performance
Revenue contributions to Capital Expenditure	(166)		(166)	Revised capital programme & Future investment
London Consortium share		(75)	(75)	Framework agreement for Capital Expenditure
Financing Charges	(52)	(9)	(61)	HRA share of additional investment income & Revised Borrowing costs
Rent Income - Non Dwellings		(24)	(24)	Improved usage of assets
Rent Income - Dwellings		100	100	Impact of increased RTB sales in 2014/15 & 2015/16 (20 units per year).
<b>Forecast Outturn</b>	<b>(739)</b>	<b>739</b>	<b>0</b>	
<b>Forecast Variance to revised budget</b>	<b>(1,130)</b>	<b>739</b>	<b>(391)</b>	

This forecast represents no change from the Quarter 2 position which was informed by a substantial review of operations that was examined in detail by the Governance & Audit committee on 21<sup>st</sup> January 2016.

Further activities in respect of the integration of General Fund and the Housing service are in progress as part of the Moving Forward Transformation programme.

## Spalding Special Expenses

Expenditure relating to Spalding Special expenses forms part of the Council's General Fund budget and is included in Table 1 above. The approved budget for 2015-16 is £218,650 of which £195,000 is funded by Spalding Taxpayers and the remainder by council tax support grant and reserve. The Band D charge for the financial year being £23.10. This represents no change to the Quarter 2 position.

## Balance Sheet

### General Fund Reserve Balances

Balances are monitored in year by the S151 Officer and interim chief accountant and a review of all balances has been completed during the quarter.

Budget Managers have been asked to confirm their intended use of earmarked reserves during 2015-16 and any non-statutory earmarked reserves are being specifically examined for purpose.

The current projection of balances in reserve as at 31<sup>st</sup> March 2016 is shown in Table 6 and this closes several reserves that are no longer necessary. All minor amounts carried forward by services have been transferred into an Operational risk balance.

The balances within the table can finance revenue and capital expenditure unless there are specific grants for capital within any individual reserves (Forecast includes 100% expenditure of existing Grants in 2015/16).

**Table 4: 2015/16 Reserve movements**

Ref	Reserve	Balance 31st March 2015	Contributions	Expenditure	Transfers	Balance 31st March 2016
1	Council Tax Funding	(4,480,129)	(730,770)	788,203	2,077,132	<b>(2,345,563)</b>
2	Transformation	(1,818,940)	0	839,331	(36,454)	<b>(1,016,063)</b>
3	GF Insurance	(256,767)	0	36,767	0	<b>(220,000)</b>
4	Repairs & Renewals	(200,924)	(136,000)	254,342	(66,441)	<b>(149,023)</b>
5	Investment & Growth	0	(694,330)	795,374	(3,401,002)	<b>(3,299,958)</b>
	<b>Earmarked Reserves</b>	<b>(6,756,760)</b>	<b>(1,561,100)</b>	<b>2,714,017</b>	<b>(1,426,764)</b>	<b>(7,030,607)</b>
	Affordable Housing	<b>(118,000)</b>	0	0	118,000	<b>0</b>
	Climate Change	<b>(47,154)</b>	0	0	47,154	<b>0</b>
	Community Cohesion	<b>(19,189)</b>	0	19,189	0	<b>0</b>
	Planning Reserve	<b>(366,872)</b>	0	236,872	130,000	<b>0</b>
	Section 106	<b>(40,080)</b>	0	0	40,080	<b>0</b>
	Spalding Special Expenses	<b>(153,823)</b>	0	17,000	136,823	<b>0</b>
	Property Acquisition Reserve	<b>(1,000,000)</b>	0	0	1,000,000	<b>0</b>
	Emergency Planning Reserve	<b>(10,000)</b>	0	10,000	0	<b>0</b>
	Capital Financing	<b>(761,708)</b>	<b>0</b>	807,000	(45,292)	<b>0</b>
	<b>Closed Reserves</b>	<b>(2,516,825)</b>	<b>0</b>	<b>1,090,061</b>	<b>1,426,764</b>	<b>0</b>
	<b>Total GF Specific Reserves</b>	<b>(9,273,585)</b>	<b>(1,561,100)</b>	<b>3,804,078</b>	<b>0</b>	<b>(7,030,607)</b>

NB: Balances include all movements proposed in this report

In addition to these specific reserves there is a General Fund working balance of £2,023,000.

Council Tax funding is used for operational risks including loss of Housing Benefit subsidy, Rates Appeals and other movements required by services. Any release of this reserve to services will be controlled by the introduction of a business case approach in 2016/17 which will be administered by the s151 officer.

Transformation is specifically for the Moving Forward Programme and will be managed by the Transformation Board.

Insurance is required for excess costs on claims that may be incurred by services.

Repairs & Renewals is a medium term mechanism for planned maintenance mainly in respect of council buildings and is administered by Asset & Property.

Investment & Growth will be administered on a Business case basis for all applications which will be examined in the first instance by the Strategic Growth Group before submission to the Executive management team and Cabinet.

This review of balances will be completed at the end of the Financial Year as part of the Annual Statement of Accounts activity and a full analysis of all movements will be presented to Cabinet in the annual out turn report for approval.

## Council Tax Collection

At the end of December 2015, the collection rate for council tax was 86.10% against a collectable debit of £39.1m.

**Table 5: 2015 / 16 Collection Performance**

	October	November	December
<b>Year</b>	<b>% Collected</b>	<b>% Collected</b>	<b>% Collected</b>
2015-16	67.60%	76.80%	86.10%
2014-15	67.74%	77.02%	86.29%

## Business Rates Collection

At the end of December 2015 the collection rate was 85.05% against a collectable debit of £27.4m.

**Table 6: 2015 / 16 Collection Performance**

	October	November	December
<b>Year</b>	<b>% Collected</b>	<b>% Collected</b>	<b>% Collected</b>
2015-16	67.10%	75.86%	85.05%
2014-15	67.70%	75.75%	85.03%

All debt is currently being reviewed in preparation for the end of the financial year. This will entail a 100% collectability review and this in turn will inform a write off report.

This write off report will be issued in June 2016 for approval and the details of the collectability review results will be included in the 2015/16 Out Turn report.

## HRA Reserve Balances

The HRA General reserve can be used for revenue or capital purposes and the Major Repairs Reserve can be used for capital purposes including repayment of debt.

The quarter three position reflects no change to the previous position reported in December 2015.

As part of an overall Treasury management review the Capital Financing Requirement of the HRA will be examined in 2016/17 together with available borrowing capacity to determine the limit of borrowing available which could potentially be used to support an increase in the Affordable Housing programme in the future.

**Table 7: Projection of Reserve Balances**

Housing Revenue Account Reserves	Total £000's
Cumulative Working Balance	8,968
Budget 2015-16	(147)
Rollover of capital programme from 2014-15 approved	(244)
<b>Forecast outturn variance</b>	<b>391</b>
<b>Forecast balance on the HRA at 31.3.16</b>	<b>8,968</b>
Insurance Reserve	200
Major Repairs Reserve	2,409
<b>Total HRA reserves at 31.3.16</b>	<b>11,577</b>

**Housing Rent Collection (HRA)**

At week 40 the collection rate was 99.07% against a collectable debit of £10.1m.

**Table 8: Rent collection performance**

Key performance Indicator	Collection performance 2014-15 Week 40	Collection performance 2015-16 Week 40
% of income collected	99.79%	99.07%
Bad Debt write off	£9,510	£33,224

All debt is currently being reviewed in preparation for the end of the financial year. This will entail a 100% collectability review and this in turn will inform a write off report.

This write off report will be issued in June 2016 for approval and the details of the collectability review results will be included in the 2015/16 Out Turn report.

## Capital Budget

All programmes have been reviewed and a revised position statement is shown below.

**Table 9 – Forecast out turn**

	Original Budget	Approved Budget	Quarter 3	Forecast	Variance
	2015-16	2015-16	Actuals	2015-16	
	£000's	£000's	£000's	£000's	£000's
<b>Commissioning</b>					
Priory Road					
Assets and Property - Other	99	60	8	25	(35)
ICT Schemes	330	359	4	52	(307)
Housing - Gypsy and Travellers Sites	550	550	68	275	(275)
Private Sector Housing	451	400	134	350	(50)
Environmental Services	49	49	0	0	(49)
Environmental Health	30	83	83	83	0
Planning					
<b>Total Commissioning</b>	<b>1,509</b>	<b>1,501</b>	<b>297</b>	<b>785</b>	<b>(716)</b>
<b>Place and Governance</b>					
Community Development - Leisure	40	50	0	4	(46)
Community Development -CCTV	0	10	0	10	0
Economic Development	607	1,503	520	1,449	(54)
Democratic Services	0	57	0	57	0
<b>Total Place and Governance</b>	<b>647</b>	<b>1,620</b>	<b>520</b>	<b>1,520</b>	<b>(100)</b>
<b>HRA</b>					
<b>Public Sector Housing</b>					
Improvements & Enhancements of Council Dwellings	6,248	6,248	2,443	4,108	(2,140)
Improvements to Waste water Treatments	60	60	0	60	0
Other	533	631	528	727	96
Disabled Adaptations - Public	395	466	162	466	0
ICT Schemes	20	95	37	85	(10)
<b>Total HRA</b>	<b>7,256</b>	<b>7,500</b>	<b>3,170</b>	<b>5,446</b>	<b>(2,054)</b>
<b>Grand Total</b>	<b>9,412</b>	<b>10,621</b>	<b>3,987</b>	<b>7,751</b>	<b>(2,870)</b>

**Table 9 – Forecast out turn**

	Approved Budget	Forecast	Variance
	£'000	£'000	£'000
Use of Capital Receipts	697	673	(24)
Capital Grants and Contributions	1,510	1,235	(275)
Direct Revenue Funding/Use of Reserves	8,414	5,843	(2,571)
<b>Total</b>	<b>10,621</b>	<b>7,751</b>	<b>(2,870)</b>

**General Fund Capital Programme**

Project reviews have been completed in respect of expenditure and financing in the current year. The 2<sup>nd</sup> phase of the review is in progress and is examining the original estimates for each project to determine likely costs going forward. These will be analysed in respect of direct works, external fees & internal fees as an initial step and project financial records will be introduced as part of monitoring for 2016/17 onwards.

This review will also inform any requests for carry forward of budget which will be included in the 2015/16 out turn report

ICT schemes are being re-examined technically to ensure they meet all the requirements of the Digitalisation theme within the Moving forward Programme.

The Gypsies & Travellers sites project has suffered some delays in respect of discussions with Highways and provision of electricity to site. Project has commenced and is forecast to be completed by the end of June 2016.

Economic Development (ED) projects include a Broadband contribution to Lincolnshire County Council at £607k. Officer discussions from both authorities are in progress to finalise this cost as the project is complete. Work on industrial units on Creese Grove is due to commence in March 2016 with a total budget of £60k and forecast expenditure of £6k.

Grants for Growth £520k is also included in the ED forecast but this was omitted from the original budget. All activity is funded from external grants.

Discussions on the acquisition of Open space in Moulton Park are at an advanced stage and £316k has been included in the ED forecast. This will be funded from the Investment & Growth reserve. A portfolio holder decision is expected in February 2016 to confirm this purchase.

Discussions on the acquisition of a new microphone system for the council chamber are at an advanced stage and £57k has been included in the forecast. This will be funded from the Capital Financing reserve. A portfolio holder decision is expected in February 2016 to confirm this purchase.

## HRA Capital Programme

All works to stock activities have been examined and accounting treatment between revenue and capital redefined in line with component accounting regulations.

Planned maintenance is funded directly from revenue and includes items such as External Painting & Gas Servicing. Asbestos management was previously classified as capital expenditure but as no asset creation is present this has been re-classified as planned maintenance.

The Decent Homes replacement activities are based on information from the HRA Codeman asset management system. The system includes representative useful asset life assumptions and this in turn generates a forecast for replacement. The system has become unstable due to lack of support and a new system is currently being installed.

The current budget is based on this forecast data but the actual management system includes a further step which is to determine condition of the component.

In order to ensure that only assets that require replacement due to failure are actioned in the programme a change in useful life criteria is proposed. This will extend the replacement time for existing records which will allow individual component condition to be determined before replacement action is considered. The change will also reflect actual experience of asset life since the inception of self-financing to the HRA.

It is not anticipated that any of the reductions in the HRA programme will result in carry forward requests at the end of the financial year.

The projection shown in table 9 is after examining all existing Codeman forecast records in respect of condition to ensure that only assets that require replacement based on this criteria are in the programme.

Useful Life data for all Dwelling components was approved by Council in 2012 and it is recommended that the changes identified in Table 10 are adopted for all future programme replacements.

**Table 10: Useful life Criteria – HRA Dwelling components**

<b>Component</b>	<b>Existing Useful Life</b>	<b>Proposed Useful Life</b>	<b>Comments</b>
Roof	60	<b>72</b>	Concrete tiles
Kitchen	20	<b>25</b>	As near neighbour – EL
Bathroom	25	<b>30</b>	As near neighbour – EL

Further changes to life cycles may be necessary due to changes in technology in respect of Central Heating systems which are currently being examined.

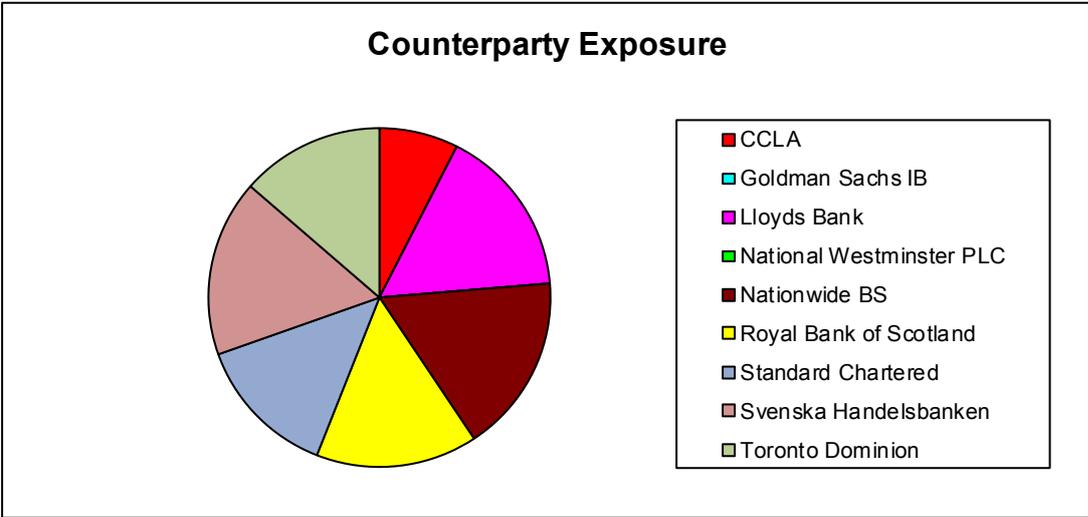
This was discussed and examined in detail by the Governance & Audit committee on 21<sup>st</sup> January 2016 in conjunction with the Housing Landlord Manager.

# Treasury

## Security

The Council has not adopted any formal benchmarks for the management of risk as Officers believe that decisions on counterparties and maximum investment levels are adequate to monitor the current and trend positions and amend the operational strategy to manage risk as conditions change. The Council uses the creditworthiness service provided by Capita Asset Services which provides a maximum duration for investments depending on the colour rating calculated for each financial institution. All investments held by the Council are within the recommended maximum duration.

The chart below shows how the Council’s funds are spread between differing counterparties.



## Cash

The Council’s average level of deposits at the end of Quarter 3 was £32.4m. As at 31<sup>st</sup> December the Council had £7.4m instant access cash available to meet cash flow requirements.

## Yield

Budget Interest 2015-16	£154,800 (£126k General Fund and £28.8k HRA.)
Actual Interest achieved to 31/12/15	£168,600
Estimated Outturn for 2015-16 HRA.)	£220,000 (£162.6k General Fund and £37.4k HRA.)
Target yield (Average 3 month LIBID)	0.43%
Actual Yield achieved to 31/12/15	0.69%
Actual Yield in 2014-15	0.645%
Actual Yield as at Q3 2014-15	0.634%

## **External Borrowing**

The Council borrowed £67.456m from the PWLB on 28<sup>th</sup> March 2012 to meet its obligations under the Housing Revenue Finance Reforms. This was borrowed for a period of 50 years on a maturity basis at a rate of 3.48%. No new borrowing has been undertaken or is planned this financial year.